

**A PROPOSED INTEGRATED QARDHUL HASAN AND
EQUITY-BASED MICRO-ENTERPRISE DEVELOPMENT
(IQEMD) MODEL FOR MICRO-ENTERPRISES IN
KANDAHAR, AFGHANISTAN**

**BY
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**A dissertation submitted in fulfilment of the requirement for
the degree of Doctor of Philosophy in Economics**

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ABSTRACT

This study has developed the Integrated Qardhul Hasan and Equity-based Micro-enterprise Development (IQEMD) model that is aimed at enhancing financial and human capital development services for micro-enterprises. This model is mainly composed of three components: donors, Islamic microfinance institutions (IsMFIs), and micro-enterprises. The IsMFI will provide financing services in the form of Qardhul Hasan combined with human capital development services to economically poor micro-enterprises, with the aim of advancing them to the second stage of development where they become economically viable micro-enterprises. Then, the IsMFI can offer them Islamic equity-based financing arrangements such as Musharakah and Mudharaba. For human capital development, the IsMFI will build a training center where economically poor micro-enterprises can learn different skills development programs to equip them with various skills related to micro-enterprise development. Particularly, the model suggests ways of improving and meeting the financial and human capital development needs of micro-enterprises in Kandahar. The study used a mixed-methods (qualitative and quantitative) approach. In terms of the qualitative approach, the study used interviews and thematic analysis. The interview was conducted to validate the IQEMD model in terms of its suitability, applicability, and prospects. The interview findings revealed that the experts have positive perceptions and attitudes toward the IQEMD model. Besides, the experts suggested that this model is applicable and acceptable in the context of Kandahar and can contribute to the development of micro-enterprises. In terms of the quantitative approach, the study analyzed data based on the Theory of Reasoned Action (TRA) using partial least squares structural equation modeling (PLS-SEM). The results showed that the behavioral intention of micro-entrepreneurs to use the IQEMD model is positively and significantly impacted by their attitude and subjective norms. Furthermore, using binary logistic regression analysis, the study also found predictors of the willingness of micro-entrepreneurs to use the IQEMD model in terms of financing and human capital development. The results indicated that the number of years in business, gender, use of Qardhul Hasan financing, and awareness of Islamic equity-based financing among micro-enterprises positively and significantly affect the probability of opting for the IQEMD model for financing. Meanwhile, the number of years in business, gender, and the amount of information provided positively and significantly affect the probability of opting for the IQEMD model for human capital development.

خلاصة البحث

طورت هذه الدراسة نموذجا متكاملا لتنمية المشاريع الصغيرة القائمة على القروض والأسهم (IQEMD) ويهدف إلى تعزيز خدمات تنمية رأس المال المالي والبشري للمشاريع متناهية الصغر. يتكون هذا النموذج بشكل أساسي من ثلاثة مكونات هي الجهات المانحة ومؤسسة التمويل الأصغر الإسلامية والمشاريع الصغيرة. ستقدم مؤسسة التمويل الأصغر خدمات التمويل في شكل قرض حسن جنبا إلى جنب مع خدمات تنمية رأس المال البشري للمشاريع الصغيرة الفقيرة اقتصاديا بهدف دفعها إلى المرحلة الثانية من التنمية المسماة المشاريع الصغيرة المجدية اقتصاديا. في ذلك المكان، يمكن أن تشارك مؤسسة IsMFI في تقديم التمويل الإسلامي القائم على الأسهم المشاركة والمضاربة. علاوة على ذلك، قبل الحصول على الخدمات المالية من قبل الشركات الصغيرة الفقيرة اقتصاديا يجب عليها الانضمام إلى برنامج مناسب لتنمية رأس المال البشري. ستوفر مؤسسة IsMFI مركز تدريب حيث يمكن للمشاريع الصغيرة الفقيرة اقتصاديا تعلم برامج تنمية المهارات المختلفة لتزويدهم بالمهارات المتعلقة بتنمية المشاريع الصغيرة. ومن ثم، يقترح هذا النموذج سبلا لتحسين وتلبية احتياجات المشاريع الصغيرة في قندهار من خلال توفير خدمات مالية وتنمية رأس المال البشري بأسعار معقولة. استخدمت الدراسة المنهج المختلط (النوعي والكمي). من حيث النهج النوعي، استخدمت الدراسة المقابلات والتحليل المواضيعي.

تم إجراء المقابلة للتحقق من صحة نموذج IQEMD من حيث ملاءمته وقابليته للتطبيق وآفاقه. تكشف نتائج المقابلة أن الخبراء لديهم تصورات ومواقف إيجابية تجاه نموذج IQEMD المقترح. وإلى جانب ذلك، أشار الخبر إلى أن هذا النموذج قابل للتطبيق ومقبول في سياق قندهار ويمكن أن يسهم في تنمية المشاريع البالغة الصغر. من حيث المنهج الكمي، استخدمت الدراسة نمذجة المعادلة الهيكلية (PLS-SEM) بناء على نظرية الفعل المنطقي (TRA). أظهرت النتائج أن النية السلوكية لرائد الأعمال الصغير لاستخدام نموذج IQEMD تتأثر بشكل إيجابي وكبير بالموقف والقاعدة الذاتية. وهذا يشير إلى أنه نظرا لأن أصحاب المشاريع الصغيرة لديهم وجهة نظر

قوية وإيجابية حول نتائج نموذج IQEMD، فإنهم أكثر استعدادا ولديهم نية أقوى لاستخدام نموذج IQEMD من حيث التمويل وتنمية رأس المال البشري. علاوة على ذلك، وجدت الدراسة أيضا مؤشرات على استعداد أصحاب المشاريع الصغيرة لاستخدام نموذج IQEMD من حيث التمويل وتنمية رأس المال البشري أثناء استخدام تحليل الانحدار اللوجستي الثنائي. أشارت النتائج إلى أن عدد سنوات العمل والجنس واستخدام تمويل قرض حسن بين المشاريع متناهية الصغر والوعي بالتمويل الإسلامي القائم على الأسهم بين المؤسسات متناهية الصغر يؤثر بشكل إيجابي وكبير على احتمالية اختيار نموذج IQEMD من حيث التمويل. من حيث تنمية رأس المال البشري، فإن عدد السنوات في الأعمال التجارية والجنس والمعلومات الأقل المقدمة بشكل إيجابي وكبير يؤثر على احتمال اختيار نموذج IQEMD.

APPROVAL PAGE

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DECLARATION

I hereby declare that this thesis is the result of my own investigations, except where otherwise stated. I also declare that it has not been previously or concurrently submitted as a whole for any other degrees at IIUM or other institutions.

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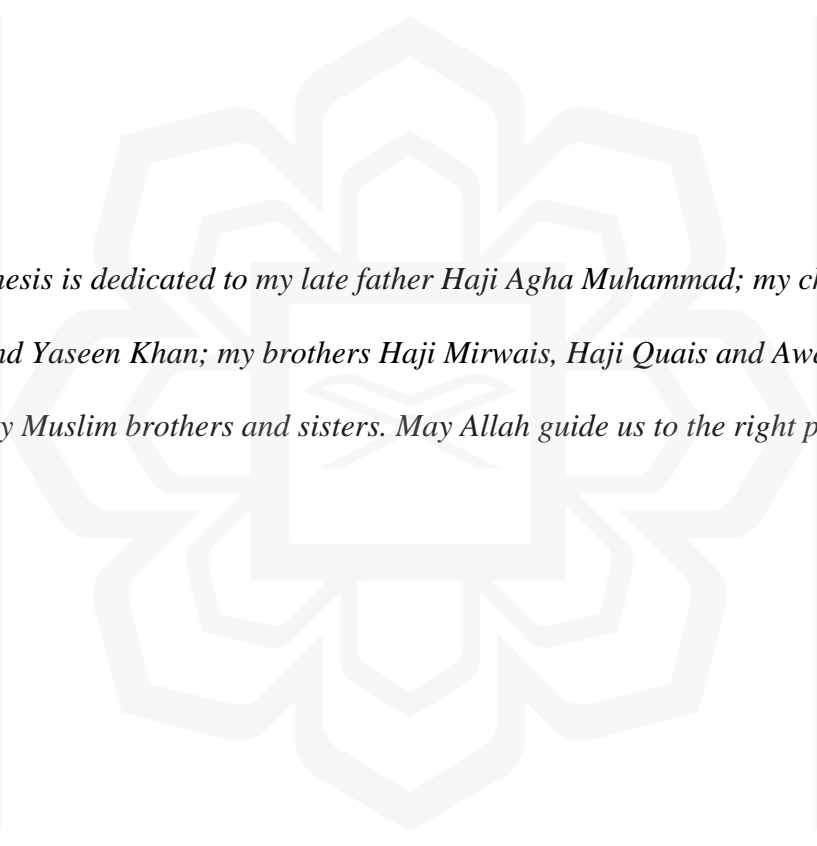
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This thesis is dedicated to my late father Haji Agha Muhammad; my children Mobin Khan and Yaseen Khan; my brothers Haji Mirwais, Haji Quais and Awais Khan and to all my Muslim brothers and sisters. May Allah guide us to the right path... Ameen

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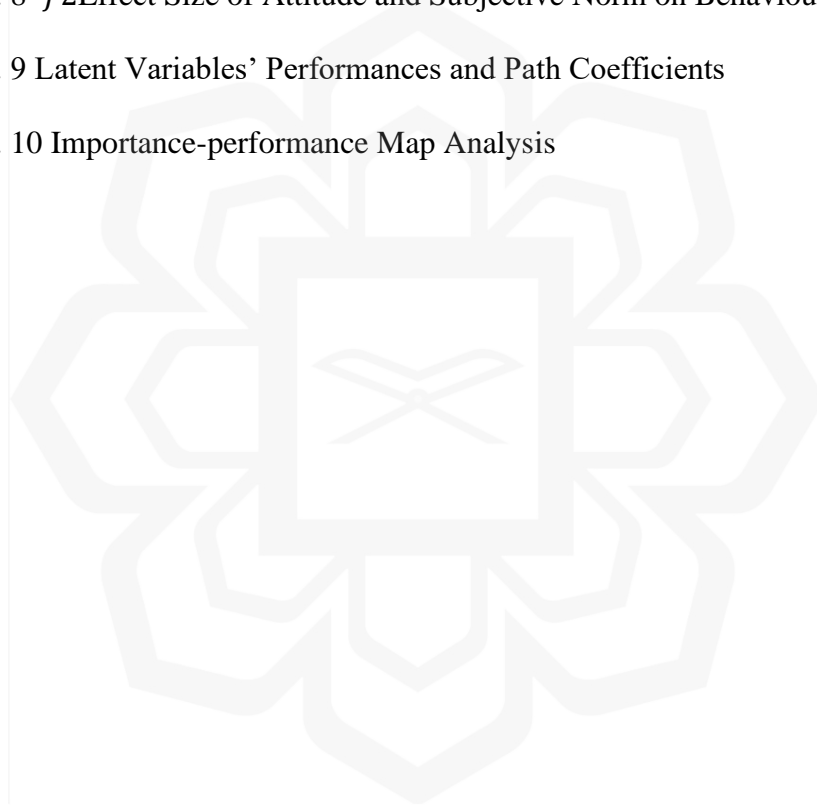
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LIST OF ABBREVIATIONS

ACBR	Afghanistan Central Business Registry
ACCI	Afghanistan Chamber of Commerce and Investment
AFN	Afghanistan National Currency
AKF	Aga Khan Foundation
AMA	Afghanistan Microfinance Association
ARMP	Afghanistan Rural Microcredit Program
ARTF	Afghanistan Reconstruction Trust Fund
AVA	Average Variance Extracted
BRAC	Bangladesh Rural Advancement Committee
CPF	Central Pooled Fund (CPF)
DAB	Da Afghanistan Bank
EPMEs	Economically Poor Micro Enterprises
EVMEs	Economically Viable Micro Enterprises
FAIDA	Financial Access for Investing in the Development of Afghanistan
FINCA	Foundation for International Community Assistance
FMFB	First Micro-Finance Bank
GDP	Gross Domestic Product
HCD	Human Capital Development
HTM	Heterotrait-Monotrait
IC	Islamic Council

IQEMD	Integrated Qardhul Hasan and Equity-based Micro Enterprise Development
IsMFI	Islamic Microfinance Institution
MFI	Microfinance Institutions
MISFA	Microfinance Investment Support Facility for Afghanistan
MMP	Musharakah Mutanaqisah Partnership
MoFAD	Micro Finance Agency for Development
MRRD	The Ministry of Rural Rehabilitation and Development
MSMES	Micro, small and medium enterprises
NGOs	Non-governmental Organizations
NPP PSD	National Priority Program for Private Sector Development
NRI	Natural Resources Institution
PLS-SEM	Partial Least Square Structural Equations Modelling
R&D	Research and Development
RALF	Research in Alternate Livelihoods Fund
SEC	Shar'iah Equity-based Crowdfunding
SEM	Structural Equation Modeling
SHG	Self Help Groups
SMEDA	Small and Medium Enterprises Development Authority
TRA	Theory of Reasoned Action
UN	United Nation
USAID	United States Agency for International Development
USD	United State Dollar
WFW	Women for Women



CHAPTER ONE

INTRODUCTION

1.0 INTRODUCTION

This introductory chapter sets the tone for the current research by describing the study's context. There are eight distinct sections. The first section provides an overview of the study's context, which is followed by a discussion of the problem statement in the second section. The research questions are discussed in the third section, while the objectives of the study are presented in the fourth section. Finally, the fifth section describes the scope of the research, while the sixth section examines the significance of the study.

1.1 BACKGROUND OF THE STUDY

Micro, small, and medium enterprises (MSMEs) play an essential role in the overall economic development of a nation¹. However, there are no established benchmarks to define MSMEs based on their size and financial health, which vary depending on the significance of each place or area. The most prevalent way to distinguish MSMEs from large businesses is based on the number of workers employed. This factor is often paired with other criteria, such as loan size or sales volume². According to the World Bank,

¹ Instead of utilizing the "SMEs," we will be using the term "MSMEs" throughout the whole thesis. In spite of the fact that these two terminologies are comparable when viewed in their respective contexts, the thesis will be using the term "MSMEs." It is because the name "MSMEs" is adequate in expressing the segments or components of MSMEs accordingly.

² Oya Pinar Ardic, Nataliya Mylenko, and Valentina Saltane. 2011. "Small and Medium Enterprises: A Cross-Country Analysis with a New Data Set." Policy Research Working Paper 5538, World Bank Financial and Private Sector Development Consultative Group to Assist the Poor, Washington, DC

financial authorities in 50 of 68 nations adopted the number of employees criterion, while 29 of those countries coupled it with the two other criteria, namely sales volume and loan size. Sales volume criteria were adopted in 41 out of 68 nations, whereas loan size criteria were used in 15 of the 68 countries (World Bank, 2017).

The specific benchmarks used to determine what defines MSME differ significantly from one nation to the next and from one area to another for each criterion³. In terms of the number of employees criterion, research of 122 economies indicates that the range of employees that constitute the upper thresholds of a medium firm ranges from 19 in American Samoa to 3,000 in China (though 249 is a more common upper threshold), as shown in Table 1.1. The lower barrier for qualifying as a micro-enterprise also varies somewhat: 83 of 110 jurisdictions put the threshold at one employee, which includes the sole proprietor. In addition, the requirements for the number of employees in some countries may vary depending on the industry, as with the threshold mentioned earlier for China, which is only applicable to micro, small, and medium-sized enterprises (MSMEs) working in the transportation and construction industries (World Bank, 2017).

Aside from the number of employees, several nations combined the sales turnover criterion with investment in total assets (excluding land), to define MSMEs. For example, in Malaysia, according to Bank Negara Malaysia (BNM), a micro-enterprise is one with a sales turnover of less than RM300,000 and employs fewer than five full-time workers. Meanwhile, a small firm has a sales turnover of RM300,000 to RM15 million and employs five to 75 full-time workers. Sales turnover in the service industry ranges from RM300,000

³ See, for instance, “the European Commission recommendation regarding the definition of MSMEs in the European Union”: <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32003H0361&from=EN>.

to less than RM3 million. Meanwhile, full-time workers in other sectors range 5–30 in number (Nor & Rosli, 2021).

Table 1. 1 Definitions of MSMEs Based on the Number of Employees

Economy	Micro	Small	Medium
37 Economies	1–9	10–49	50–249
7 Economies	1–9	10–49	50–99
American Samoa	1–4	5–9	10–19
Bahrain, Jordan, Uruguay	1–4	5–19	20–99
China		<300 Industry	<2,000 Industry
		<600 Construction	<3,000 Construction
		<100 Wholesale	<200 Wholesale
		<100 Retail	<500 Retail
		<500 Transportation	<3,000 Transportation
		<400 Post	<1,000 Post
		<400 in Hotels & Restaurants	<800 in Hotels & Restaurants
United States	1–9	10–99	100–499

Source: World Bank (2017)

Furthermore, according to the World Bank's definition, MSMEs must meet at least two of three criteria: the number of workers for micro-enterprises should be fewer than five, investment in assets should be less than USD 100,000, and yearly sales should be less than USD 100,000. A small firm must have less than 50 workers, investment in assets less than USD 3 million, and yearly revenue of less than USD 3 million. Meanwhile, medium-sized businesses must have fewer than 300 workers, investment in assets less than USD 15 million, and yearly sales less than the amount of assets (Guptai & Ranjan, 2014).

In Pakistan, the Small Medium Enterprises Development Authority (SMEDA) defines a micro-enterprise as a business establishment with 10 employees and a maximum investment in asset value of Rs 2 million. Small firms have a maximum of 35 workers, and the maximum investment in productive assets is Rs 20 million. The number of workers for medium firms ranges from 36 to 99, and the asset cap is Rs 40 million (Khaliq et al., 2022).

Meanwhile, in Afghanistan, the Ministry of Industry and Commerce has provided a definition for MSMEs that is based on the number of employees and investment in assets criteria. According to the definition, a micro-enterprise is one with fewer than five employees, and an investment in physical assets that is less than AFN 1 million (USD 11494) for the service sector and less than AFN 2.5 million (USD 28735) for the non-service sector. Meanwhile, for small enterprises, the guideline requires that the number of employees is between five to 19, while the investment in physical assets ranges from AFN 2.5 (USD 28735) to AFN 5 million (USD 57471) in the non-service sector and from AFN 1 million (USD 11494) to AFN 2 million (USD 22988) in the service sector. For medium-sized enterprises, the number of employees is between 20 to 99, while investment in physical assets for the service sector may range from AFN 2 million (USD 22988) to AFN

3 million (USD 34482). Meanwhile, for the non-service sector, investment in physical assets may range from AFN 5 (USD 57471) to AFN 10 million (USD 114942) (World Bank, 2022).

MSMEs contribute significantly to economic development, technical innovation, economic regeneration, and social improvement (Manzoor et al., 2021). In the worldwide economy, they assume a vital role through their critical commitment to GDP (Gross Domestic Product). Both developed and developing countries benefit from MSMEs.

MSMEs play an important role in the economic growth of developed countries. According to The World Bank Report, MSMEs account for 95% of all enterprises and provide 60% of the total employment in developed nations' private sectors (World Bank, 2017). Empirical studies have also shown that MSMEs contribute to more than 55% of the GDP in high-income nations (Singh & Venkata, 2017).

For instance, in the United States, 99% of all businesses are MSMEs, which were found to provide 50% of employment opportunities in the private sector⁴. Similarly, 99.9% of businesses in the United Kingdom are MSMEs, and their contribution to providing employment opportunities is more than 60% in the private sector (World Bank, 2017).

Moreover, MSMEs also play a role in the economic growth of developing countries. There are around 162.8 million MSMEs in developing countries, which include 21 million small and medium-sized businesses and 141 million micro-enterprises (IFC, 2017). In the Asian region, MSMEs represent 96% of all firms, employ 62% of the labor force, and contribute to an average of 42% of GDP (ADB, 2015; OECD, 2017).

⁴ Shahin Firoozmand, Philip Haxel, Euijin Jung, and Kati Suominen. 2015. "State of SME Finance in the United States in 2015." Tradeup and Nextrade Group

Economists and business academicians have highlighted the strategic importance of MSMEs in Asian nations (Raza et al., 2018). For instance, Chinese MSMEs represent 99% of all enterprises, contribute to 56% of the GDP, and provide 75% of employment in the country. Likewise, MSMEs represent 99.7% of all firms in Indonesia. Their contribution to GDP and employment is 57% and 99.6% respectively. Similarly, 99.7% of firms in Japan are MEMEs, which represent 55.3% of GDP and 71% of employment in the country. In addition, Malaysian MSMEs represent 90% of its enterprises, 56% of employment, and 32% of GDP in the country (Hafeez et al., 2013).

Moreover, MSMEs significantly contribute to the economic development of South Asian nations. In Nepal, for example, MSMEs account for 98% of all businesses. The contribution of Indian MSMEs to GDP has surpassed a critical threshold, reaching 30%. Meanwhile, MSMEs produce 82% of the employment in Bangladesh's industrial sector and 50% of the industrial GDP (Anum et al., 2020). In Pakistan, MSMEs are recognized as the backbone of the country's overall economy. They represent 90% of all enterprises, contribute 40% to GDP, and create 80% of the job opportunities (Anum et al., 2020; Raza et al., 2018).

In Afghanistan, MSMEs contribute to the economy in terms of providing employment and enhancing overall GDP. For instance, MSMEs are estimated to be 98.5% of private businesses, representing approximately 17.5% of the GDP and employing 19.5% of the labor force in the country (OECD, 2019). MSMEs have tremendous potential to build stable economic growth. However, the contribution of the Afghan MSMEs to the GDP is lower not only compared to South Asian countries but also compared to other neighboring countries. For example, in Tajikistan, MSMEs' contribution to GDP is 30%, and they

employ 33% of the labor force in the country. Likewise, in Uzbekistan, MSMEs' contribution to GDP is 54.9% while they provide 78% of the job opportunities in the country (Dildora, 2019; Mirzoev & Sobirzoda, 2019).

These scenarios have shed light on why MSMEs in Afghanistan, despite their substantial presence in the entire business establishment, contribute less to GDP in contrast to other countries that appear to be more effective in contributing to the economy. The excellent performance of MSMEs in other Asian countries is connected to the robustness of their financing facilities, the growth of their human resources, and the policies of their governments. For example, according to Song (2010, cited in Asmy, 2015), various factors have improved the performance of Korean MSMEs. First, the ongoing government support for creative MSMEs via venture firms, assistance for female entrepreneurs, and encouragement of collaboration between large corporations and MSMEs provided assistance. Second, Korean financial institutions help MSME start-ups and strengthen the basis of small enterprises by offering various direct-loan programs. Third, the Institutes of Korean SME Training and Centre for Women Business was established to improve women's entrepreneur proficiency with technology, management, and other skills by employing start-ups.

In the case of Singapore (Ghosh et al.,1996), two factors improved the performance of MSMEs on the island: (i) skillful human resource development as demonstrated by the fact that more than 40% of managers had vocational training and experience before joining a business and (ii) ongoing government support for MSMEs through various financing schemes, training programs, and R&D programs.

Likewise, findings by Gunatilake (2016) revealed that the growth of Sri Lankan MSMEs is closely associated with two factors: (i) the availability of financial assistance because financial inadequacy is a factor that has significantly constrained the growth and expansion of MSMEs in Sri Lanka and (ii) technological advancement because the lack of access to new technology is a huge barrier that has limited the growth and expansion of its MSMEs. Access to new technology was directly linked to the availability of financial resources, government policies, and human capital development.

Thus, the literature suggests that the success of MSMEs is highly dependent on government policies and programs, financial facilities, and human capital development. This conclusion questions the strength of these factors (government policies and programs, financial facilities, and human capital development) in Afghanistan, their performance, and their contribution to the expansion of the Afghan economy.

In terms of government policies and programs, several studies point out that the Afghan government has established and maintained support toward MSMEs via the adoption of several policies, initiatives, and significant financial resource allocations (Hussaini, 2021; Hussein, 2009; Najafizada, 2014; OECD, 2019).

Since 2015, the Afghan government has made major efforts in terms of introducing new laws and programs related to MSME development. For example, the government established the High Economic Council (HEC) and the Executive Committee on Private Sector Development (PRISEC) to improve the efficiency of MSMEs. These two entities, with the direct involvement of the corporate sector and foreign partners, have made significant strides in improving the coordination and speed of implementation of laws and programs to help develop MSMEs. Major steps are the adoption of the 11 Private Sector

Reform Priorities and the creation of the first National Priority Program for Private Sector Development (NPP PSD), which called for the elimination of municipal licenses and the establishment of a one-stop registration center in Kabul. Moreover, a new industrial park policy, which streamlined the procedure and lowered the cost of acquiring industrial park property, was one of the additional modifications. Besides, the chambers of commerce, such as the Afghan Women's Chamber of Commerce and Industry and the Afghanistan Chamber of Industries and Mines, were incorporated (OECD, 2019).

Additionally, the government has streamlined entrance processes by creating the Afghanistan Central Business Registry (ACBR) as a one-stop shop for business registration. For instance, the MOIC (Ministry of Industry and Commerce) has simplified enterprise registration processes by eliminating the previous dual approach of combining commercial courts and the Afghanistan Investment Support Agency (AISA) registration procedures. Physical one-stop shops for business registration were also being established nationwide to ease interactions between MSMEs and related governmental agencies (OECD, 2019).

Furthermore, the government of Afghanistan has begun developing industrial parks and putting in the necessary infrastructure, such as paved roads and reliable power supply (Najafizada, 2014).

Moreover, in 2016, the Ministry of Finance announced that any entrepreneur establishing a firm would be financially exempted for three years from tax obligations⁵.

⁵ Hence, “that year Afghanistan was rewarded the prize of The Best Country for Supporting Entrepreneurs in the Middle East. This prize is given each year by the UAE to the countries which supports business in their own territory”.

The payment of taxes was also subsequently simplified once the new tax legislation was passed into law. The amount of time business owners spent in 2017 paying their taxes was 270 hours, five hours less than the average time spent paying taxes in South Asian nations—275 hours. Moreover, the time required to implement changes to the corporate income tax was cut from 217.5 hours to 111 hours (Abdullah, 2021).

In terms of financial assistance, in 2003, the Ministry of Rural Rehabilitation and Development (MRRD), with the support of The World Bank, established MISFA (Microfinance Investment Support Facility for Afghanistan) to act as a channel for funding, coordinating the support of donors, and providing technical assistance to other microfinance institutions. It offers financial assistance to MSMEs through thirteen non-governmental organizations (NGOs), a credit union, and a microfinance bank. As of August 2018, more than 1.2 million loans totaling USD 1.1 billion had been distributed throughout 14 provinces; women comprised 34% of the total number of borrowers. It has roughly 133 564 active borrowers, and its current gross loan portfolio is worth approximately USD 120 million (Hussein, 2009; Lutfi, 2021; MISFA, 2017; OECD, 2019).

However, MISFA's financing operations lack a consistent flow of financing services. A large number of micro-entrepreneurs are unsatisfied because MISFA's affiliated microfinance institutions are unable to provide a sustainable flow of financing services to MEs. A reason behind this state of insufficient fund supply is that most microfinance institutions secure loans with interest rates ranging between 20% and 40% per year. Most businesses oppose interest-bearing loans based on religious beliefs, with which financial products and systems are, however, incompatible. Apart from that, collateral requirements, strict documentation requirements, short duration of the loan, and

long loan procedures are other reasons behind this inconvenient financing mechanism (Abdullah, 2021; Ghiasy et al., 2015; Hussaini, 2021; Hussein, 2009; Lutfi, 2021; Najafizada, 2014; OECD, 2019).

The international community and other aligned partners also took some additional steps to provide financial assistance programs to enhance MSMEs' growth in the country. For instance, the World Council of Credit Unions (WOCCU) has been awarded funds totaling USD 19.4 million by USAID and USD 8.3 million by MISFA (Goud, 2013). Moreover, other developments in the microfinance industry were the establishment of the First Micro-Finance Bank (FMFB) and FINCA Afghanistan. However, some financial assistance providers in the country, such as the Bangladesh Rural Advancement Committee (BRAC), Rural Microcredit Program (ARMP), Micro Finance Agency for Development (MoFAD), Parwaz, and Women for Women (WFW), work exclusively for women clients in the field of small loans.

Although the Afghan government has implemented several enhancement programs and regulations geared toward MSMEs, these initiatives have not been sufficiently supportive in fulfilling the demands placed on micro-enterprises. Micro-enterprises received inadequate support compared to the other two components of MSMEs, namely small and medium enterprises. One of the top priorities of the Afghan government has always been to work on small and medium enterprise development by supporting them financially and non-financially (Abdullah, 2021). For example, in 2019, around AFN 98 billion (USD 1,126,436,781) worth of financial assistance was provided to MSMEs, of which only 46% of the total number of active micro-enterprises (clients) received financial

assistance. On the other hand, the total number of clients from small and medium enterprises acquired 100% financial assistance (MISFA, 2019a; MISFA, 2019b).

Besides, not all micro-entrepreneurs in the various provinces of Afghanistan receive the same amount of financial assistance, as depicted in Table 1.2. Table 1.2 indicates the total number of micro-entrepreneurs in the five major provinces of Afghanistan, namely, Kabul, Balkh, Herat, Nangarhar, and Kandahar, which constitute 54.87% of the total number of micro-enterprises that received financial assistance in the 17 provinces of Afghanistan. Kabul ranks at the top, with 29010 micro-enterprises that have received financial assistance and constituting 32.76% of the total number of micro-enterprises in the 17 provinces of Afghanistan. Balkh received the second most assistance—18.92% of the total number of micro-enterprises. In Herat, 2.05% of the total number of micro-entrepreneurs received financial assistance. However, out of these five major provinces, Kandahar remains the lowest in terms of receiving financial assistance, consisting of only 0.48% of the total number of micro-enterprises that received financial assistance in the 17 provinces of Afghanistan.

This inconvenient state in Kandahar is explained to be due to several reasons. There is a lack of a favorable lending system in the province; in most cases, a considerable amount of the capital in the early stages of a start-up comes from individuals' savings, family, or friends. Moreover, 63% of businesses in Kandahar considered access to external financing as an issue. The high financing costs of up to 21.2%, collateral requirement, documentation requirement, and the lack of Islamic loans were the major financing difficulties, as indicated by the majority of businesses in the province (Abdullah, 2021; ACCI, 2018; Rasoli &

Mirza, 2019). This provides a clear justification for inadequate financial support and assistance provided to micro-enterprises in Kandahar, as summarized in Table 1.2.

Table 1. 2 Micro-enterprises that Received Financial Assistance in Major Provinces in Afghanistan as of June 2022

No	Major Provinces	Number of microenterprises that received financial assistance	Percentage of each major province from a total of (88543) microenterprises that received financial assistance
1	Kabul	29010	32.76%
2	Balkh	16760	18.92%
3	Herat	1818	2.05%
4	Nangarhar	567	0.64%
5	Kandahar	430	0.48%

Source: The data were compiled from AMA (2022)

Issues with financial assistance remain the most common problem for MSMEs in Afghanistan, which has been confirmed by several studies (Abdullah, 2021; Ghiasy et al., 2015; Hussaini, 2021; Hussein, 2009; Lutfi, 2021; Najafizada, 2014; OECD, 2019). According to ACCI (2016), around 47% of MSMEs stated that there was a problem with funding availability. However, there were significant disparities in the share of problems in funding availability across regions: Kandahar (70%), Nangarhar (64%), and Balkh (56%). In addition, 52.1% of MSMEs mentioned that high financing costs and onerous collateral requirements are the primary deterrents to their growth. Likewise, according to ACCI (2018), around 58% of MSMEs considered the availability of finance as an issue,

while most of MSMEs in Kandahar (70%) stated that the credit conditions do not match their needs; 55.24% considered high-interest rates and excessive collateral requirements as the main deterrents to the growth of their businesses.

Hussaini (2021) further stated that most MFIs in Afghanistan secure loans with interest rates of 20% to 40% annually, which is too expensive for many microfinance borrowers. Paying such high interest rates harms their profitability and those who cannot afford it lose their businesses and stop making loan payments.

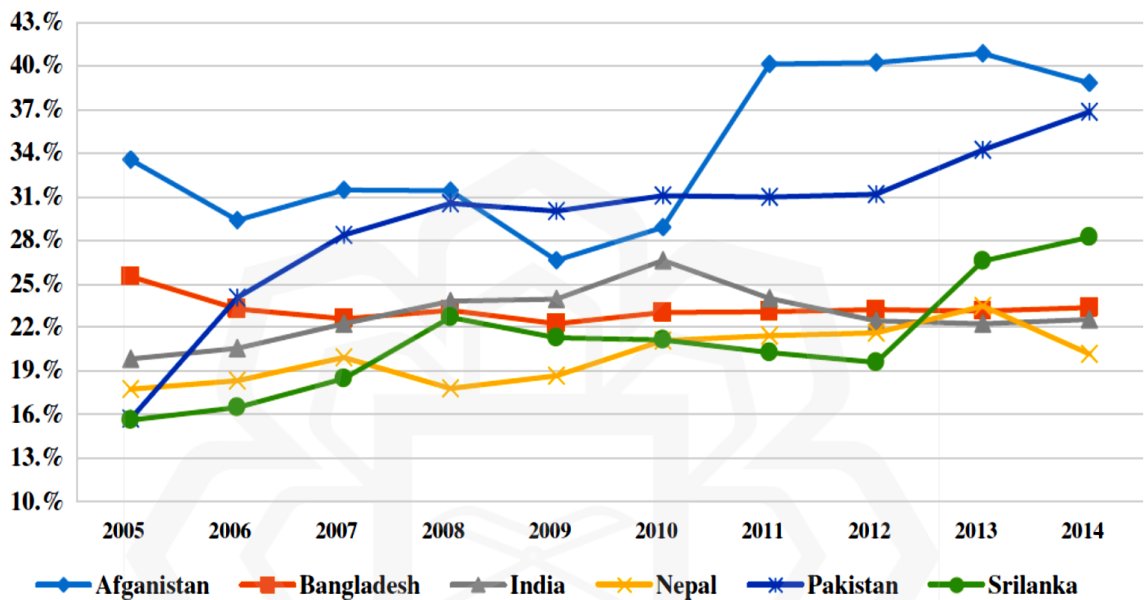
In alignment, the findings of Mia (2017) revealed that the portfolio yield (average annual nominal yield on total loan portfolio) in the South Asian microfinance industry has varied from 16% to 42%, and Afghanistan has recorded increasing average interest rates that have reached the highest level compared to other countries (see Figure 1). In contrast, the microfinance industry in Bangladesh, for instance, saw consistent interest rates ranging from 22% to 26% between 2005 and 2014 (Mia, 2017).

Furthermore, a survey by Aghaez (2017) revealed that 60.6% of small and medium-sized enterprises (SMEs) said that lack of access to finance significantly impacted their enterprise's performance. In certain cases, it caused them to fail or halted their growth and development. Furthermore, the survey indicated that limited access to financial resources seriously impedes the entrepreneurial success of fledgling businesses. Consequently, almost 100 newly founded enterprises in Herat and Kabul failed in 2018. However, in 2019, the number grew to 400 (Mohammadi et al., 2019).

Moreover, Abdullah (2021) stated that despite the high demand for microcredit, the poor reputation and the operating capabilities of Afghan MFIs led the sector into significant losses. The number of remaining MFIs in the country has decreased 14–6, and their

outreach has reduced by about half due to the rollover of bad debts (Abdullah, 2021; Hussaini, 2021; Microfinanza, 2019).

Figure 1. 1 Annual Average Interest Rate Portfolio of Selected South Asian Countries



Source: Mia (2017)

A report by Microfinanza (2019) empirically indicated that 43% of men and 33% of women mentioned the absence of collateral as the primary reason microfinance institutions rejected their loan applications. Meanwhile, a report from the Afghanistan Central Bank (as cited in OECD, 2019) stated that collateral requirements amount to 120% of the total loan amount on average. Moreover, according to The World Bank, approximately 70.7% of loans require collateral (Aghaez, 2017; OECD, 2019).

In another report, The World Bank (2018) stated that due to the high cost of formal financing, poor confidence in banks, a lack of financial literacy, and religious objections to

interest-bearing loans, only two percent of enterprises use formal financing. Consequently, most MSMEs depend primarily on informal or kin-based funding methods.

Besides, MSMEs in Afghanistan are also lagging in terms of human capital development. Several studies point out that the lack of skills, absence of experience, low level of education, inaccessibility, and inefficient training sessions and courses are the issues that hinder human capital development among Afghan MSMEs (Freshta, 2016; Ghiasy et al., 2015; Matiullah, 2018; Nazeer Mohammad, 2021; OECD, 2019). According to the Human Capital Index (HCI), Afghanistan just utilized 40% of its human capital potential. In comparison, Kyrgyzstan used 63% of its potential, Uzbekistan attained 62% of its human capital potential, and Tajikistan utilized 50% of its capacity (World Bank Group, 2020). A shortage of skilled labor has developed over many years of conflict and nonexistent education and training programs. This problem is worsened by the ongoing evacuation of educated and trained individuals from the country (Ghiasy et al., 2015).

According to the Afghanistan Chamber of Commerce and Industries (ACCI), a lack of training facilities and competent workforce are significant impediments to the growth of the MSMEs; a shortage of skilled workers was highlighted by around 79% of respondents in the service industry, 80% in the industrial sector and up to 90% in the construction sector (ACCI, 2017). In addition, it was estimated that only 14% of Afghan adults were financially literate (OECD, 2019). Moreover, Mashal (2014) stated that banks perceive the loan applications and business plans supplied by MSMEs as low-quality. He suggested that MSMEs need assistance in producing business plans and financial papers that allow the proper use of credit for productive enterprise operations.

The government of Afghanistan has acknowledged this issue by adding human capital development as a top priority within the Afghanistan National Peace and Development Framework (ANDPF) (OECD, 2019). For example, the German Cooperation with Afghanistan (2017) introduced a program to support and provide human capital development services that enhance micro-enterprise development in Kabul. In this program, 30 university graduates were recruited and learned how to start and manage their enterprises in the energy sector. The program provided a training curriculum based on market demand. The participants learned technical training in the program's first phase and entrepreneurial skills in the program's second phase. Likewise, Cordaid (2018) introduced a Bright Future Program to provide human capital development services. The program provided entrepreneurial skills through Bright Business Incubator and youth vocational training programs. The program aimed to facilitate the start and growth of 120 MSMEs in Kabul by 2021.

However, efforts have been made with little attention to enhance human capital development for MSMEs. In particular, the programs on human capital development provided by the relevant agencies were unable to meet the needs of micro-enterprises. Programs offered to micro-enterprises were characterized by improper training courses (Nazeer Mohammad, 2021; OECD, 2019).

In general, MSMEs from developing countries face several problems, such as a lack of financial resources, loans with high-interest rates, poor infrastructure, a lack of access to contemporary technologies, and limited trade and investment options (Manzoor et al., 2021; Singh & Venkata, 2017).

Micro-enterprises, in particular, struggle with market accessibility, innovation, technology acceptance, and infrastructure. The issues occur due to the above-mentioned two simultaneous key concerns: (i) financial and (ii) human capital development. In terms of market accessibility, for instance, micro-enterprises need qualified and knowledgeable employees to reach local markets. In addition, micro-enterprises must have adequate funds for training and courses relevant to market entry. Therefore, the inability of micro-enterprises to reach local markets primarily results from funding and human resource restrictions. Micro-enterprises also need vast financing and skilled human capital resources to adopt innovation and technology. For instance, the availability of financing and adequate training and education significantly require operational expenses that often accompany innovation and the adoption of new technologies. The persistence of financing and human capital development issues has continually impeded micro-enterprises from achieving the required technology. Furthermore, financial and human resources are needed to build and operate facilities such as telecommunication, basic utilities, and transportation links. These infrastructures are essential for micro businesses to access the domestic market. However, due to the challenges in financing and human capital resources, micro-enterprises are unable to acquire enough infrastructure (Asmy, 2015).

Considering the preceding issues, the present study attempts to address the following questions: (i) To what extent have the problems of financing and human capital development affected the sustainable growth of micro-enterprises in particular? (ii) Supposedly, if there is an alternative or viable model that can mitigate the micro-enterprise risk factors (financing and human capital development), can it enhance the potential of micro-enterprises towards increasing output and GDP?

Previous studies and literature have suggested approaches to address the challenges. Among the suggested approaches are the use of conventional microfinance institutions (Bateman & Chang, 2012; Watkins, 2018) and Islamic microfinance institutions (Dhaoui, 2015; Hassan, 2014; Heriyanto et al., 2022; Khan & Bedi, 2021; Amirul et al., 2021).

However, the former suggested model, namely the model of conventional microfinance institutions, is unable to overcome the problems related to high financing costs, stringent collateral requirements, rigorous documentation criteria, the need for comprehensive business plans, and high entrance fees for training courses and programs (Hearth, 2018; Hussaini, 2021; Masyita, 2012; Misra, 2019; Nkwabi & Mboya, 2019; Wang, 2016; Watkins, 2018).

Besides, Islamic microfinance institutions have restrictions due to the convergence of their current procedures with conventional methods. For instance, Islamic microfinance institutions rely mostly on debt-based financing, which is comparable to interest-based conventional financing. Some operations of Islamic microfinance institutions in some Muslim countries tend to be costly due to the dominance of Murabahah practices or administrative charges (Asmy et al., 2022; Kassim & Satar, 2019; Kholis, 2012; Saad, 2012; Shah et al., 2014). In addition, most of the proposed models focus on MSMEs in general, while just a few studies focus on the individual components of MSMEs, notably micro-enterprises.

In the context of Afghanistan and its micro-enterprises, four financing models are available: (i) microfinance model, (ii) commercial bank model, (iii) NGO model, and (iv) money-lender model (Hussein, 2009; Lutfi, 2021).

The microfinance model has been considered a dominant source of financing for micro-enterprises. However, the majority of microfinance institutions provide funding facilities to women-owned micro-enterprises and are based on a group-lending mechanism (Jahish, 2017). Some microfinance institutions also offer microcredit products designed for individual-held micro businesses. Loan conditions and requirements are the most important aspects of the eligibility criteria for granting the loan. The loan or microcredit is disbursed for clients who have completed numerous loan cycles. Apart from that, the guarantor is also required, along with title deeds in the form of collateral for loan security. Empirical findings indicate that 43% of men and 33% of women stated that their loan applications were not entertained by microfinance institutions due to the absence of collateral (Microfinanza, 2019). Microfinance institutions also charge high-interest rates. According to Hussaini (2021), most microfinance institutions secure loans with annual interest rates of around 20% to 40%.

In the second model (commercial bank model), commercial banks provide funding facilities to micro-enterprises. However, in Afghanistan, commercial banks rarely offer financing facilities to micro-enterprises. The banks mostly focus on granting credit or financing services to the other components of MSMEs, such as small and medium-scale enterprises. The reason behind this is that micro-enterprises are considered likely to quit more easily and to be much more risky or problematic in terms of being unable to pay back their loans together with a high-interest rate. Therefore, the banks demand a high level of collateral with a high-interest rate of up to 25%, along with a short maturity for the loan (OECD, 2019). Empirical evidence reveals that 51.15% of MSMEs indicated that commercial banks demand high-interest rates and strict collateral (ACCI, 2016). Moreover,

according to the Afghanistan Central Bank (as cited in OECD, 2019), the amount required by commercial banks as collateral for backing their loans is 120% of the total average amount applied for a loan. Besides, they need a proper business plan and financial documents for loan approval (Mashal, 2014).

In the NGO financing model, certain international financial institutions registered as non-governmental organizations (NGOs) offer loan facilities to micro-enterprises. They assist micro-enterprises in terms of financing with the establishment of credit unions and the Self-Help Group (SHG). Credit unions and SHG, in contrast to microfinance and commercial bank models, provide financial assistance to micro-entrepreneurs who own them. In the NGO financing model, the saving and lending financing facilities are only offered to the owner-members of the union and SHG. The major drawbacks of the NGO financing model are that the loan amount is low, with a short-given duration, and a 17.5% interest rate is charged on loan provision services along with obligatory savings.

The money-lender model is the traditional financing model that may have somewhat compensated for the absence of financing facilities for micro-enterprises. In this model, Hawala dealers provide financing services to micro-enterprises (OECD, 2019). The financing facilities offered by Hawala dealers, compared to other models such as microfinance, commercial banks, and NGO models, are quicker and more convenient. However, the major problems of this model are (i) the loan is granted to micro-enterprises based on a high commission rate, (ii) the loan duration is concise, and (iii) it requires a guarantor to secure the loan.

In terms of human capital development, the human capital development model consists of services, including training programs and courses, established to uplift the

micro-entrepreneur's skills related to business management and administration, financing, marketing, and IT (Hossain, 2019). However, in Afghanistan, only a limited number of NGOs are engaged in offering human capital development services to micro-enterprises. Most human capital development services are provided to those micro businesses run by women, graduates, or migrants (Hussein, 2009). Moreover, the NGOs impose certain restrictions, such as the requirements of business plans, financial records, and other related documents in the selection process.

Given the previous discussion, the present financing and human capital development models, as discussed above, are unable to provide reliable and sustainable services to micro-enterprises. Overall, the issues of high-interest rates, strict collateral requirements, strict documentation, short duration of the loan, low amount of financing, and the requirement for a business plan are the major financial difficulties that hinder micro-enterprise development in Afghanistan, particularly in Kandahar. Moreover, only a few NGOs provide human capital development services to a particular segment of micro-enterprises, which are unable to uplift the micro-entrepreneurs' demanded skills (Nazeer Mohammad, 2021; OECD, 2019).

There is, therefore, an urgent need to develop a new model that could improve the performance of micro-enterprises in Afghanistan. This study, thus, attempted to fill this research gap by extending its discussion to include Islamic donations, Qardhul Hasan, and equity-based financing to address the problems of accessing finance and human capital development of micro-enterprises in Afghanistan, mainly in Kandahar. A model was proposed and the acceptance and applicability of the model in the field among micro-enterprises was validated through the adoption of the Theory of Reasoned Action (TRA),

providing a robust theoretical underpinning for the study's findings. The TRA consists of two major predictors, namely attitude toward behavior and subjective norm, which can influence the behavioral intention of micro-entrepreneurs to use the proposed model in terms of financing and human capital development services. Attitude toward behavior is the evaluative effect of an individual's positive or negative feelings in performing a particular behavior while subjective norms are determined by the total set of readily accessible normative beliefs concerning the expectations of important referents.

1.2 PROBLEM STATEMENT

In Afghanistan, a South Asian country with a GDP close to \$20 billion, MSMEs continue to play a vital role in economic development. MSMEs contribute to approximately 17.5% of the GDP and employ 19.5% of the labor force in the country (OECD, 2019). A report by Afghanistan's Ministry of Economy in 2012, which is cited by Najafizada (2014), stated that MSMEs in the private sector make up roughly 80% of local businesses that employ more than a third of the labor force. Approximately 90% of such enterprises employ five or fewer workers, classified as micro-enterprises (MEs) (Ghiasy et al., 2015; Najafizada, 2014), and play a critical dominating role in the expansion of the Afghan domestic economy (Najafizada, 2014).

MEs in Afghanistan are, however, constrained by the problems of financing and human capital development, which in turn affect the growth of the MEs (Abdullahi et al., 2021; Ghiasy et al., 2015; Hussaini, 2021; OECD, 2019). The problems are particularly present for MEs in Kandahar, Afghanistan.

Several research studies have demonstrated that micro-enterprises in Kandahar hardly receive considerable funding from financial institutions (see, Table 1.2). In the province, 63% of businesses consider access to external financing as an issue. The high financing costs of up to 21.2%, collaterals requirement, documentation requirement, and the lack of Islamic loans were the major financing difficulties faced by the MEs (Abdullah, 2021; ACCI, 2018; Rasoli & Mirza, 2019).

Micro-enterprise development in Kandahar is also hindered by the issue of human capital development. NGOs in Afghanistan mainly deliver human capital development services. These NGOs are working with their missions and rendering human capital development services based on their own designed particular segment of micro-enterprises. For instance, Woman for Woman targets vulnerable women. FINCA Afghanistan partners with the International Rescue Committee (IRC) to provide human capital development services for migrants only in the Herat province. Moreover, BRAC has established a small training center to train its staff (Freshta, 2016; Murtaza et al., 2019; Nazeer Mohammad, 2021; Nazifa & Muhammad Shahid, 2018; Wasiq & Dahlan, 2019)

The Afghan government has relented in its efforts to provide various types of financial and human capital development programs and schemes, however, those programs and schemes are unable to meet the needs of micro-enterprises in the province of Kandahar (Abdullah, 2021; ACCI, 2018; Rasoli & Mirza, 2019). For instance, MISFA's affiliated microfinance institutions are unable to provide a sustainable flow of financing services to MEs because most microfinance institutions secure loans with interest rates ranging between 20 to 40 percent per year. Moreover, their loan products are bearing interest rates that are incompatible and against Islamic religious belief. Apart from that, collateral

requirements, strict documentation requirements, short duration of the loan, and long loan procedures are other reasons behind the inconvenience of the financing mechanism (Abdullah, 2021; Ghiasy et al., 2015; Hussaini, 2021; Hussein, 2009; Lutfi, 2021; Najafizada, 2014; OECD, 2019)

Accessibility to the programs and schemes provided is also problematic for micro-enterprises in Kandahar (see Table 1.2). The insufficiency of programs and schemes for micro-enterprises further leads the micro-enterprises to face the problem of financing and human capital development continuously. Hence, the impact of those programs has been insignificant to the micro-entrepreneurs in Kandahar. Moreover, the programs have been unable to create long-term sustainable growth (for MSMEs in general and micro-enterprises in particular) that can contribute to the Afghan economy (Ghiasy et al., 2015; Hussein, 2009; Lutfi, 2021; MISFA, 2017; OECD, 2019).

From the pieces of evidence, it is gleaned that although there are four financing models (external financing sources) available for micro-enterprises in Afghanistan, particularly Kandahar, the models lack in extending the required financing services to the micro-enterprises. The models are the microfinance model, commercial bank model, NGO financing model, and money-lender model. The models lag due to the charge of high-interest rates/high-profit margins/high markups, demand of strict collateral, requirement of strict documentation, low amount of financing, and short duration of the loan, which hinders micro-enterprise development. Apart from that, the existing microfinance model offers financing products to facilities of MEs based on the group lending mechanism and mostly offers loans to woman-owned micro businesses based on a floating interest rate (Abdullahi et al., 2021; Hussaini, 2021; OECD, 2019).

In terms of human capital development services, only a few NGOs are engaged or offer human capital development services to only a particular segment of micro-enterprises, which is not considered to be vital for the skills development of micro-enterprises as a whole (Nazeer Mohammad, 2021; OECD, 2019).

Therefore, there is a need to develop a viable model and investigate the extent to which such a model can address the problems of financing and human capital development of micro-enterprises. The present study was motivated by the research gap to propose a model based on channeling Islamic donations (sadaqah and waqf) and funds from Baitul maal to provide financing and human capital development services to micro-enterprises. In terms of financial arrangements, the model integrates Qardhul Hasan and Islamic equity-based financing, such as Musharakah and Mudharabah. This new model is expected to provide sustainable funds at a low cost, considering the risky nature of micro-enterprises. In terms of human capital development, the new model is anticipated to enhance the skills of micro-entrepreneurs through the provision of a conducive training environment and programs. The present study aimed to propose an Integrated Qardhul Hasan and Equity-based Micro-enterprise Development (IQEMD) model and empirically investigate whether this model can enhance micro-enterprise development in Afghanistan, particularly in Kandahar.

1.3 RESEARCH QUESTIONS

In Afghanistan, the difficulties of micro-enterprises in gaining access to financial resources and human capital development prevent them from contributing to the economy's expansion. Even though these issues have been identified in the evaluations of the relevant

literature, there is a lack of attention given to creating a feasible model capable of addressing these challenges. Given this research gap, this study sought to find answers to the following research questions:

- 1) How and to what extent do micro-enterprises in Afghanistan, particularly in Kandahar, face the problems of accessing finance and human capital development?
- 2) What is the alternative model that effectively addresses the problems mentioned in (1) above?
- 3) What would be the perception of the relevant stakeholders about the suitability, applicability, and prospects of the model developed in (2) above?
- 4) Do the factors of attitude and subjective norm of micro-entrepreneurs affect their intention to use the model developed in (2) above?
- 5) What are the predictors of the micro-entrepreneur's willingness to use the proposed model developed in terms of financing and human capital development services?

1.4 OBJECTIVES OF THE STUDY

The research objectives of this research are as follows:

- 1) To demonstrate the extent of financial and human capital development problems faced by micro-enterprises in Afghanistan, particularly in Kandahar.
- 2) To develop an Integrated Qardhul Hasan and Equity-based Micro-enterprise Development (IQEMD) model that effectively addresses the problems mentioned in (1) above.
- 3) To explore the opinion of the relevant stakeholders about the suitability, applicability, and prospects of the model developed in (2) above.

- 4) To examine how the factors of attitude and subjective norms of micro-entrepreneurs can affect their intention to use the model developed in (2) above.
- 5) To demonstrate the predictors of the micro-entrepreneur's willingness to use the proposed model in terms of financing and human capital development services.

1.5 SIGNIFICANCE OF THE STUDY

MSME development is the backbone for emerging economic growth in a country like Afghanistan. The findings of SIGAR (2018) revealed that more than one million micro-enterprises are operating nationwide. In another study, Najafizada (2014) stated that 90% of private businesses are comprised of those businesses that employ five or fewer employees. A sufficient business environment that entails an adequate financial and human capital development program could enhance their growth (Ghiasi et al., 2015; Najafizada, 2014; OECD, 2019).

This study represents a pioneering effort in integrating Qardhul hasan and equity-based financing mechanisms specifically for the development of micro-enterprises. This novel approach marks a significant contribution to the existing body of knowledge, highlighting the relevance and potential impact of Qardhul Hasan and equity-based financing as a viable financial source for micro-enterprises. Such financing strategies are posited to significantly enhance the development of these enterprises, potentially leading to increased productivity, employment opportunities, and contributions to GDP growth. This study, therefore, extends the understanding of alternative financing models in the context of micro-enterprise development. The outcomes of the study offer valuable insights and guidelines for entrepreneurial financing ventures and policy makers, emphasizing the

potential of the IQEMD Model in enhancing the financial strategies and practices of micro-enterprises within this specific context.

This study leads to the identification or proposal of a full-fledged model as a solution that could help to mitigate the issues of financial and human capital development by integrating the provision of Qardhul Hasan and Islamic equity-based financing to fulfill the prevailing demand of over one million microfinance clients in Afghanistan (OECD, 2019; SIGAR, 2018). The model blends the concepts of Qardhul Hasan and Islamic equity-based financing as a source of funding that could fulfill the needs of most micro businesses. This model is considered a sufficient tool for developing micro-enterprises and is available for all segments of society. Despite that, the model might also specifically play a vital role for some segments of micro-enterprises. For example, in Kandahar, the majority of youths are intended to be self-dependent and have a pivotal intention to start their enterprises. The thing that hinders their involvement is the lack of financial and human capital development problems. This model could be the basis for providing sustainable solutions to financing and human capital development issues.

In Kandahar, the economic dependency on its people's well-being in the private sector is almost patched with the development of MSMEs. Micro-enterprise development has the capability to downturn youth unemployment because the potential growth of micro-enterprises entails availing employment opportunities and the encouragement of local markets that might serve as a powerful tool for income generation. The IQEMD model provides a way to get forward by providing a significant platform that could particularly encourage educated youth to fulfill their ultimate desires to get involved in micro-enterprise development. Besides, in the context of Kandahar, to a great extent, women are engaged in

conducting micro-enterprises that also face financial and human capital development challenges. Thus, this model could also serve as the base for providing financial and human capital development services to women who run micro-enterprises.

Moreover, the recent administration of the Taliban government has a keen interest in stimulating or enhancing Islamic finance. Therefore, policymakers and authorities are heavily involved in adopting a model as a tool for a strategy that renders Islamic microfinance services to be Shariah-compliant. It would be impossible for banks and other microfinance institutions to offer interest-based financing services because their vision toward interest-based lending is very restrictive (Hussaini, 2021). Hence, those governmental organizations that are involved in micro-enterprise development could easily adopt and share this model.

In addition, the model may be of use to the United Nations and other international organizations spending millions of US dollars on humanitarian assistance to eradicate poverty in Afghanistan. After the takeover of the Taliban government in Afghanistan, around USD 1.8 billion in humanitarian assistance has been provided by the UN and other international NGOs to eradicate poverty in Afghanistan. NGOs, the UN, and other international organizations could use the model as a poverty-lending approach.

1.6 ORGANIZATION OF THE STUDY

This research is divided into eight chapters. The first chapter is the introduction. This opening chapter established the tone for this research by summarizing the study's background. It also described the problem statement, research questions, research objectives, and importance of the study. The second chapter provides an overview of

Afghan micro-enterprises and related literature. Chapter Three then begins with the TRA theoretical framework and discusses hypotheses development. Chapter Four develops the IQEMD model. Next, Chapter Five explains the study's methodology and gives information on the data sources, data collection, and analysis methods. The results and interpretation of the empirical and qualitative findings are then presented in Chapters Six and Seven. Finally, Chapter Eight contains the conclusion, policy implications, study limits, and future research directions.



CHAPTER TWO

OVERVIEW OF RELATED LITERATURE AND MICRO-ENTERPRISES IN AFGHANISTAN

2.0 INTRODUCTION

This chapter begins with a literature study concerning the present situation of micro-enterprises in Afghanistan. The first section outlines the definition, characteristics, and contribution of micro businesses in Afghanistan. The following section examines the availability of financing and human capital development services among micro-enterprises. Subsequently, empirical studies on the challenges of micro-enterprises in attaining financing and human capital development are emphasized. Next, this chapter examines previous research that attempts to link Islamic charities with micro-enterprises by providing financial and human capital development services. The chapter then addresses the research gap. Finally, the conclusion of the chapter emphasizes the need for an alternative model.

2.1 AN OVERVIEW OF MICRO-ENTERPRISES IN AFGHANISTAN

In Afghanistan, the definition of micro-enterprises given by the Ministry of Industry and Commerce mainly emphasizes two criteria: the number of full-time employees and the size of investment in physical assets. As shown in Table 2.1, micro-enterprises are defined in Afghanistan as establishments with fewer than five employees. Meanwhile, their investment in physical assets is considered less than AFN 1 million (USD 12,987) for the service sector and less than AFN 2.5 million (USD 32,467) for the non-service sector.

Table 2. 1 Definition of Miro Enterprises in Afghanistan

Type of Enterprises	No. of Employees	Investment in Physical Capital (AFN Millions)	
		Non-Service sector	Service Sector
Micro-enterprise	<5	<2.5(USD 32,467)	<1 (USD 12,987)

Source: Ministry of Industry and Commerce, also cited in World Bank (2022)

Micro-enterprises in Afghanistan constitute a large share of MSMEs. The number of micro-enterprises in Afghanistan is 218,226, which is 88.64% of the total number of MSMEs in the country (Ministry of Economics, 2020). Table 2.2 presents the profile of the total number of each component of MSMEs in Afghanistan.

Table 2. 2 Total Number of MSMEs and Each Component of MSMEs (micro, small and medium enterprises) in Afghanistan

Country	Total No. of MSMEs	Total No. of Micro-enterprises	Total No. of Small Enterprises	Total No. of Medium Enterprises
Afghanistan	246,189	218,226	7,776	20,187

Source: Compilation from Ministry of Economics, Center for Economic Analysis (2020) and Ehsanullah et al. (2022)

MSMEs are extensively involved in the country and contribute to generating revenue—AFN 7,501,047,326 (USD 97,416,199)—for the government of Afghanistan; the share of micro-enterprises in generating revenue for the government of Afghanistan is 21% (Ehsanullah et al., 2022). Table 2.3 depicts MSMEs' contribution to revenue generation, with particular consideration given to micro-enterprises.

Table 2. 3 Micro-enterprises' Contribution to Revenue Generation

Country	MSMEs' contribution to revenue generation	Micro-enterprises (%)
Afghanistan	AFN 7,501,047,326 (USD 97,416,199)	21.%

Source: Compilation from Ehsanullah et al. (2022)

Meanwhile, micro-enterprises employ about 601,680 workers or 43.6% percent of the total number of employments provided by MSMEs, with an average of fewer than three workers per establishment. Table 2.4 presents the number of employment opportunities offered by MSMEs in general and the percentage of employment generated by micro-enterprises in Afghanistan.

Table 2. 4 Micro-enterprises' Contribution to Employment Generation

Country	Total number of employments provided by MSMEs	Micro-enterprises (%)
Afghanistan	1,380,000	43.6%

Source: Compilation from Ministry of Economics, Center for Economic Analysis (2020) and Ehsanullah et al. (2022)

Regarding geographical location, micro-enterprises in the five major provinces of Afghanistan, namely, Kabul, Herat, Kandahar, Balkh, and Nangarhar, contribute to around 51.5% (112,356) of all micro-enterprises in Afghanistan. Kabul has the highest number of establishments, about 35.2% (76,857), followed by Herat, which ranks second in terms of the number of micro-enterprises, at around 5.1% (11,088).

Kandahar ranks third in terms of the availability of micro-enterprises. The total number of MSMEs in Kandahar is 12,469, while the number of micro-enterprises established is 9,749. The details of the number of micro-enterprises according to major provinces in Afghanistan are indicated in Table 2.5.

Table 2. 5 Profile of Micro-enterprises Based on Major Provinces in Afghanistan

Province	Total MSMEs	Micro-enterprises
Kabul	80,965	76,857
Herat	13,697	11,088
Kandahar	12,469	9,749
Balkh	10,668	8,636
Nangarhar	7,444	6,026

Source: Compilation from Ministry of Economics, Center for Economic Analysis (2020) and Ehsanullah et al. (2022)

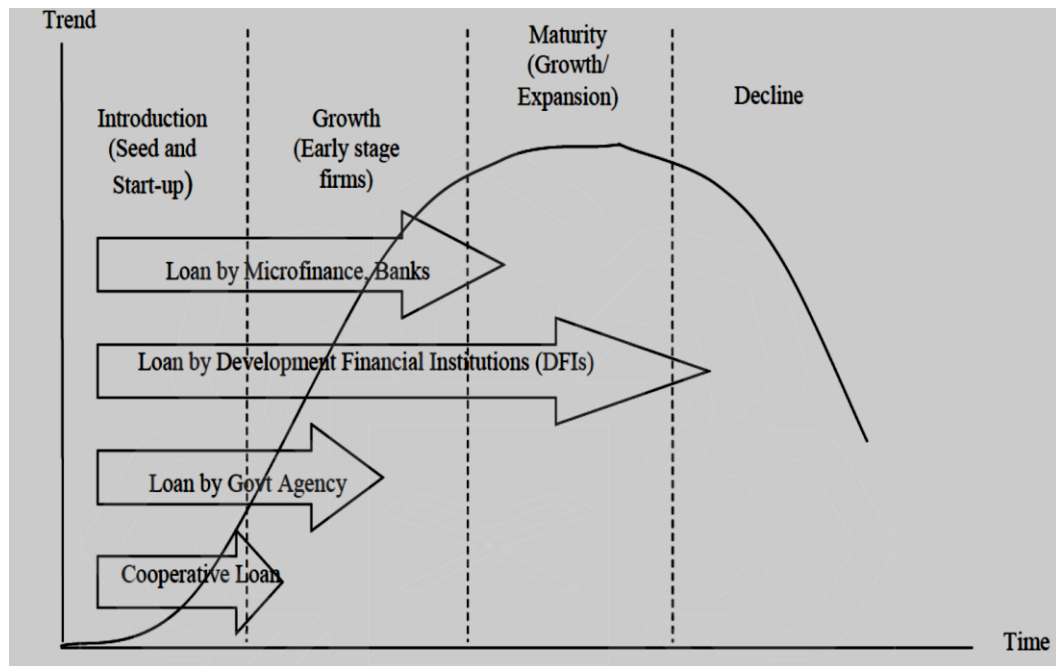
2.2 AVAILABILITY OF FINANCING FOR MICRO-ENTERPRISES

In Afghanistan, several financing models or external financing sources are available to micro-enterprises. Before delving into the specifics of the funding sources, it is essential to examine the link between the financial life cycle theory and external financing sources.

The financial life cycle hypothesis describes the performance of businesses in terms of growth, profitability, and productivity over time. It follows an inverted U-shape with an early expansion of businesses followed by a gradual decline, as shown in Figure 2.1. According to Danny and Friesen (1984), if a business (including micro-enterprises), has been established for less than ten years, it comes within the spectrum of introduction and expansion. If it has been established for over ten years, it has reached maturity and is in decline. Entrepreneurs may require external financing depending on the size and scope of

their enterprises. Therefore, enterprises typically fulfill their financial needs differently a different periods of their corporate life cycle.

Figure 2. 1 Life Cycle Model of Enterprises Combined with Need for Financing



Source: Adopted from Asmy (2015), who adapted from Bhaird and Lucey (2011) and Danny and Friesen (1984)

In the Afghan context, the common sources available for external financing during the introduction (seed and start-up firms) and growth stages (early-stage firms) are microfinance institutions, non-governmental organizations (NGOs), and moneylenders. The commercial banks' financing model is also available for micro-enterprises that have already reached maturity. Thus, it seems that the common models of external financing available for micro-enterprises in Afghanistan, based on the financial lifecycle model, can

be categorized into four: microfinance, commercial bank, NGO, and money lender models (Hussein, 2009; Lutfi, 2021). The models are discussed separately below.

2.2.1 MICROFINANCE

Microfinance has been considered a dominant source of external financing for micro-enterprises in Afghanistan. The microfinance initiative took place in Afghanistan since The World Bank and key figures in the former Afghan government (The Ministry of Rural Rehabilitation and Development) collaborated on an initiative to create a centralized platform for the country's rapidly expanding microfinance sector.

As a result, the Microfinance Investment Support Facility for Afghanistan (MISFA) was founded as an apex microfinance institution in 2003. MISFA received funding from the Afghanistan Reconstruction Trust Fund (ARTF) established by the World Bank. Furthermore, MISFA associated itself with several funders and development partners to secure continued funding for the microfinance program. MISFA was the first platform responsible for pooling the various donor funding mechanisms and converting them into standardized and convenient support for microfinance institutions in Afghanistan. This support was tailored to the priorities of the Afghan community, and it was also accompanied by technical assistance and stringent performance evaluation.

MISFA is now successfully achieving its core objective of financial inclusion by helping MSMEs. In addition, it is acting as a driving force behind the growth of Afghanistan's private sector, which is an essential component of Afghanistan's road to economic recovery and long-term growth (Hussein, 2009; Lutfi, 2021; MISFA, 2017).

MISFA also facilitated the transfer of funding from various foreign organizations through loans, grants, and technical assistance to local microfinance programs, in turn facilitating the provision of technical support and financial backing for the development of Afghanistan's microfinance industry. It was conceived of as a mechanism that could be used by both the Afghan government and foreign donors.

MISFA provides loans through 13 non-governmental organizations (NGOs), a credit union, and a microfinance bank. As of August 2018, over 1.2 million loans totaling USD 1.1 billion had been given out. These loans were spread across 14 provinces, and 34% of those who got them were women. It has about 133,564 active borrowers and a total loan portfolio of approximately USD 120 million (OECD, 2019).

Apart from that, the Afghanistan Microfinance Association, often known as AMA, is a network association of financial institutions active in lending to MSMEs. In 2005, MISFA initiated the formation of AMA, which was, however, inactive in the first five years due to a lack of funding. However, in 2010, the United States Agency for International Development (USAID) developed a particular initiative dubbed Financial Access for Investing in the Development of Afghanistan (FAIDA). This program aimed to increase foreign investment in Afghanistan. This initiative made funds accessible to network groups like AMA, which resulted in considerable improvements in AMA's operations, link with financial institutions, and AMA's corporate governance. Table 2.6 lists the members of the AMA.

Table 2.7 presents the top four microfinance institutions that lead the Afghanistan financial market. These four microfinance institutions combined have 91% of the total Afghan microfinance sector share. The First MicroFinance Bank (FMFB) accounts for the

highest market outreach, covering almost 14 provinces and 80 districts in the country. It also has 46,286 active micro-enterprises (borrowers), with a total number of 708561 cumulative loan disbursements. Among these, 11981 are women borrowers, and the number of loans outstanding qualifies for 46286, which is comparatively higher than other financial institutions—FINCA, MUTAHID, and OXUS.

Table 2. 6 Members of the AMA

No	Description of the Organization	Working in Sector
1	The First Microfinance Bank	Bank
2	Exchange Zone	Microfinance Institution
3	FINCA	Microfinance Institution
4	IIFC Group	Microfinance Institution
5	MUTAHID DFI	Microfinance Institution
6	OXUS Afghanistan	Microfinance Institution
7	ARFC	Finance Institution
8	AWC	Community-based Saving/Promoting Institution
9	Agha Khan Foundation (AKA)	Community-based Saving/Promoting Institution
10	Hand in hand Afghanistan	Community-based Saving/Promoting Institution

Source: Afghanistan Microfinance Association (AMA)

OXUS is the second largest microfinance institution in terms of active borrowers (21938), number of cumulative loan disbursements (234380), number of loans outstanding (21938), and women borrowing (12485). Comparatively, MUTAHID has a low market share, which consists of providing microfinance services in the six provinces of Afghanistan, with 16173 active borrowers, among which 6309 are female borrowers, and the cumulative number of loan disbursements accounts for 137508.

Primarily, the loan products provided to micro-enterprises by most microfinance institutions (MFI) in Afghanistan are based on a group-lending scheme, where borrowers

are grouped into four or five people, most of whom are women. Each client initially borrows between USD 80 to USD 100 to be repaid in instalments throughout a typical loan cycle that lasts 4–12 months.

Table 2. 7 Summary of MISFA Microfinance Partners Outreach

Overall-outreach	FMFB	FINCA	MUTAHID	OXUS
Provinces	14	10	6	10
Districts	80	15	-	5
Active Clients	230,225	19,238	16,173	21,938
Active borrowers	46,286	19,238	16,173	21,938
No. of loans disbursed (cumulative)	708,561	472,495	137,508	234,380
Amount of loans disbursed (AFN, cumulative)	64,511,966,805	16,020,768,368	6,654,781,435	10,582,586,402
No. of loans outstanding	46,286	19,238	16,173	21,938
Gross Loans outstanding (AFN)	2,950,925,040	653,018,338	390,184,906	671,490,759
Client voluntary savings	2,903,234,703	-	-	-
Client compulsory savings	-	-	-	476,331
Women Clients	55,059	10,881	6,309	12,485
Women from Total No. of Clients (%)	23.9%	56.6%	39.0%	56.9%
Women Borrowers	11,981	10,881	6,309	12,485
Women from Total No. of Borrowers (%)	25.9%	56.6%	39.0%	56.9%
Total staff (incl Loan Officers)	1,402	241	201	368

Source: Compiled from MISFA (2021), Partner Outreach Data

Some MFIs have also begun offering a second kind of loan product designed for individually-held enterprises, most of which are run by men. These loans range from USD 250 to USD 2,000 and must be returned in installments over a year or more (Jahish, 2017).

Table 2.8 summarizes the various kinds of microfinance loans that are available in the financial market. The eligibility requirements and conditions are of utmost importance for a customer to be able to get financing. Most of these loans are awarded to returning clients who have completed numerous previous loan cycles and are thus qualified for the maximum available credit.

The most common type of loan provided to micro-enterprises in Afghanistan is an individual loan. There are a number of terms and eligibility criteria for applying for this type of loan. The client should be an Afghan citizen, between the ages of 18 and 65, and living in a geographical area where the banks and MFIs can have market outreach. The guarantor and title deeds are also required. Moreover, the loan size should range from AFN 15,000 (USD173) to AFN 500,000 (USD5767), while the loan turnover should be 6–24 months. The MFIs charge a flat interest rate.

The second most popular type of loan is group loan. The eligibility criteria for this type of loan are that the group members should hold Afghan citizenship, the group should include 2–5 members, and all members must be semi-professionals. For the group loan, collaterals are not required, but members must guarantee each other.

Table 2. 8 Types of Microfinance Loans Provided for Enterprise Development

Product	Eligibility Criteria	Loan Terms and Conditions
Individual Enterprise loan	<ul style="list-style-type: none"> • Afghan citizen • Lives in the geographical area where Bank and MFIs work • Age between 18 to 65 • Must have business title deeds and guarantor 	<ul style="list-style-type: none"> • Loan size of AFN 15,000 (USD173) to 500,000 (USD5767) • Loan tenor of 6–24 months • Title deed and guarantor required • Flat interest charges will be calculated
Group Loan	<ul style="list-style-type: none"> • Afghan citizen • Group members of 2–5 people • Group members should have work or semi-professions 	<ul style="list-style-type: none"> • Loan size of AFN 5,000 (USD 55) to AFN25,000 (USD 288) • Loan tenor of 6–24 months • No title deed, but all members must guarantee each other. • Flat interest charges will be calculated
Women Individual Enterprise Loan	<ul style="list-style-type: none"> • Afghan citizen • Lives in the geographical area where Bank and MFIs work • Aged 18–65 • Able to provide guarantors and securities deed 	<ul style="list-style-type: none"> • Loan size of AFN 15,000 (USD 173) to AFN 500,000 (USD 5767) • Loan tenor of 6–24 months • Title deed and guarantor required. • Flat interest charges will be calculated.

Source: Compiled from First Microfinance Finance Bank (FMFB), Afghanistan

Meanwhile, the third type of microfinance loan is called a women's enterprise loan. The eligibility criteria for the loan are that the client must be an Afghan citizen, living in the geographical area where banks and MFIs work or have market outreach, and the client is required to provide security deeds and guarantors. Loan sizes range from AFN 15,000

(USD 172) to AFN 500,000 (USD 5767). Moreover, with this type of loan, MFIs charge a flat interest rate.

The microfinance model has its advantages and disadvantages. It emphasizes less on collaterals, particularly for group-lending schemes, which make it possible for micro-enterprises to access the loan. Moreover, the group-lending mechanism allows for a high repayment rate to be achieved. However, the disadvantages of this model are that a high interest is charged compared to the conventional banking system, and the size of the loan is small.

Figure 2. 2 The Microfinance Model



Source: Author's Illustration

2.2.2 COMMERCIAL BANKS

Afghanistan has a bank-based financial framework that has made significant progress toward a functional and modern banking industry. The country consists of twelve

institutions: seven are full-fledged commercial banks, three are government-owned, and two are foreign banks (Da Afghanistan Bank, 2020).

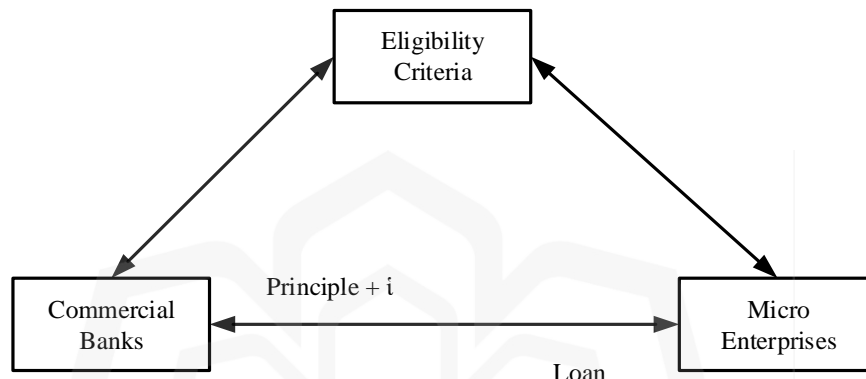
As of the end of 2018, the proportion of private credit to GDP in Afghanistan was found to be 2.88%. The ratio of loans to deposits was found to be 15.45%, which is much lower than what is seen in countries comparable to Afghanistan. The proportion of deposits made inside the country to its GDP was found to be 18.64%. Moreover, the share of outstanding SME loans was found to be 0.17% of the GDP. This figure is also much lower in contrast to that of other nations, which illustrates the lack of financial assistance for MSMEs in Afghanistan due to the reluctance of banks to grant loans. The banks charge high-interest rates of up to 25%, along with collateral requirements, and they also offer loans with short maturity (OECD, 2019).

Therefore, in Afghanistan, commercial banks rarely offer loan facilities for micro-enterprises. They focus on providing credit facilities to other components of MSMEs, such as small and medium enterprises. It is quite problematic or risky to approve a loan for enterprises that do not have enough money to pay back their loan together with the high interest, and have a higher chance of loan default.

With exception, the Afghanistan International Bank (AIB) and Ghazanfar Bank are the only commercial banks that offer microcredit facilities to micro-enterprises in Afghanistan. They are guaranteed by the Afghan Credit Guarantee Foundation (ACGF) and Credit Guarantee Facility for Afghanistan (CGF-A). Since 2005, more than 5735 MSMEs have benefited from the combined 204 million dollars in loan guarantees that CGF-A and ACGF have provided, with a guaranteed coverage of 72%. ACGF offers financial

assistance with loans ranging from \$5,000 to \$500,000 for a maximum term of five years. There is also the possibility of larger loans with a lower level of coverage (ACGF, 2020).

Figure 2. 3 The Commercial Bank Model



Source: Author's Illustration

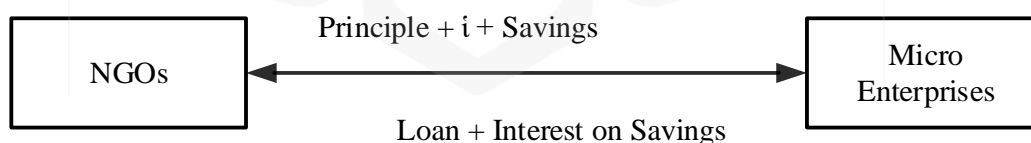
2.2.3 NON-GOVERNMENTAL ORGANIZATION (NGOs)

International financial institutions, registered as non-governmental organizations (NGOs) with the Afghan government, also provide microcredit facilities to micro-enterprises in Afghanistan. For example, the World Council of Credit Unions, often known as WOCCU, is the most important organization in the global credit union network. It financially assists micro-enterprises intending to establish new credit unions. Credit unions, in contrast to banks and other types of microfinance institutions, are organized and owned by the people who use their services. The services of a credit union, including savings and lending programs, are only available to owner-members of the credit union. Awards for savings are calculated at a rate of 8% per year. The loans come with a monthly service fee equal to 2% of the loan amount.

Apart from that, the Aga Khan Foundation (AKF) and the Natural Resources Institution (NRI), with financing from the Research in Alternate Livelihoods Fund (RALF) initiative, have developed Self Help Groups (SHG) in the Badakhshan province as an alternative source to microfinance institutions. The initiative relies on the villagers of each hamlet coming together voluntarily to create SHGs at the community level. The results of this program indicate that loans granted by Self Helping Groups may, at the very least, replace informal and official credit sources that come with high-interest rates and service fees.

Furthermore, the Bangladesh Rural Advancement Committee (BRAC) facilitates the formation of Village Organizations (VOs) and involves local community participation. The most important microfinance product that BRAC offers is a small loan program. Loan amounts range from AFN 8,000 to AFN 20,000, and the loan must be returned on a weekly basis. A 17.5% flat interest rate is charged on loan provision services, along with mandatory savings.

Figure 2. 4 The NGO Model



Source: Author's Illustration

2.2.4 MONEY LENDERS

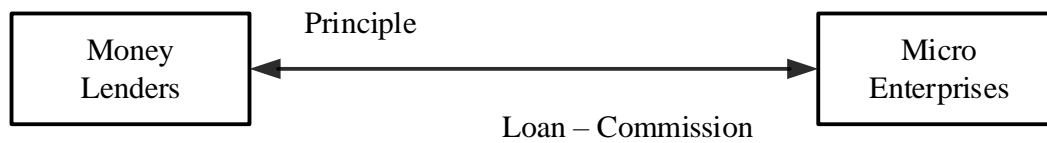
Traditional informal financing practices in Afghanistan somewhat compensate for the absence of a structured formal financing system. Customers can obtain financial services,

such as loans, currency exchange, and other financial transactions from Hawala dealers. The Hawala dealers have maintained a long-standing and secure presence in Afghanistan throughout the country's recent history of economic instability. In most cases, they trade using physical counters located in open-air marketplaces; some are even registered with the Central Bank (Da Afghanistan Bank, DAB). Micro-enterprises have had reliable access to financing because of Hawala dealers' continued backing of the sector (OECD, 2019).

Most commercial enterprises in Afghanistan rely on them for payment processing, currency exchange, microfinance, and money transfers. Compared to banks, they are seen as effective. They are thought to be less expensive and more trustworthy. In addition to the 1697 licensed foreign currency (FX) dealers, the DAB has granted formal Money Service Provider (MSP) licenses to about 1300 Hawala merchants. It was predicted that between 300 to 5,000 brokers would be engaged to facilitate informal banking services in 2010 (OECD, 2019).

This system is believed to provide services more quickly, at a lower cost, and more conveniently than commercial banks. It appears better suited to many aspects of the local circumstances. For example, it does not require paperwork or bureaucratic procedures to verify clients and approve transactions. In this system, the loan is offered to micro-enterprises based on the pre-defined commission rate initially deducted from the loan amount (see Figure 2.5).

Figure 2. 5 The Money Lender Model



Source: Author's Illustration

2.3 THE ISSUES OF THE EXISTING FINANCIAL MODEL FACED BY MICRO-ENTERPRISES IN AFGHANISTAN

External financial support to micro-enterprises in Afghanistan is present and heavily dependent on microfinance institutions, commercial banks, non-governmental organizations (NGOs), and money lenders, as discussed in the previous section (2.2). However, there are constraints. Several studies carried out analytical and empirical investigations regarding the constraints of accessing external finance, faced by micro-enterprises in Afghanistan.

Usually, the constraints of accessing external financing are more apparent to micro-enterprises in the introduction stage (seed and start-up enterprises). The micro-enterprises in the seed and start-up stage generate only limited cash flows, which makes them rely on the infusion of capital from external sources of financing, such as commercial banks, microfinance institutions, NGOs, and money lenders. However, since they are still small and young, they have difficulties gaining access to external financing and are often financially constrained (Abdullah, 2021; Hussaini, 2021; Najafizada, 2014; OECD, 2019).

Upon reviewing the annual reports of MISFA, it may be observed that a significant amount of cash and bank balance is available, however, there are still large numbers of unsatisfied customers who need urgent funds in the provinces. The reason behind this state of insufficient fund supply is thoroughly explained in a study conducted by Hussaini (2021). Most microfinance institutions secure loans with interest rates ranging from 20% to 40% per year. Many people who needed microfinance loans were already impoverished and struggling to meet basic necessities, making it impossible to afford this rate. The payment of such high-interest rates harmed their profitability, and they failed to pay their loans on time. Moreover, those who were unable to afford it were forced to close down their businesses. The circumstances led to the loss of enterprises and put families in positions that forced them to return to poverty (Hussaini, 2021).

In another study, Abdullah (2021) stated that despite the high credit demand that micro-enterprises face, there are several obstacles to efficient credit delivery. For example, most micro-entrepreneurs' opposition to interest-bearing loans is based on their religious beliefs, with which financial products and systems are incompatible. The study also revealed that the poor reputation and operational inability of microfinance institutions (MFIs) in Afghanistan contributed to the industry's massive losses. The remaining MFIs in the nation have decreased 14–6 in number, and their outreach has reduced by about half (Hussaini, 2021; Microfinanza, 2019).

The findings of field research, conducted in Kabul, Faryab, and Balkh, have further established that high-interest rates, lengthy regulatory procedures, short maturity terms, and heavy collateral criteria were the major concerns of enterprises (Abdullah, 2021).

Microfinanza (2019) also empirically mentioned that 33% of women and 43% of men reported that the lack of collateral was the main reason microfinance institutions refused microcredit approval for their enterprises.

Moreover, according to ACCI (2016), the availability of external financing was mentioned by 47% of enterprises as a major issue that hinders their growth and development. However, there are significant disparities across regions, with most respondents coming from Kandahar (70%), Nangarhar (64%), and Balkh (56%). Besides, 52.1% of the respondents stated that high financing costs and onerous collateral requirements were the major financial difficulties faced by businesses.

Furthermore, a report by the Afghanistan Central Bank (cited in OECD, 2019) stated that the requirement of commercial banks for collateral as a loan guarantee is 120% of the average amount of loan applications. In another report, the World Bank stated that approximately 70.7% of loans required collateral in Afghanistan (Aghaez, 2017; OECD, 2019).

Moreover, Habibi (2016) conducted a study in Nangarhar to determine the factors affecting private enterprise financing in the province. The study's findings exposed that the factors that highly impact enterprise development are the short duration of loans, the high frequency of loan repayment, and a lack of managerial skills in Afghanistan.

In another study, Najibullah (2019) considered limited access to finance as a significant obstacle to enterprise and economic development in Kandahar. The study suggested that entrepreneurship could have the capability to downturn youth unemployment because the coming growth of MSMEs entailed availing employment opportunities and more local markets. As a result, savings could be reinvested in the

economy to strengthen the circular flow of the local economy. The study concluded that the economic dependency on people's well-being is almost patched with MSMEs. Therefore, there is market potential that businesses ventured by young graduates could be the power tools for income generation and could explore vigorous market opportunities.

In summary, the above literature review on issues of accessing finance can be categorized as using two approaches. The first category argues on the issues of accessing finance using an observation or analytical approach (Abdullah, 2021; ACCI, 2016; Microfinanza, 2019). In the second category, the scholars (Habibi, 2016; Hussaini, 2021; Najafizada, 2014; Najibullah, 2019; OECD, 2019) empirically highlighted the issues of accessing finance among micro-enterprises. However, none of the studies have attempted to conceptualize the issue of accessing finance into a framework or model that can be empirically tested.

2.4 AVAILABILITY OF HUMAN CAPITAL DEVELOPMENT SERVICES FOR MICRO-ENTERPRISES IN AFGHANISTAN

Human capital attributes, such as education, experience, and skill, have been argued to be critical resources in micro-scale businesses. The concept aligns with the Theory of Human Capital, proposed by Schultz (1961) and developed extensively by Becker (1964).

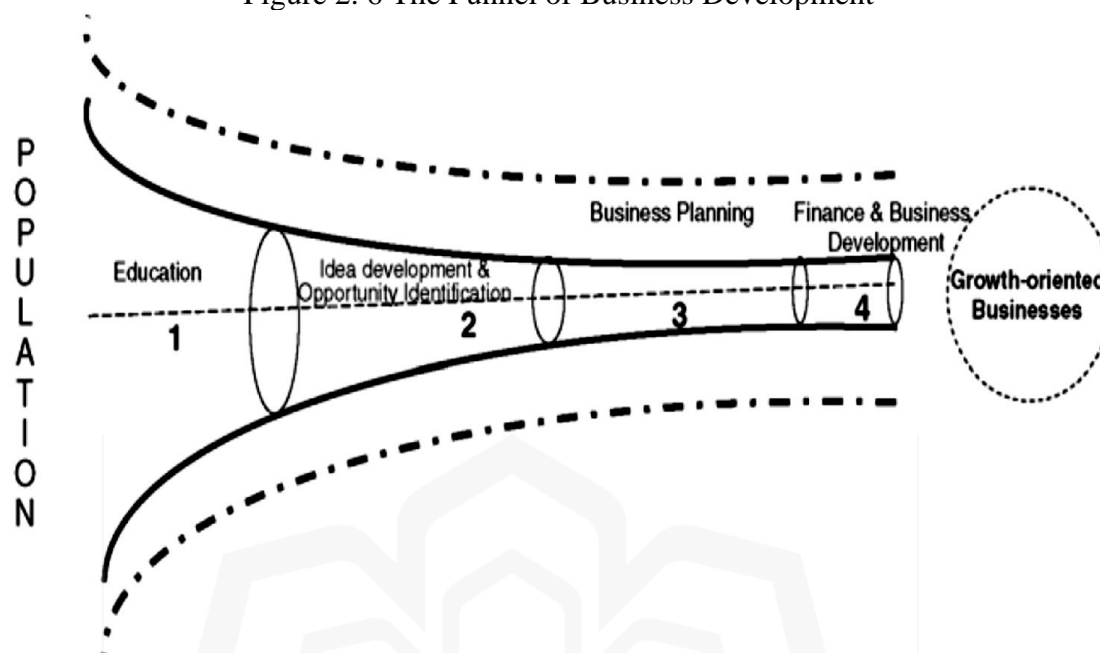
The Theory of Human Capital argues that knowledge and skill are a form of capital that will increase human productivity and a positive rate of return. People can increase their level of human capital if they invest in education and training. As a consequence, their skills and knowledge will enable them to raise their productivity and maintain a position that pays a higher salary. Therefore, it becomes clear that investment in education and training is crucial to human capital deployment (Schultz, 1980).

Hence, the success of micro-enterprises depends on sound education, experience, training, and skills. Among others, the expansion of a business is helped by programs like business incubators that assist in entrepreneurial success. In other words, a lack of programs may lead to obstacles that hinder micro-enterprise growth, as shown in the funnel of business development framework in Figure 2.6.

The funnel of business development framework is characterized by three stages. The first step is the concept and education stage, during which candidates are picked based on whether or not they have a compelling business idea and the desire to launch their own business. The second step involves providing those individuals who have shown resiliency and willpower with more extensive assistance. At that point, the focus is on identifying opportunities and making plans for the growth of the enterprise. The third step is known as the growth stage. In this stage, owners will get a comprehensive package for enterprise development, and they will develop market links, boost production, and secure funding. This framework highlights the need for education, skills, and training for successful micro-entrepreneurship practices (Eriksson & Wollin, 2017).

Human capital development services are programs and training activities for developing skills related to marketing, management, education, and building self-confidence, which contribute to the growth of businesses (Hossain, 2019). Aligned with this, Hearth (2018) emphasized the need for the availability of non-financial services for micro-enterprise development, such as business development skills, capacity-building programs, education, and income-generation techniques.

Figure 2. 6 The Funnel of Business Development



Sources: Adopted from Agbeibor (2006)

However, in the context of Afghanistan, only a selected few NGOs have been established to offer human capital development services to micro-enterprises, to expand the scope of their social reach and influence. These organizations include BRAC, FINCA, and Women for Women.

FINCA Afghanistan collaborates with the International Rescue Committee (IRC) to combine financial services with human capital development programs. This allows economically poor micro-enterprises to overcome financing and human capital development challenges. IRC provides market-oriented skills, training, and business development assistance to FINCA's new Afghan customers.

BRAC also provides training facilities and education for its staff. Currently, 1,104 of the 1,985 BRAC Afghanistan staff members working in the microfinance sector are female, making up about 95% of the total staff.

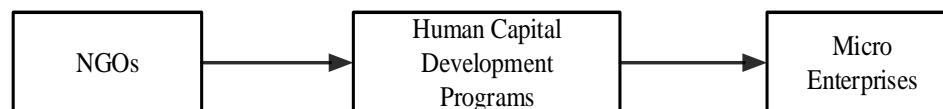
Moreover, the target population of Women for Women is vulnerable women who often lack previous business experience and hold few productive assets. The NGO provides education, entrepreneurship training, and business support facilities. Many of these women "graduate" into the NGO's formal microfinance clientele (Hussein, 2009).

Meanwhile, the German Cooperation with Afghanistan (2017) also introduced a program to support and provide human capital development services to micro-enterprises in Kabul. In this program, 30 university graduates were recruited and taught how to start and manage their enterprises in the energy sector. The program provided a training curriculum based on market demand. The participants learned technical skills in the program's first phase and entrepreneurial skills in the second phase.

Likewise, Cordaid (2018) introduced a Bright Future Program to provide human capital development services to micro-enterprises. The program provides entrepreneurial skills through Bright Business Incubator and youth vocational training programs. The program aimed to facilitate the start and growth of 120 MSMEs in Kabul by 2021.

So far, the programs on human capital development provided by the relevant agencies are characterized by improper training courses and programs that have been unable to adequately meet the needs of micro-enterprises (Nazeer Mohammad, 2021; OECD, 2019). Moreover, NGOs have also imposed certain criteria for selection, which include the demand for business plans, licenses, and related documents, causing further barriers.

Figure 2. 7 The Model of Human Capital Development



Source: Author's Illustration

2.5 THE ISSUES OF THE EXISTING HUMAN CAPITAL DEVELOPMENT MODEL FACED BY MICRO-ENTERPRISES IN AFGHANISTAN

The literature has found that the issues of lacking certain skills, low level of education, improper training courses, and inaccessibility of training are hampering human capital development (Freshta, 2016; Murtaza et al., 2019; Nazeer Mohammad, 2021; Nazifa & Muhammad Shahid, 2018; Wasiq & Dahlan, 2019).

Nazeer Mohammad (2021) stated that decades of war and insurgencies have had a long-lasting impact on the country's human capital. Despite significant improvements and educational achievements by young people, there is still an educational gap. Therefore, the country needs substantial enhancement to meet the required work environment and international standards.

Shedding light on the issue, Mohammad Zahir (2020) asserts that entrepreneurship in Afghanistan is considered a good strategy for imitating innovators because, so far, the talent of Afghan entrepreneurs has not been nurtured in educational institutions. Afghanistan's higher education system is structured only for instructional purposes. As a result, they primarily produce job seekers rather than employment creators. The study

suggested that Afghanistan cannot anticipate economic growth in the nation if everything is based on traditional educational and training courses.

Furthermore, Freshta (2016) has found that entrepreneurship training is an important element that favors enterprise profitability, which may be enhanced by using an active learning approach and educating participants on how to incorporate innovation and new features into their goods and services. The study also stated that female micro-entrepreneurs lack the necessary skills that can contribute to business development. Freshta's findings assessed the effect of training received on enterprise profitability. However, the study did not highlight the need for particular skills and the extent to which the absence of these skills affects human capital development. Furthermore, due to the employment of a low sample size, the findings cannot be generalized to the rest of the population.

Likewise, Murtaza et al. (2019) determined the impact of entrepreneurship education on choosing entrepreneurship as a career in Afghanistan. The study's findings concluded that entrepreneurship education strongly and significantly influences entrepreneurial behavior and attitudes toward entrepreneurship development. The research recommended that universities foster entrepreneurship education to enhance graduates' entrepreneurial skills. The study consisted of 99 participants. However, Murtaza et al.'s findings were based on a perceptual study only. Moreover, the study only concentrated on the importance of education in choosing entrepreneurship as a career choice. The study did not establish a proper conceptual framework for mitigating human capital development constraints.

Meanwhile, Nazifa and Muhammad Shahid (2018) identified the predictors of female behavioral intentions toward enterprise development in Afghanistan. The study recommended that modern entrepreneurship institutions should be built to provide entrepreneurship knowledge, skills, and training. The authors found that most businesses highlighted the lack of knowledge and business experience as issues for human capital development. The research was more focused on using the perceptual study approach. Therefore, the findings poorly portrayed how and to what extent factors affected human capital development. The study also concentrated more on small enterprises. The study did not examine the extent to which the absence of particular skills affects human capital development.

Wasiq and Dahlan (2019) developed a conceptual business model and determined that entrepreneurship knowledge, skills, and human values can play a significant role in shaping enterprise development in the context of Afghanistan. The study stated that the country's higher education institutions cannot play an important role as a mediator between demanded knowledge and enterprise development. Therefore, the study provided a conceptual business model that concentrated on the role of training and education for enterprise development. However, the model was not empirically tested to assess the behavioral intention of micro-entrepreneurs to use the model. Apart from that, the model did not notably contribute toward micro-enterprise development.

In summary, similar to the discussion in section (2.3), none of the studies have attempted to conceptualize human capital development issues into a framework or model that can be empirically tested.

2.6 JUSTIFICATION OF THE STUDY AREA: KANDAHAR PROVINCE

Kandahar province ranks as the third major province in terms of the total number of micro-enterprises, as depicted in Table 2.5. On the other hand, as discussed in chapter one, see Table 1.2, Kandahar remains the lowest in the number of micro-enterprises that received financial assistance when compared to other major provinces in Afghanistan.

As shown in Table 1.2, Kabul province ranked top in receiving financial assistance, with 29010 micro-enterprises that received financial assistance. Balkh ranked second with 18.92% of micro-enterprises receiving financial assistance. However, Kandahar remains the lowest, with only 0.48% of micro-enterprises receiving financial assistance among the 17 provinces of Afghanistan, which provides a clear justification for inadequate financial support and assistance received by micro-enterprises in Kandahar.

Moreover, the economic dependency on people's well-being in the private sector of Kandahar is almost patched with the development of micro and small enterprises, as well as medium-size businesses. Najibullah (2019) believed that, in the context of Kandahar, there is a market potential that business extensions and ventured development would become the power tools for income generation. Since the future growth of MSMEs entails availing employment opportunities and encourages local markets, which thus have the capability to downturn youth unemployment, business establishments would be able to explore vigorous market opportunities. As a result, savings could be reinvested in the economy to strengthen the circular flow of the local economy.

Most youths are interested in being self-employed and intend to establish or initiate their own micro or small enterprises (Najibullah, 2019). Currently, university and college graduates are commencing their own micro and small businesses, and are keen on carrying

out their enterprises sound and well; businesses being initiated include poultry, farming, animal rearing, hairdressing, barbing, soap making, block making, baking, commercial transportation, distributive trade, estate agency, tailoring, laundry and dry cleaning, office and industrial cleaning, etc. These enterprises could be considered the cornerstone of the greatness of the local economy.

Abdullah (2021) stated that in most cases of businesses, a considerable amount of the capital in the early stage of a start-up comes from individuals' savings, family, or friends, due to the lack of a favorable lending system in the province. However, the financing from such internal sources is not enough and creative (Najibullah, 2019). Hence, external financing assistance would play a significant role in smoothing the path for developing micro-enterprises.

In a study by Rasoli and Mirza (2019) that included Kandahar as a sample province, external financing issues for enterprises were evident. The study stated that the primary sources of financing enterprises in the provinces come from relatives and family. The survey results showed that around 89% of enterprises need external financing. In comparison, only 16% of them have access to loans, and 63% of businesses considered access to external financing as an issue. The high financing costs of up to 21.2% and the lack of Islamic loans were the major financing difficulties, as indicated by the majority of businesses. Similarly, the ACCI business survey stated that 70% of businesses in Kandahar considered the availability of external financing as an issue; the high-interest rate and excessive collateral were the main deterrents to the growth of their businesses (ACCI, 2018).

Abdullah (2021), in his study, also included Kandahar as one of the randomly chosen provinces, and indicated a dire need for external financing in the studied provinces. The study's findings showed that limited access to sustainable external financing is the most current and significant challenge for enterprise growth in the provinces. The study thus stated that the availability of external financing is considered to be the lifeline for enterprise development in the provinces. Furthermore, the study concluded that there does not exist a proper lending mechanism based on the desires and needs of enterprises in Kandahar.

On the other hand, another major issue that hinders the development of micro-enterprises in Kandahar is the issue of human capital development. As discussed earlier in section 2.4, NGOs in Afghanistan mainly deliver human capital development services. These NGOs are working with their missions and rendering human capital development services based on their own designed particular segment of micro-enterprises. For instance, Woman for Woman targets vulnerable women. FINCA Afghanistan partners with the International Rescue Committee (IRC) to provide human capital development services for migrants only in Herat province. Meanwhile, BRAC has established a small training center to train its staff. The German Cooperation with Afghanistan introduced a program to support and provide human capital development services to micro-entrepreneurs in the energy sector. Moreover, Cordaid introduced a Bright Future Program to provide human capital development services to graduates. The program provides entrepreneurial skills through Bright Business Incubator and youth vocational training programs in Kabul. Therefore, in Kandahar, there do not exist sufficient human capital development service

programs that assess micro-entrepreneurs in uplifting their skills related to business development.

The above discussion shows that in Kandahar province, there is a lack of financing and human capital development services for the development of micro-enterprises, which provides a clear justification for this study.

2.7 REVIEW OF THE PROPOSED MODEL

Based on the literature review, the key challenges faced by micro-enterprises in Afghanistan can be classified into two: the issues of external financing and human capital development services.

To address the external financing and human capital development challenges as discussed above, scholars propose, among others, the integration of Islamic charities, Qardhul Hasan, Islamic equity-based financing, and enterprises. However, propositions provided by the scholars have yet to be conceptualized into a model. The present study has considered these propositions and developed an alternative model (which will be discussed in detail in Chapter 4).

In terms of external financing services, the model channels Islamic charities to provide financing services to micro-enterprises in the form of Qardhul Hasan and Islamic equity-based financing. Meanwhile, in terms of human capital development, the model channels Islamic charities, such as sadaqah, waqf, and funds from Baitul maal to build a modern training center where micro-enterprises can benefit from the availability of different training programs and courses based on the need assessment criteria.

The subsequent subsection provides an overview of the related works on the integration of Islamic charities, Qardhul Hasan, Islamic equity-based financing, and micro-enterprises.

2.7.1 QARDHUL HASAN AND ISLAMIC EQUITY-BASED FINANCING

Many studies stressed the use of Qardhul Hasan financing arrangements for financing enterprises, particularly micro-enterprises (Aderemi & Ishak, 2020, 2022; Machfudz & Kamila, 2019; Zauro et al., 2016). According to those studies, the proper utilization of the Qardhul Hasan mechanism can be a reasonable source of financing for micro-entrepreneurs. However, these studies do not conceptualize a practical model that could be implemented to solve the issue of financing and human capital development related to micro-scale enterprises. In other words, there is a lack of empirical research validating the conceptual model of Qardhul Hasan-based micro-enterprises.

For example, Zauro et al. (2016) proposed a conceptual model to assess the acceptance of Qardhul Hasan financing for micro-enterprises. The model's authors emphasized the importance of determining the link between attitudes, knowledge, perceived governmental support, and perceived advantages of using Qardhul Hasan as a source of finance for micro-enterprises. The authors focused on the factors that improve the acceptability of Qardhul Hasan as a source of finance in the conceptual framework they offered. However, the study did not empirically examine a model that could be implemented to mitigate the financing problems faced by micro-enterprises.

In another study, Aderemi and Ishak (2020) proposed a Qardhul Hasan financing model for the development of micro and small enterprises. The model incorporates crowdfunding to alleviate financial issues. The study suggested Qardhul Hasan-based

crowdfunding as an alternative source of financing for micro and small-scale firms on the view that the lack of a fixed interest rate might generate greater returns for micro and small businesses. The study provided a conceptual framework to integrate Qardhul Hasan-based crowdfunding into micro and small enterprises. However, the model was not empirically analyzed based on authentication to measure investors' intentions to use the proposed model.

Meanwhile, Machfudz and Kamila (2019) explored the implications of Qardhul Hasan development. The study aimed to describe Qardhul Hasan financing, business performance, and views of Qardhul Hasan loans for micro-enterprise development. The study revealed that implementing Qardhul Hasan financing is highly lucrative. Its allocation to the creative economy group suggests a sense of satisfaction and serenity since loan repayments are not burdened with interest rates. Furthermore, Qardhul Hasan financing got favorable reactions from economic players. However, the study does not prevail as a sufficient mechanism to provide a sustainable and practical ground for conceptualizing Qardhul Hasan modeling for micro-enterprise development.

Aderemi and Ishak (2022) also proposed a Qardhul Hasan-based crowdfunding model in which micro-entrepreneurs pitch their business ideas to the platform. The platform's Shariah advisor evaluates the project and guarantees that it is Sharia-compliant. A due diligence team ensures that business owners are qualified for the service. The platform promotes the chosen ideas to the crowd. The platform plays the function of the agency (*wakalah*), acting as an intermediary between the two parties: funders (investors) and fundraisers (micro-entrepreneurs). Furthermore, the platform can charge entrepreneurs a service fee based on a fixed ratio unrelated to the amount raised or the loan's maturity.

However, the proposed model was not empirically tested to examine the intention of micro-entrepreneurs to use the proposed model. Apart from that, human capital development services were not integrated into the proposed model.

Besides, there are sufficient numbers of studies stressing the utilization of an Islamic equity-based financing approach for financing enterprises (Ishak & Rahman, 2021; Lawhaishy & Othman, 2022; Rahman et al., 2020). According to the findings of those studies, the Islamic equity-based financing mechanism can be used as a source of external financing for micro-enterprises, and it can contribute to making sure that micro-entrepreneurs have access to an adequate amount of external financing.

For instance, Rahman et al. (2020) suggested a conceptual framework for Shar'iah-compatible equity-based crowdfunding (SEC) that includes three major phases: pre-funding, financing, and post-funding. The model indicates that entrepreneurs who want to raise money via the SEC must have an association with a specific operator of an equity-based crowdfunding platform. The proposed contract may take the form of a Mudarabah or Musharakah. However, the model was proposed for the development of entrepreneurship. In the model, proper attention was not given to the micro-enterprises. In addition, the model did not propose any human capital development services for entrepreneurs. The model only integrated Islamic equity-based financing arrangements as a source of financing for enterprises. However, this kind of financing alone might not yield sufficient results for economically poor micro-enterprises.

In another study, Lawhaishy and Othman (2022) proposed a conceptual framework for the Mudarabah investment fund model structure based on Islamic equity-based financing. Micro-investors (MIs) who possess certain financial assets can supply funds into

the model (Arbab ul-Mal). Meanwhile, the Islamic microfinance cooperative organization operates as a Mudrib, which invests money in Shariah-compliant ventures. The distinctive aspect of this approach is that the MIs might contribute a modest amount to the Islamic fund while receiving returns based on predetermined ratios. Furthermore, MIs may participate in various Islamic investment funds, allowing them to diversify their investment portfolio. However, the model was applied to micro-investors without entrepreneurial skills or expertise. Therefore, the model is not considered to apply to micro-enterprises.

Meanwhile, Ishak and Rahman (2021) proposed an Islamic equity-based crowdfunding model that uses Mudharabah contracts to finance enterprises. According to the model, a project manager first provides sufficient knowledge about his project. A platform operates as a wakil (agent) on behalf of donors. The platform reviews the project for trustworthiness and Shariah compliance. The platform may offer a few changes to the project manager's original concept. If the idea is approved, the platform will launch a campaign for funding the project. However, the model was not empirically tested to know about the behavioral intention of entrepreneurs to use the model. In addition, the model did not focus on micro-enterprises in particular. Moreover, the model only offers Mudharabah contracts as a means of financing, which might not be a suitable financing choice when businesses are in the initial stage of development.

2.7.2 ISLAMIC CHARITY AND HUMAN CAPITAL DEVELOPMENT

Several studies point out the potential of Islamic charities to uplift the human capital capacity of enterprises (Ahmed, 2004; Asmy et al., 2013; Sadiq & Tasmin, 2016). Those studies suggest that the integration of Waqf, Zakat, and Sadaqah has the potential to

upgrade, improve, and strengthen the human capital capacity of enterprises. However, the studies do not conceptualize a practical model that could be implemented on the ground to solve the human capital development issues faced by micro-scale enterprises.

For instance, Sadiq and Tasmin (2016) strived to improve human capital development by embracing Islamic charity practices, such as Sadaqah, Zakat, and Awqaf. The research looked at Islamic philanthropy as a more comprehensive strategy that brings together Islamic philanthropy donations and human capital development, which may be used for the human capital development of micro-enterprises. The study suggested that both Zakat and Waqf are necessary for the development of communal assets, the expansion of productive capacity, and the acquisition of knowledge and abilities that could improve the technical understanding of business owners. However, the study did not conceptualize a practical model for human capital development that can be implemented on the ground to mitigate human capital development constraints faced by micro-enterprises.

Similarly, Ahmed (2004) proposed a model to uplift human capital development by incorporating the institutions of Zakat and Awqaf. The productive poor (economically poor micro-enterprise) cannot use the potential resources at their disposal because of the limitations imposed by a lack of human capital ability. Hence, the study suggested that Zakat and Awqaf institutions can contribute significantly to providing beneficiaries with the essential inputs connected to human capital growth. These inputs include educational programs and skill development schemes. Ahmed's suggestions are similar to the present study but with some differences. The present study integrates Islamic charities, such as sadaqah, waqf, and funds from Baitul maal to uplift human capital deficiencies of micro-enterprises. Moreover, this study focuses on the role of Islamic microfinance institutions as

separate entities to continuously support and sustain the human capital development of micro-enterprises.

Moreover, Asmy et al. (2013) proposed the Cash Waqf Micro-enterprises Investment Model (ICWME-I) as an alternate solution to the human capital development problem of micro-enterprises. The model depicts the flow of funds from donors who will contribute cash waqf to the Cash Waqf Institution (CWI) to establish perpetual waqf funds. Moreover, the CWI will construct a modern training center, which will provide opportunities for skill development, education, courses, and programs. It may help micro-enterprises to upgrade and improve their human capital capability and skills.

However, the ICWME-I model has various limitations. The authors of the model only concentrated on cash waqf and the importance of cash waqf institutions. The ICWME-I model is the kind of investment-related MEs model where cash waqf is only invested. The model does not anticipate any other type of funding for the model's sustainability and also lacks a central pool fund model for different funding sources apart from the cash waqf. The role of the government is also undermined in the ICWME-I model. The model did not deliberately explain the eligibility criteria for the loan disbursement, nor was any specific mechanism introduced that could help to minimize agency problems such as moral hazard, asymmetric information, and adverse selection. Furthermore, the micro-enterprises are not separated in the ICWME-I model based on the nature of the risk associated with them. For instance, micro-enterprises in the initial stage of development (economically poor micro-enterprises) are potentially unable to function well and retain much revenue to pay for their personal expenses, business expenses, and also for Musharakah or Mudharabah financing. Offering Musharakah and Mudharabah financing contracts to economically poor micro-

enterprises might thus be risky. Therefore, the ICWME-I model does not possess, nor offers any kind of Islamic financing contract that is suitable for economically poor micro-enterprises.

In light of the above discussion, and the advantages of the proposed model of this study with respect to some other eminent models, such as the Baitul Maal Wa Tamwil (BMT), Amanah Ikhtiar Malaysia (AIM) and Akhuwat, the proposed model tried to overcome such contemporary issues faced by the above-listed models. In the case of Amanah Ikhtiar Malaysia (AIM), financing is offered to MEs based on Qardhul Hasan financing but the institution charges a 10% service fee called *ujrah* to the members (M. Asmy et al., 2022; Kassim & Satar, 2019), which is against the spirit of Qardhul Hassan (Saad, 2012). In the same manner, Akhuwat also provides Qardhul Hasan financing with 5% as a membership fee (Shah et al., 2014).

The proposed model of the current study emphasized not only the genuine concept of Qardhul Hassan according to Islamic principles but also chose a more polite and integrated approach toward the development of micro-enterprises. In addition to that, the model truly explored the exact conditions of economically poor micro-enterprises, which is discussed in the chapter that follows. For instance, it took into account that due to the nature of business and risk associated with economically poor micro-enterprises, they are unable to fulfil additional financial burdens in terms of any fees or charges such as *ujrah* or membership charges.

Another advantage of the proposed model is in the potential client selection procedure. For instance, AIM and Akhuwat both have followed poverty-based eligibility lending mechanisms. In the case of AIM, the criteria for client eligibility are based on the

average monthly household income that falls below the Poverty Line Income (PLI) (Kassim & Satar, 2019). Similarly, for Akhuwat, the monthly per-capita income of the borrowing households should not exceed Rs.1,000 (Khan & Bedi, 2021), which serves as the base for loan default in many cases. However, the potential client selection criterion of the proposed model includes all micro-enterprises that are economically active.

Moreover, the funds attained by other models may not always be utilized appropriately enough. According to Mason et al. (2015), many AIM borrowers lack knowledge of how to manage their business income. Most of them do not know how to separate their business income from personal consumption. In the case of Akhuwat, Naveed and Karim (2016) stated that there is a great possibility that moral hazard problems might arise from the use of funds for purposes other than those intended. In these cases, the borrower might not start the business for which they took a loan or might use them in some other capacity. Similarly, in the case of BMT, Kassim and Satar (2019) stated that BMT is faced with a lack of entrepreneurial development in the community. In the current proposed model however, special preference is given to proper Human Capital Development Programs (HCDP), which aim to provide human capital development services to all economically poor micro-enterprises based on the need assessment for training and development, without any additional charges.

2.8 RESEARCH GAP

Based on the earlier examination of studies on the issues of financing and human capital development in Sections (2.3) and (2.5), it is concluded that few studies examined how and to what extent these two challenges hindered the development of micro-entrepreneurs in the context of Afghanistan. The vast majority of studies are also perceptual research.

Their methodology involved simply asking micro-entrepreneurs' opinions on the issues of access to financing and human capital development. Moreover, several of the studies depended only on an analytical approach without any empirical investigation. As a result, the findings of the analytical studies may not accurately reflect what is occurring in the real context.

While all the cited prior studies concentrated on the issues of financial access and human capital development, none of them, as stated in sections (2.3) and (2.5), tried to conceptualize the concerns of access to finance and human capital development into an empirically testable framework or model. It would have been fascinating if the authors had tried conceptualizing these issues into a model that could address them.

Meanwhile, as described in sections (2.6.1) and (2.6.2), a good number of studies support the perspective of Qardhul Hasan, Islamic equity-based financing, and Islamic charities and their potential contribution to assist enterprises by delivering financial and human resource development services. However, most studies concentrated on the conceptual and theoretical aspects of Qardhul Hasan financing for enterprises. None of the studies sought to conceive and develop their arguments into an empirically testable framework or model. Furthermore, most of the proposed Qardhul Hasan models have not been empirically evaluated to assess entrepreneurs' willingness to use them. The studies also explored the conceptual and theoretical aspects of Qardhul Hasan and enterprise models without formulating any hypothesis for testing entrepreneurs' behavioral intentions to apply such models. Furthermore, the models were not validated based on expert opinions regarding the model's suitability, applicability, and prospects.

Therefore, this study fills this gap by proposing an alternative model, known as the Integrated Qardhul Hasan and Equity-based Micro-Enterprise Development (IQEMD) Model. This model is a participatory contract between the Islamic Microfinance Institutions (IsMFI) and micro-enterprises. The model consists of two stages. In the first stage, the model incorporates Qardhul Hasan financing along with human capital development services to enhance the productivity of economically poor micro-enterprises (EPME) and advance them to the second stage. In the second stage, the model incorporates an Islamic equity-based financing arrangement, where the IsMFI and economically viable micro-enterprises (EVMEs) can jointly venture on a business or project. Hypothesis testing was carried out based on the Theory of Reasoned Action (TRA) to determine the factors influencing micro-entrepreneurs' intention to use the IQEMD model. Moreover, before assessing micro-entrepreneurs' intention to use this model, the proposed model was tested for its suitability, applicability, and prospects by interviewing experts in the sector.

2.9 CHAPTER SUMMARY

To summarize, this chapter has eight sections. The first section mainly focused on the overview of micro-enterprises in Afghanistan. Sections two and three discussed the existing financial availability and financing issues faced by micro-enterprises. Next, sections four and five addressed the availability and issues of human capital development. Meanwhile, sections six and seven critically reviewed previous studies that aimed to relate Islamic charities, Qardhul Hasan, and Islamic equity financing with the enterprises, and finally, section eight concentrated on the research gap.

CHAPTER THREE

THEORETICAL FRAMEWORK AND HYPOTHESIS DEVELOPMENT

3.0 INTRODUCTION

The Theory of Reasoned Action (TRA) is used to establish a relationship among the target population's beliefs, attitudes, intentions, and behavior (Fishbein & Ajzen, 1975). In today's world, this theory is gaining more and more attention and is being used in a wide range of fields. Its adaptability enables it to be used effectively in various contexts (Abduh et al., 2011; Echchabi & Olaniyi, 2012; Thaker et al., 2016).

Researchers have used the TRA to investigate people's intentions toward certain actions. The theory emphasizes the significant part that intentions play in people's actions. In light of this, the current research made use of the TRA to ascertain micro-entrepreneurs' behavioral intentions to use the constructed model.

3.1 THEORY OF REASONED ACTION (TRA)

Fishbein and Ajzen (1975) have stated that attitude can anticipate behavior if the particular attitude and behavior are adequately conceptualized and measured. Hence, they introduced the TRA, which was originally proposed by Fishbein and Ajzen (1975) and later revised by Ajzen and Fishbein (1980).

The TRA is a model commonly used in social psychology that is concerned with the factors that determine consciously planned behavior (Razak & Abduh, 2012).

According to Ajzen and Fishbein (1980), the TRA model can be expressed in a formula as follows:

$$B \sim I = (A_B)w_1 + (SN)w_2 \dots\dots\dots (3.1)$$

Where:

B = behavior

I = the person's intention to perform the behavior

A_B = the person's attitude toward performing the behavior

SN = subjective norm

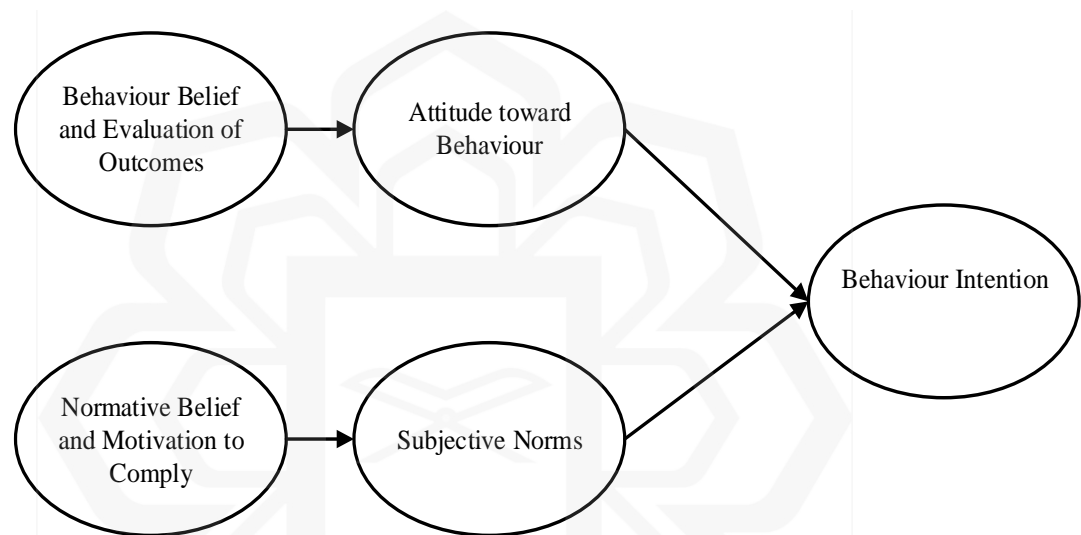
w_1 and w_2 = empirically determined weights

Equation 3.1 indicates that two constructs influence the person's intention to perform a certain behavior. The two constructs are the person's attitude toward performing certain behavior, and the subjective norm or the normative belief that the person should or should not perform the behavior based on a reference group's point of view. Both can be added together to identify a person's intention toward performing certain behaviors. As depicted in equation 3.1, behavior is denoted by B, while the person's intention to perform a behavior is denoted by I. A_B and SN denote attitude and subjective norms respectively, while w_1 and w_2 are empirically determined weights of attitude and subjective norms.

In its most fundamental form, this theory involves measurements of attitudes, intentions, and behaviors. The actual execution of the measured activity is what is referred to as behavior. The idea behind this hypothesis is that a person's conscious choice about whether or not to engage in a certain action is the greatest indicator of whether or not they will do that behavior.

Behavioral intention is predicted by two components: attitude toward the behavior and subjective norm, as shown in Figure 3.1. Ajzen and Fishbein (1980) described an attitude toward a behavior as the taught reaction towards an item or an act, regardless of whether that response is positive or negative.

Figure 3. 1 Model of Theory of Reasoned Action



Source: Ajzen and Fishbein (1980)

The sum of the most important beliefs about the results of executing the activity multiplied by the judgment of whether these outcomes are viewed as being positive or negative is the attitude (see Figure 3.1). In other words, if a person believes that the result of an action will be favorable to them, then it is more likely that the person would plan or engage in the given action.

Algebraically, it can be written as follows:

$$A_B = \sum b_i e_i, \text{ for } i= 1 \text{ to } n \dots\dots\dots (3.2)$$

Where:

A_B = attitude toward performing the behavior

b_i = the person's belief that performing the behavior will result in outcome i

e_i = the person's evaluation of outcome i

n = the number of beliefs

As portrayed in equation (3.2), the attitude to perform the behavior is the subject of the person's belief (that performing the behavior will result in an outcome). If the outcome of performing the behavior is desirable based on the person's evaluation of outcomes, then the person will have a positive attitude toward performing the behavior. As depicted in equation 3.2, attitude toward behavior is denoted by A_B while the person's belief that performing the behavior will result in an outcome is denoted by b_i . Meanwhile, e_i and n represent a person's evaluation of outcomes and the number of beliefs respectively.

Meanwhile, a person's impression of the amount of social pressure placed on them to engage in a specific action constitutes their subjective norm. The subjective norm is calculated as the product of the individual's normative views (what certain individuals or groups believe the individual should do) and their drive to comply (how much the individual wants to act following the normative influence). It signifies that the individuals in a person's immediate environment significantly impact the person's choice to engage in any conduct. These individuals could be friends, a peer group, family members, coworkers, influential members of the community, or other noteworthy people. As a result, behavioral intention is formed jointly based on these attitudes and subjective norms. The equation to represent the subjective norm is as follows:

$$SN = \sum NB_j MC_j, \text{ for } j= 1 \text{ to } n \dots\dots\dots (3.3)$$

Where:

SN = subjective norm

NB_j = the normative belief that a reference group *j* thinks that the person should or should not perform the behavior

MC_j = the motivation to comply with the influence of referent *j*

n = the number of relevant reference groups of an individual

As represented in equation 3.3, the subjective norm is the subject of the normative belief that a reference group thinks that the person should or should not perform the behavior and the motivation to comply with the reference group's influence. If the normative beliefs of a person in relation to a reference group and motivation from a relevant reference group were positive (should perform the behavior), then there would be a strong subjective norm to perform the behavior. As depicted in equation 3.3, the subjective norm is denoted by SN, normative belief about the reference group is denoted by NB_j, while the motivation to comply is denoted by MC_j.

Several earlier studies have used Structural Equation Modelling (SEM) to evaluate and analyze the TRA empirically. For example, Effendi et al. (2020) used SEM to investigate the applicability of the theory of reasoned action in predicting consumers' decisions to employ the services of Islamic rural banks. Similarly, Echchabi and Olaniyi (2012) used SEM to investigate the variables that impact the desire to use Islamic banking services in Malaysia, as indicated by the theory of reasoned action. Moreover, Abduh et al.

(2011) applied SEM to utilize the theory of reasoned action and understand the depositors' withdrawal behavioral intention in Islamic banks. Furthermore, Razak and Abduh (2012) used SEM to determine how consumers felt about diminishing partnership home finance and if they intended to sign up for the financing plan. Using the framework of the TRA, Thaker et al. (2016) also employed SEM to investigate how micro businesses behaved while choosing to employ the Integrated Cash Waqf Micro-enterprise Investment (ICWME-I) model as a source of funding.

Therefore, prior research indicates that SEM is often used as a methodological device for empirically verifying the TRA in various contexts.

3.2 EMPIRICAL APPLICATIONS OF THE THEORY OF REASONED ACTION AND HYPOTHESES DEVELOPMENT

The TRA was introduced by Fishbein and Ajzen (1975) to connect beliefs, attitudes, intentions, and behavior. This theory has been used in various settings, including business, banking, Islamic banking, and many others, to establish a relationship among beliefs, attitudes, intentions, and behaviors.

The next part reviews the earlier empirical studies that used the TRA in their research. These empirical investigations primarily focused on the two primary components of TRA: attitude and subjective norm. The empirical studies of TRA guided this study to construct a variety of hypotheses, which were then put to empirical tests in this study.

3.2.1 Attitude

Based on the definition provided by Fishbein and Ajzen (1975), attitude is defined as the evaluative effect of an individual's positive or negative feelings in performing a particular

behavior. Several studies have documented the significant relationship between attitude and intention (Amin et al., 2014; Aziz & Afaq, 2018; Echchabi & Olaniyi, 2012; Effendi et al., 2020; Ibrahim et al., 2017; Thaker et al., 2016).

For instance, Effendi et al. (2020) investigated customers' attitudes toward the services offered by Islamic rural banks, with the aim of developing future strategies. The research investigated whether the TRA can accurately anticipate consumers' decisions about whether to utilize the services offered by Islamic rural banks. Random sampling was used, and the sample size was determined to be 180 customers. According to the findings, customers' attitudes have a major impact on their intentions toward utilizing services provided by Islamic rural banks.

Likewise, Echchabi and Olaniyi (2012), using the TRA, investigated the elements influencing people's intentions to use Islamic banking services in Malaysia. They found that attitudes toward Islamic banking services favored the desire to embrace Islamic banking services in the Malaysian context. This conclusion was reached based on the feedback gathered from the respondents (350 clients of Islamic banks).

Similarly, Abdullahi et al. (2021) investigated the factors influencing potential customers' decisions on whether they should use Islamic microfinance in Nigeria. The data was collected from 450 participants using the technique of proportional stratified random sampling, and the data was analyzed using structural equation modeling (SEM). According to the research findings, attitude toward behavior directly and significantly influenced the behavioral intention to embrace Islamic microfinance in the country.

Meanwhile, Aziz and Afaq (2018) investigated the factors affecting individuals' intentions to adopt Islamic banking in Pakistan. A sample of 186 bank customers was

selected for data collection. The findings revealed that attitude has a significant positive relationship with the intention to adopt Islamic banking.

In another study, Amin et al. (2014) used a sample size of 300 customers of Islamic banks to investigate the variables that influence the consumer acceptability of Islamic home financing products. According to the research findings, customers' attitude positively influences their inclination to adopt Islamic home financing products.

Likewise, Ibrahim et al. (2017) analyzed the impact of attitude on the customer's desire to choose Islamic home finance. The research indicated that attitude positively impacts the intention to choose Islamic home finance products.

Moreover, Thaker et al. (2016) investigated the behavioral intentions of micro firms to use the Integrated Cash Waqf Micro-enterprise Investment (ICWME-I) model as a source of finance. A survey was used to gather the data, and structural equation modeling was used to perform the analysis. According to the research findings, the micro-entrepreneurs' attitudes favorably influenced their desire to use the ICWME-I model within Malaysia.

Based on the above literature, the hypotheses are:

Ho1: The attitude of micro-entrepreneurs toward their own behaviors does not significantly affect their intention to use the Integrated Qardhul Hasan and Equity-based Micro-enterprise Development (IQEMD) Model.

Ha1: The attitude of micro-entrepreneurs toward their own behaviors significantly affects their intention to use the Integrated Qardhul Hasan and Equity-based Micro-enterprise Development (IQEMD) Model.

3.2.2 Subjective Norm

According to Ajzen (1991), "subjective norm is determined by the total set of readily accessible normative beliefs concerning the expectations of important referents." The influence of the social environment or societal pressure on people to behave in a specific way may be described as a subjective norm (Fishbein & Ajzen, 1975). As a result, it creates a perception of social pressure to behave in a certain manner and affects people's intentions. It is predicated on the notion that certain people, such as members of one's family, members of one's community, and one's peers, would expect one to behave in a certain manner. The importance of this construct has been tested and documented by several scholars (Abduh et al., 2011; Echchabi & Olaniyi, 2012; Effendi et al., 2020; Razak & Abduh, 2012; Thaker et al., 2016).

For instance, Effendi et al. (2020) analyzed customer attitudes regarding Islamic rural bank services. The research used the TRA to predict consumers' decisions to use the services of Islamic rural banks. A sample of 180 customers of Islamic rural banks were selected using the random selection approach. The findings indicate that besides the attitude, subjective norms also substantially impacted the use of services at Islamic rural banks.

Likewise, Echchabi and Olaniyi (2012) adopted the TRA to investigate the determinants of the intention to use Islamic banking services in Malaysia. In addition to attitude, the study also found that subjective norms strongly affected the desire of clients to use Islamic banking services.

Moreover, Abduh et al. (2011), using TRA, explored the variables that impact the withdrawal behavior of depositors in Islamic banks. There was a total of 368 respondents

in the study. The research revealed that subjective norms had a more significant impact compared to attitudes on depositors' withdrawal decisions.

Meanwhile, Razak and Abduh (2012), using a survey, analyzed consumers' perspectives on the diminishing partnership home finance and their intention to enrol in the financing program. The survey included 504 officers, managers, and academicians as respondents. Based on the TRA, SEM was used to determine the factors that impact consumers' intention to adopt diminishing partnership home finance. The findings indicated that consumers' subjective norm has a more significant impact compared to their attitude on their intention to utilize the diminishing partnership home finance.

In another study, Thaker et al. (2016), using TRA, studied the behavioral intentions of micro businesses to use the Integrated Cash Waqf Micro-enterprise Investment (ICWME-I) model as a funding source. According to the findings of the research, in addition to attitude, subjective norms were shown to have a favorable influence on the intention of micro-entrepreneurs to use the ICWME-I model within the setting of Malaysia.

Amin et al. (2014) also examined the impact of subjective norms on customers of Islamic banks to determine Malaysia's intention to embrace Islamic banking. They discovered that subjective norms had a beneficial impact on consumer behavior and desire to adopt Islamic banking.

Moreover, Abdullahi et al. (2021) also studied the impact of subjective norms on the adoption of Islamic microfinance. It was found that subjective norms had a favorable and substantial impact on the intention to adopt Islamic microfinance.

Umar et al. (2021) also examined consumer behavior concerning their desire to use Islamic microfinance in frontier markets. They discovered that subjective norms have a significant influence on the intention to use Islamic microfinance.

Hence, the next hypotheses proposed are as follows:

Ho2: The subjective norm of micro-entrepreneurs does not significantly affect their intention to use the Integrated Qardhul Hasan and Equity-based Micro-enterprise Development (IQEMD) Model.

Ha2: The subjective norm of micro-entrepreneurs does significantly affect their intention to use the Integrated Qardhul Hasan and Equity-based Micro-enterprise Development (IQEMD) Model.

3.3 CHAPTER SUMMARY

The above discussion demonstrated how the TRA may be used in various contexts, including business, Islamic banking, and financial services. This theory is used because of its capacity to ascertain the behavioral intention of the target population, which is also the focus of this study. The vast majority of the studies that used the TRA verified the theory's usefulness in projecting the target population's behavioral intention. Several empirical studies have proven that attitude and subjective norms are positively associated with people's behavioral intentions. In light of this, the current research used the TRA as a theoretical framework to justify the behavioral intention of micro-entrepreneurs to use the IQEMD model, which will be established in Chapter 4.

CHAPTER FOUR

DEVELOPING THE INTEGRATED QARDHUL HASAN AND EQUITY-BASED MICRO-ENTERPRISE DEVELOPMENT (IQEMD) MODEL

4.0 INTRODUCTION

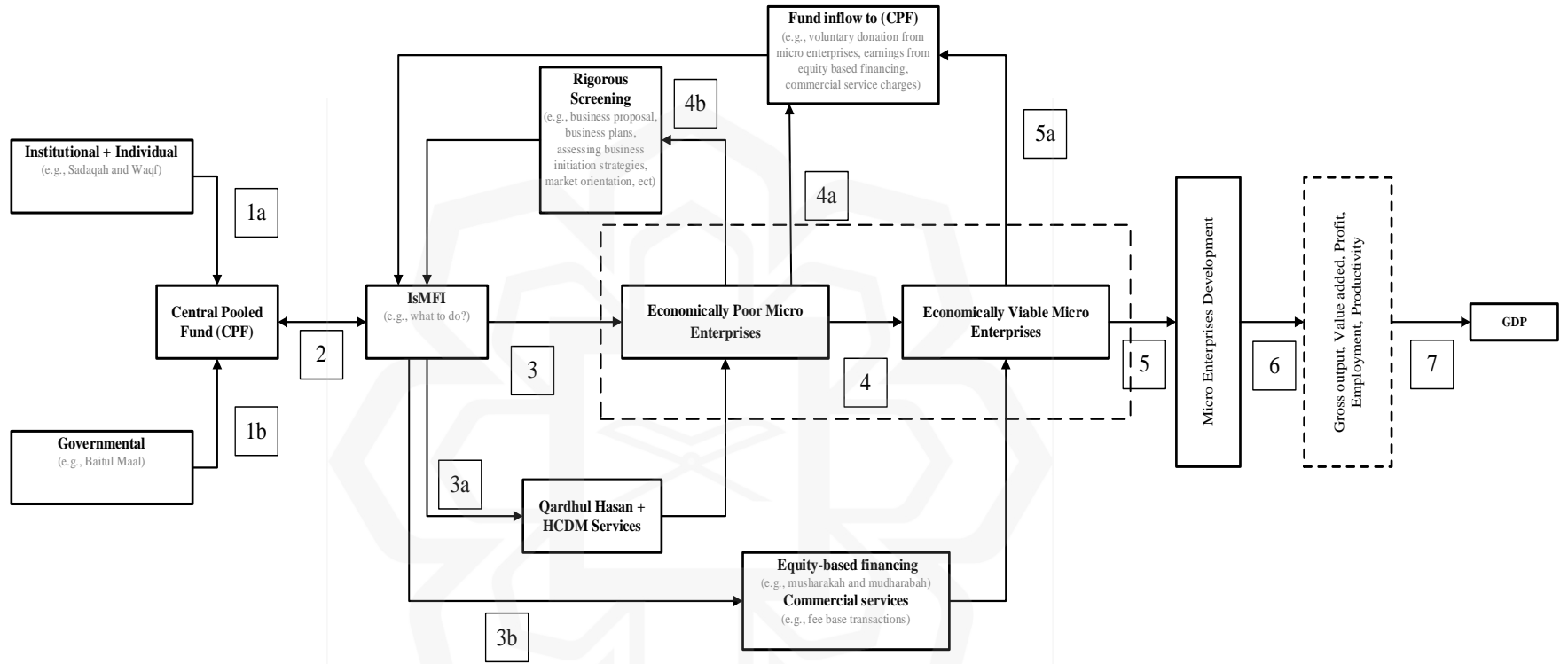
This chapter begins with the construction of the Integrated Qardhul Hasan and Equity-based Micro-enterprise Development (IQEMD) model. It is then followed by a description of the model's specifications and its broad relevance to an Islamic microfinance institution, micro-enterprises, society, and economy.

4.1 CONCEPTUAL FRAMEWORK OF INTEGRATED QARDHUL HASAN AND EQUITY-BASED MICRO-ENTERPRISE DEVELOPMENT (IQEMD) MODEL

As described in Chapter 2, Qardhul Hasan and Islamic equity-based financing may assist with financing micro-enterprises. Meanwhile, Islamic charities can help them to build human capital. Building on the Qardhul Hasan and equity-based financing initiative, this research proposes the use of Qardhul Hasan and equity-based financing by integrating it into a micro-enterprise development model. The model is called the Integrated Qardhul Hasan and Equity-based Micro-enterprise Development (IQEMD) model and is illustrated in Figure 4.1.

The model is being presented as an alternative to the programs and schemes already in place in Afghanistan for financing and building human capital. The model mainly consists of three components: the donors, the Islamic Microfinance Institutions (IsMFI), and micro enterprises.

Figure 4. 1 Conceptual Framework of IQEMD Model



The proposed IQEMD model involves the following stages:

- The donors (both individuals and corporate sector) contribute cash as a donation to the Islamic Microfinance Institution (IsMFI) to create a perpetual Central Pooled Fund (CPF) (1a). Individuals and the public sector are supposed to contribute cash in the form of sadaqah and waqf. In contrast, the corporate sector can donate as their corporate social responsibility (CSR). Apart from that, the government is also supposed to provide philanthropic donations from Baitul Maal as a source of funding for the model (1b). The IsMFI becomes a mutawali (manager) of the fund and makes the necessary financing decisions regarding the collected funds.
- The IsMFI makes the financing available using the collected funds at the CPF (2). The financing and human capital development services can be provided to economically-poor micro-enterprises (EPMEs) through the provision of Qardhul Hasan and human capital development courses and programs to enhance their productivity (3a). In addition, according to the IQEMD model, the IsMFI is also entitled to provide financing services to economically viable micro-enterprises (EVMEs) in the form of equity-based financing, such as Musharakah and Mudarabah (3b). In return, the IsMFI receives funds from voluntary donations, earnings from equity financing, principal amounts, and service fees charged to economically poor and economically viable micro-enterprises (4a and 5a).
- After the EPMEs benefit from the financial facility and human capital development services, they are supposed to develop from stage one to economically viable micro-enterprises (stage two). It is a state where micro-enterprises are in a position to

enhance gross output, profit, employment, and productivity—all of which would later contribute to the national income or GDP (5, 6, and 7).

4.2 SPECIFICATION OF THE MODEL

By integrating Qardhul Hasan and equity-based Islamic financing into the micro-enterprise development model, this study proposed a new model called the Integrated Qardhul Hasan and Equity-based Micro-enterprise Development (IQEMD) model. As stated, its most important components are the donors, the IsMFI, and micro-enterprises.

4.2.1 Donor Requirements

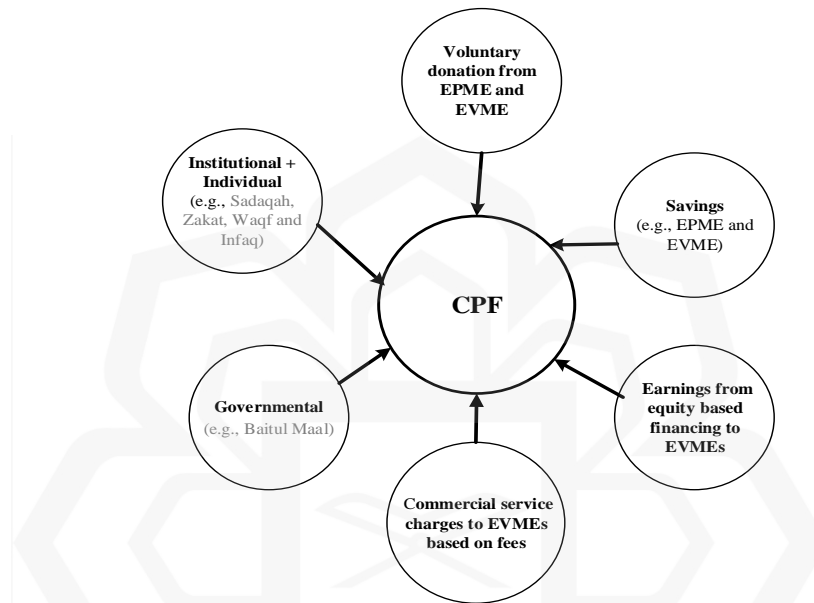
The donor must be physically and mentally sound. The decision to donate should not be a result of coercion. Moreover, under the proposed model, the donation can belong to the public or corporate sector.

Apart from that, in the initial stage of development, the IsMFI requires funding from the government (Baitul maal) and donations from local philanthropists and individual donors to create perpetual central pooled funds. To involve local philanthropists through different fundraising events as part of the Communal Donation Program (CDP), the IsMFI can also set up donation boxes in various retail and community locations. One of the key sources of funding for the IQEMD model is donations from local individuals, businesses, and communities.

Moreover, the IsMFI can implement the Member Donor Program (MDP) to motivate its borrowers to become donors. The IsMFI could formalize the program as part of its fundraising efforts, but donations would not be compulsory. Along with their loans,

the borrowers would also receive little contribution boxes that may be used to make donations on their own and gather donations from their neighborhood.

Figure 4. 2 Central Pooled Fund



Source: Author's Illustration

Furthermore, this model also relies on other internal and external funding sources, such as voluntary donations from EPMEs and EVMEs, earnings from equity-based financing, savings from economically viable micro-enterprises, and earnings from fee-based transactions, as shown in Figure 4.2.

4.2.2 The Islamic Microfinance Institution (IsMFI)

There is a need for private participation like NGOs (non-government organizations) in different developmental initiatives. This study proposes that to implement the IQEMD model, the IsMFI should be made a subsidiary of the Islamic Council (IC), IC's entity, or the corporate sector's entity.

The IsMFI collects funds from the public and corporate sectors through Islamic charity. Apart from this, special reference should also be given to attract government funding support from Baitul maal. After the fund is collected in CPF, the IsMFI manages the fund in a manner that enhances the utility of the collected funds. As a CPF manager, the IsMFI must handle the funds productively and ensure that the amount does not fall below the initial or principal amount. The IsMFI, as a mutawali, must be highly capable and effective in helping micro-enterprises' developmental efforts.

According to the IQEMD model, the IsMFI has to use the collected funds to help micro-enterprises with finance and human capital development. Moreover, the IsMFI should continually examine and monitor the performance of micro firms. The profit generated from the financing arrangement could be utilized to finance human capital development expenditures. The Central Pooled Fund Management Committee may offer monetary benefits to reimburse the mutawali. However, the mutawali cannot participate in the CPF.

4.2.3 Micro-enterprises

The IQEMD model is proposed to provide financing and human capital development services to micro-entrepreneurs who face the problem of access to finance and human

capital development services. However, this model can be extended to apply to new micro-enterprises that intend to start businesses as well.

The IQEMD model mainly concentrates on EPMEs, which after receiving sufficient financing and human capital development services, could succeed from the initial stage into the second stage, becoming EVMEs. In the second stage of development, the micro-enterprises are supposed to progress and grow. Then, at this stage, the IsMFI could be enacted to participate and offer equity-based financing arrangements to EVMEs in the form of Musharakah and Mudarabah.

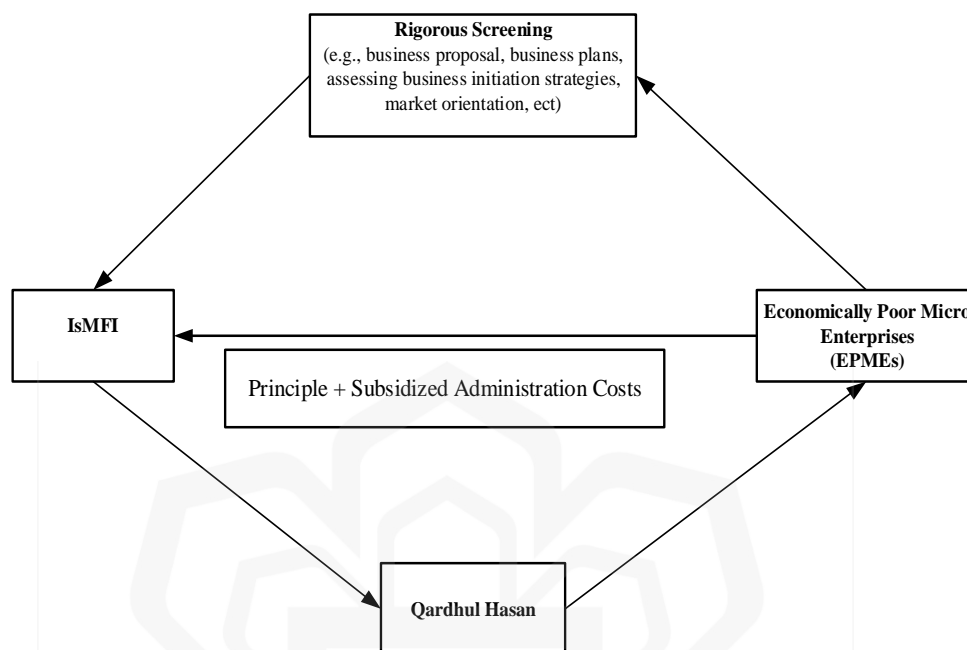
Moreover, micro-enterprises must adhere to Shariah-based operations and Islamic charitable goals; the actions of micro-enterprises must not violate Shariah principles. Micro-enterprises should also guarantee that their business provides a socially beneficial product to the market and community.

In addition, the businesses of the micro-enterprises are projected to have significant developmental and social effects, such as poverty reduction and employment creation. Micro-enterprises must ensure that their operations are technically sound, commercially and financially sustainable, ecologically secure, and socially desired.

4.3 QARDHUL HASAN FINANCING ARRANGEMENT UNDER THE IQEMD MODEL

Figure 4.3 shows the structure of the proposed financing arrangement for EPMEs under the IQEMD model. This proposed financing structure can be used for several sectors, such as agriculture, manufacturing, construction, and services.

Figure 4. 3 Qardhul Hasan Financing Under the IQEMD Model



Source: Author's Illustration

Loans are permitted in Islam as a sort of social service by the wealthy to assist those less fortunate and in need of financial assistance. There are two conditions to get a loan in Islam: (i) a loan with the condition that it would be repaid and (ii) a loan that is completely gratuitous and does not include any reward or gift. Islam does not acknowledge any kind of loan that accrues interest for the lender's advantage. It only admits what is known as Qardhul Hasan as another name for gratuitous loans. The principle of Qardhul Hasan is the provision of loans without expecting to receive anything in return. The loans are either utilized solely for social causes or as working capital to develop enterprises that benefit society. The loan has to be paid back with an equal return value, and the repayment is made to the lender under the contract that was agreed upon (Machfudz & Kamila, 2019).

The IQEMD model mainly utilizes the principles of Islamic social infrastructure, such as the concept of Islamic brotherhood, the concept of social and economic justice, the concept of individual freedom and social welfare, and the concept of voluntary association and cooperation in Islam. This brings collaboration, interaction, and social networks in a way that encourages the society members (institutions + individuals) to donate *fi sabilillah* in the form of sadaqah and waqf, which will serve as a source of funds for further applying the Qardhul Hasan concept to assist those who need financial assistance to perform economic activities, such as the EPMEs.

Under the IQEMD model, Qardhul Hasan is granted to EPMEs based on two important criteria. The first criterion requires micro-enterprises to be available and viable. To ensure the EPMEs' availability and viability, the IsMFI is entitled to initiate rigorous screening of applicants to assess business initiation and market orientation strategies to ensure that the EPMEs are technically sound, environmentally safe, and socially desirable. The second criterion requires that the EPMEs are appropriate in nature. For instance, micro-enterprises must comply with Shariah-based activities and conform to Islamic charity objectives; the activities run by micro-enterprises must not go against Shariah principles.

Moreover, micro-enterprises should ensure that their businesses bring a socially useful product to the marketplace and community. Their businesses are also expected to have a high developmental and social impact, such as poverty reduction and job creation.

A simple illustration is provided here on how Qardhul Hasan works under the IQEMD model when EPMEs face financial difficulty in running their businesses. Let's say an EPME needs financial resources to run its business. The EPME approaches the IsMFI for receiving financial assistance. The IsMFI will assess the EPME through a Micro

Business Assessment Program (MBAP) to determine its potential as a recipient of Qardhul Hasan financing. Moreover, the IsMFI will also assess the nature, availability, viability, and other required characteristics of the EPME, as discussed earlier in this section. Then, pre-training will be provided to the EPME about initial business-oriented development skills. After that, the IsMFI will provide Qardhul Hasan financing to the EPME based on the nature, scope, and industry in which the EPME operates. The loan has to be paid by the EPME in equal pre-defined instalment periods along with subsidized administration costs.

4.3.1 The Advantages of Qardhul Hasan Financing

Several authors have pointed out the advantages of Qardhul Hasan financing for enterprises (Machfudz & Kamila, 2019; Widiyanto et al., 2011; Zainal et al., 2011). These studies have recommended that Qardhul Hasan financing can be provided for the impoverished micro-enterprises as an instrument to relieve poverty and boost economic growth.

Widiyanto et al. (2011) measured the efficiency of the Qardhul Hasan financing arrangement in enhancing the business performance of impoverished micro-enterprises operating in the trade, services, agricultural, and home industries sectors. The study confirmed that the Qardhul Hasan financing arrangement positively impacted the revenue and profits of the micro-enterprises. In addition, the study revealed that the other benefit of Qardhul Hasan financing is that the financial source for Qardhul Hasan can come from the local community in the form of zakah, sadaqah, and cash waqf.

Moreover, Zainal et al. (2011) outlined the benefits of Qardhul Hasan finance and stated that Qardhul Hasan is an efficient method for promoting economic growth and alleviating poverty. The restriction on *riba* is essential and is often mentioned when

discussing Islamic financial arrangements. However, Qardhul Hasan defends Islam not only based on the ban and the absence of riba participation but also its spirit of collaboration (taawun) and fraternity (ukhuwah), which will contribute to the general welfare of society.

Machfudz and Kamila (2019) also outlined the primary benefits of Qardhul Hasan finance. The study revealed that with this type of financing, the beneficiary (muqtaridh) expresses contentment and calmness since loan repayments are not burdened with fees. The study further recommended that Qardhul Hasan financing has flexibility from payback time, and economic agents can accumulate savings via the repayment of loan installments.

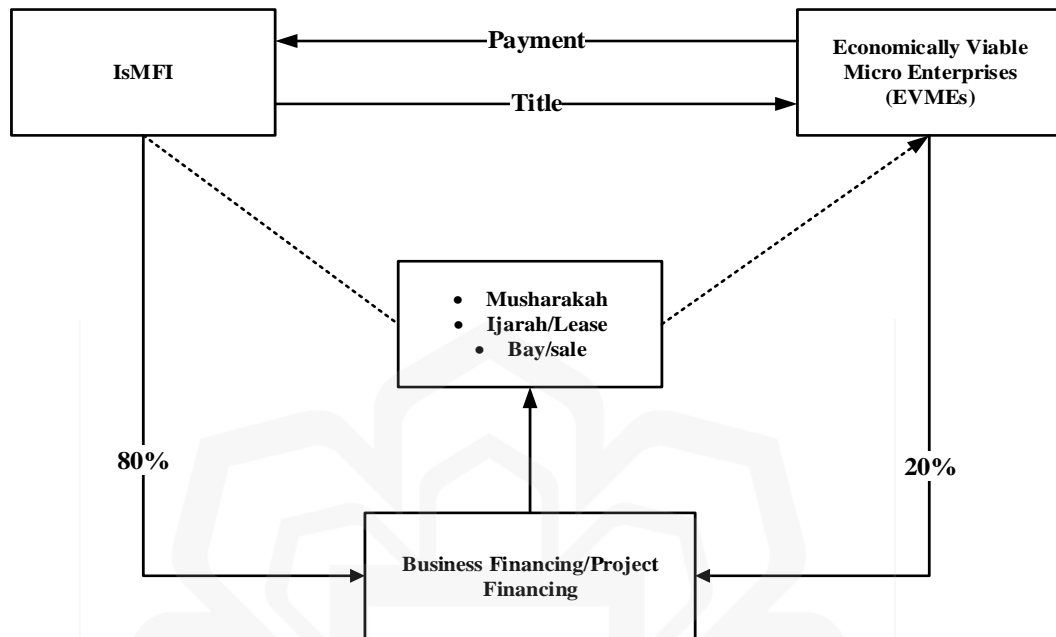
Therefore, it seems that Qardhul Hasan, a widely proposed financing arrangement by Islamic microfinance institutions, offers micro-credit for poor micro-enterprises and could be an ideal tool for financing EPMEs.

4.4 ISLAMIC EQUITY-BASED FINANCING ARRANGEMENT UNDER THE IQEMD MODEL

Figure 4.4 depicts the suggested financing structure for economically viable micro-enterprises under the IQEMD model. This proposed financing arrangement may be used in various industries, including agriculture, manufacturing, construction, and services. Notably, for illustration purposes, this study will only use the Musharakah Mutanaqisah (Diminishing Partnership) financing arrangement as an example to demonstrate the feasibility of the proposed model.

The Musharakah Mutanaqisah Partnership (MMP) contract is founded on the principle of declining partnership. The MMP includes three different contracts: musharakah, ijarah, and bay.

Figure 4. 4 Musharakah Mutanaqisah (Diminishing Partnership) Financing arrangement



Source: Author's Illustration

In the initial contract, which is a partnership, the EVMEs first engage in a partnership (musharakah) with the IsMFI under the idea of shirkat-al-milk (shared ownership) to co-own the asset being funded. Under these circumstances, an EVME will provide an initial share of 20% to enable it to be the co-owner of the business or project. Meanwhile, the IsMFI will provide 80% of the rest of the share of the business or project,

In the second contract, the IsMFI leases to the EVME its portion of the project ownership following the ijarah principle. Based on the lease contract, the IsMFI will charge a certain amount of rent to the EVME. The period rental amount will be jointly shared by the IsMFI and EVME based on a predetermined initial venture share ratio. Over time, the

EVME's share will increase, and the IsMFI's share will decrease after each periodic rent payment, due to the periodic redemption.

In the third contract, the selling agreement comes into effect when the lease agreement expires due to the periodic redemption. The IsMFI and EVME have freedom; IsMFI may provide an EVME with three different possibilities.

The first alternative is for the EVME to acquire a portion of the IsMFI in units; the rent would be cut proportionally to reflect the IsMFI's decreased ownership. Typically, the leasing schedule is included with the undertaking objective. With the acquisition of the final unit, the EVME becomes the sole owner of the business or project, ending the ijarah contract. Upon payment of the last installment, ownership is transferred automatically to the EVME.

The second possibility is that an EVME could be allowed to continue the ijarah by extending it with the agreement of the IsMFI rather than being required to purchase a mandatory share of the IsMFI. This would replace the first option, which requires the purchase of a share of the IsMFI. However, in this situation, the IsMFI would need to conduct a more in-depth investigation into the nature of the business or project to validate its value and determine whether or not it is suitable for ijarah. For example, if the IsMFI's share were subdivided into thirty-six units, rather than arranging the acquisition in three years, five years may be given to accomplish the same. The EVME would be granted permission to buy units throughout the period whenever their financial situation allowed them to do so, either one at a time or in bulk purchases of several units.

The third option is for the IsMFI to provide micro-enterprises with the business or project in exchange for a hibah or token price. It occurs when economically viable micro-

enterprises lease the business or project for a set rent and a defined duration, provided that the micro-enterprises have the right to purchase the leased business or project by the end of the lease term in exchange for payment of a specific amount. When the payment has already covered the principal amount or has gone beyond the principal amount, the IsMFI may, in their sole discretion, sell the business or a project to micro businesses as a hibah or token price.

Islamic banking institutions in numerous nations have used this alternative for financing homes. The Islamic Housing Cooperative in Canada, Ansar Cooperative Housing in Canada, Ansar Housing Limited in the United Kingdom, Arab Banking Corporation and the Lloyds TSB in the United Kingdom, LARIBA Finance House in California, Guidance Financial Group in Virginia, and the Meezan Bank "Easy Home" scheme in Pakistan are some examples of institutions that have chosen to implement this option. However, the use of MMP in its present form is restricted to financing homes alone.

4.4.1 The Advantages of Musharakah Mutanaqisah Partnership (MMP)

Several authors have pointed out the advantages of the MMP contract (Abdul Razak & Tazwar, 2018; Asadov et al., 2018; Bahari et al., 2019; Dalal & Hichem, 2021; Meera & Razak, 2009; Nurul Iffah & Rusni, 2019; Selim, 2020).

Abdul Razak and Tazwar (2018) for instance explained that the benefits of MMP apply not only to home financing but also to various other forms of financing as well. This idea follows the view of Selim (2020), who indicated that in addition to house financing, all business initiatives, such as manufacturing, service, agricultural, and trade companies, could be financed based on MMP. In addition, the authors recommended that the MMP

contract is useful with its offer of interest-free loans to micro and small firms to eliminate poverty.

Likewise, Asadov et al. (2018) stated that Musharakah Mutanaqisah (MM) is such a versatile product that it might be used in several sorts of partnership-based financing. The study also underlined that in addition to Islamic banks using the MM contract in its proper Shari'ah spirit, they should also expand the use of MM contracts in vehicle and trade financing, where rent or profit could be readily detected, and the asset's worth would be more assured.

Abdul Razak and Tazwar (2018) further stated that the equity idea of MM provides a superior alternative to debt financing because it is predicated on the consumer and the bank acquiring the property jointly and sharing ownership rights. The rental rate, which reflects the property's true worth and location, serves as the basis for the benchmark. The client makes a monthly rental payment to the bank to buy the bank's portion of the total amount owed until the entire amount is fully paid back.

Furthermore, Bahari et al. (2019) stated that the MM contract does not generate economic credit. Thus, a major benefit of financing via an MM contract is that it may avoid inflation by providing a sustainable flow of goods and services to compensate for market demand. MM can potentially restore a healthy equilibrium between the financial system and the actual economy. As a result, it has a good chance of contributing to the realization of the Maqasid al-Sharia.

Thus, it seems that the MMP, which Islamic banks use extensively at the current time for financing initiatives and acquiring high-value assets such as homes, can also be the right instrument for financing micro-enterprises. MMP may be used to acquire assets

required by micro-enterprises, such as factories, buildings, machinery, equipment, tractors, boats, automobiles, etc.

4.4.2 Example of Using Musharakah Mutanaqisah Financing Arrangement

This section offers a straightforward explanation of how the MMP would operate within the context of the IQEMD model by applying the MMP to the scenario in which a micro-enterprise plans to acquire machinery, equipment, or other fixed assets for its business.

Suppose that an EVME is interested in purchasing machinery, equipment, or any other fixed asset for its enterprises. However, the owner is lacking in financial resources. The next step for the EVME is to approach the IsMFI. Since the EVME represents the second stage of its growth in the IQEMD model, and the IsMFI has maintained a sustainable relationship with the EVME from the beginning of the first stage, the IsMFI intends to take part in acquiring machinery, equipment, or other fixed assets for the EVME. The EVME and IsMFI are thus participating in a joint purchase. The duration of the agreement is two years. In this scenario, the IsMFI is responsible for paying 80% of the price, whereas the EVME is responsible for paying 20%. The EVME will put the machinery, equipment, or other fixed assets it has purchased to use for the business it had proposed.

Assume for the moment that the business has a daily net income of AFN 10,000 (USD 115). It has been decided that the IsMFI will receive 80% of the income. In contrast, the EVME, which has a 20% share in the purchase of machinery, equipment, or other fixed assets, will keep 20% of the income for itself. This decision was made because the IsMFI owns 80% of the share in machinery, equipment, or other fixed assets. This indicates that the IsMFI earns a daily total of AFN 8,000 (USD 92), whereas the EVME earns a daily

total of AFN 2,000 (USD 23). At the same time, the share of IsMFI is subsequently broken up into eight separate pieces.

After three months, the EVME will purchase one unit from the IsMFI share. As a direct result, the share held by the IsMFI has decreased to 70 percent, while the share held by EVME has increased to 30 percent. This means that the EVME's share of income will now be AFN 3,000 (USD 34) from the daily income of the business, while the IsMFI will earn AFN 7,000 (USD 81). This procedure is going to continue till after the two-year mark has passed. The machinery, equipment, and other fixed assets will finally be owned by the EVME, while the IsMFI will get a return on its initial investment and the income paid to it as described above.

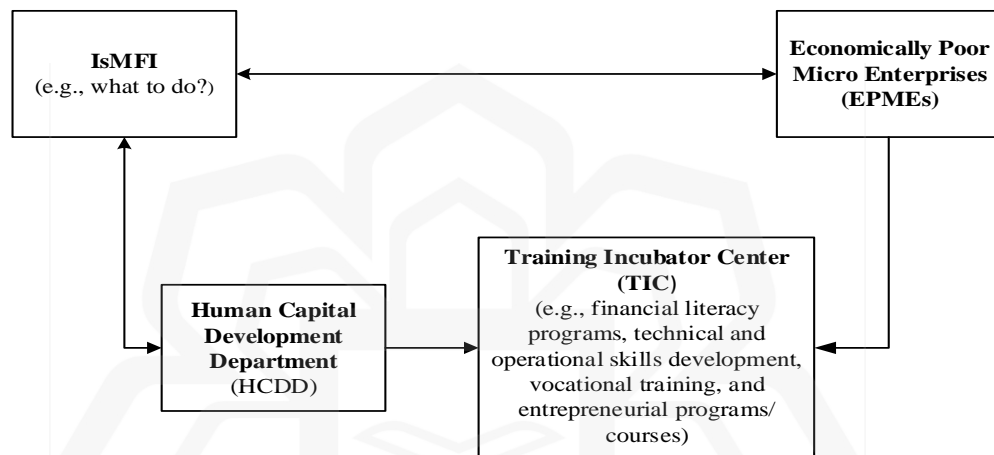
4.5 STRUCTURE OF HUMAN CAPITAL DEVELOPMENT UNDER THE IQEMD MODEL

The notion of human capital development (HCD) is quite extensive. It is a collection of numerous human attributes, including knowledge, skills, talents, and competencies, acquired progressively via education and training, which benefit people, institutions, and society (Becker, 2009).

The notion of HCD for businesses has been highlighted in the academic literature with an emphasis on the need for individual training and skill development. Customers who have received enough training have a greater chance of moving forward in terms of both performance and production level. Therefore, businesses that have access to more training are more likely to manage their business operations well because such businesses are more likely to have knowledge not only of the business itself but also of how to manage their business and make effective use of the available resources (Nor & Rosli, 2021).

Figure 4.5 shows the structure of human capital development in the IQEMD model. Under this model, the IsMFI provides a training center that offers various kinds of training and programs for uplifting the skills of EPMEs.

Figure 4. 5 Human Capital Development Model



Source: Author's Illustration

Figure 4.5 shows that the IsMFI will build a modern training center that offers human capital development services to EPMEs. The IsMFI will also manage a comprehensive framework of human capital development to assess the effectiveness of its human capital development policies and programs. To ensure that EPMEs have basic and adequate skills related to enterprise development, the IsMFI can make it compulsory for EPMEs to join the relevant programs at the training center before and after receiving financial assistance. Joining the programs also ensures that EPMEs show their commitment to the programs offered by the training center. Moreover, to render human capital

development services, the IsMFI requires EPMEs to pay a minimum charge at a subsidized rate to join the training courses or programs.

Human capital development services include training programs, managerial activities, education, self-confidence development, and enterprise development (Hossain, 2019). Similarly, in the proposed HCD model, the training center will also concentrate on developing entrepreneurial abilities and vocational education. In this regard, the IsMFI will provide programs and courses that lead to more and better-targeted skills development for developing entrepreneurial abilities. The skills for development include technical/practical skills, marketing and management skills, business planning skills, labor management skills, financial management skills, and information technology (IT) skills.

Moreover, aligned with the recommendation given by Hearth (2018), the courses and programs provided by the Training Incubator Centre (TIC) will address the following topics: how to improve skill development, how to engage in effective business formulation and planning, how to implement plans and business strategies, how to manage funds, and how to bridge the gap between enterprises in terms of facilities, opportunities, and human resources.

Besides, in terms of vocational education and training, the IsMFI will provide education, training, and career planning services to EPMEs depending on their specific human capital requirements. To do this, the IsMFI must guarantee that vocational education and training primarily focus on generating employment and developing human resources. Vocational education and training increase participants' understanding and proficiency concerning abilities, policies, methods, and programs. It also improves the specialized capabilities of EPMEs and facilitates the application of knowledge and skills to an

occupation that an EPME needs. The core elements of the vocational education and training policy for EPMEs are the growth of training services and possibilities, integration of multiple training modalities, relevance of education and training content, and financing for the long-term viability of vocational education and training programs.

4.6 THE SIGNIFICANCE OF THE IQEMD MODEL

The IQEMD model shows that the CPF and micro-enterprises can complement each other. In the initial stage of the micro-enterprise's development (when it is known as an EPME), the IsMFI can utilize the CPF to provide financial support and human capital development programs to it. Consequently, in the second stage of the micro-enterprise's development (when it is known as an EVME), the IsMFI can offer equity-based Islamic financing to it. As a result, the IQEMD model can contribute to the development of micro-enterprises. From a broader perspective, the IQEMD model may bring a significant impact on the IsMFI, micro-enterprises, as well as society and the economy as a whole.

4.6.1 Impact on the Islamic Microfinance Institution (IsMFI)

The IsMFI is anticipated to gain from this model by establishing a management body that may work closely with community stakeholders to create a CPF from Islamic charities and funds from Baitul maal. The IsMFI is supposed to specialize in channeling philanthropic donations to provide financing and human capital development services to micro-enterprises. In the process, it may gather expertise in developing micro-enterprises in line with the goals of Islamic endeavors. For instance, generating economic production and job creation may help it achieve the goal of community development and gain expertise on it.

Additionally, the IsMFI is supposed to offer a reliable source of income and cash flow. Thus, another benefit is that it would be spreading and diversifying the risk. Moreover, it will also have the opportunity to encourage adherence to Shariah law and Islamic values via such activities.

4.6.2 Impact on the Micro-enterprises

The IQEMD model incorporates a CPF for the purpose of developing micro-enterprises from the initial stage to the next stage of development, which may bring various benefits for the micro-enterprises. The integration of Qardhul Hasan, in particular, provides EPMEs the opportunity to achieve higher profiles. For instance, after EPMEs have developed and graduated from the initial state to the second stage (EVMEs), the IsMFI can assist them by offering equity-based financing assistance, such as the Musharakah Muthanaqisa Partnership (MMP) contract, which can benefit micro-enterprises in terms of allowing them to attain prevailing ownership rights.

Additionally, by concentrating on financing services for micro-enterprises, as delineated by the IQEMD model, financial institutions will no longer see micro businesses as risky ventures.

Furthermore, this model can enhance the success of micro-enterprises by assisting in their expansion and development. The IQEMD model may help micro-enterprises expand into small, medium, and even large-scale businesses.

4.6.3 Impact on the Society and Economy

It is predicted that the IQEMD model will benefit society and the economy. The model's emphasis on funding and human capital development will foster an atmosphere conducive to innovation and creativity. In addition to this, it will assist in the promotion of private ownership and the development of entrepreneurial abilities.

With the help of the model, micro-enterprises will have access to external financing that will allow them to grow their business. The IQEMD model will thus create more enduring micro-enterprises, allowing the disadvantaged to access inexpensive consumer products and services.

Additionally, since this model includes Islamic donations, it may act as an intermediary to help the corporate sector fulfill its social obligation by donating to the CPF.

Besides, this model will help generate job possibilities and assist economically disadvantaged micro-entrepreneurs in generating revenue. As a result, poverty could be reduced. Meanwhile, it will help to raise the nation's wealth, consumption, and investment, which may lead to economic growth.

4.7 CHAPTER SUMMARY

The chapter discussed the conceptual framework of the IQEMD model and its practical steps. It is anticipated that the IQEMD model would be able to overcome financing and human resource deficiencies faced by micro-enterprises. Next, it described the IQEMD model's specifications and its relevance for Islamic microfinance institutions, micro-enterprises, society, and the economy. The chapter also discussed Qardhul Hasan and Islamic equity-based financing arrangements under the IQEMD model. Moreover, this chapter also illustrated the framework of human capital development in the IQEMD model.

CHAPTER FIVE

RESEARCH METHODOLOGY

5.0 INTRODUCTION

This chapter discusses the methodology used to achieve the research objectives discussed in the previous section. It comprises information on the research paradigm, research design, research instrument, pre-test of the survey questionnaire, pilot testing, questionnaire design, research instrument, and use of data analyzing methods, such as thematic analysis, descriptive analysis, and structural equation modelling (SEM).

5.1 RESEARCH PARADIGM

Given the research questions that were brought up in the first chapter, the next step is to understand what constitutes a set of solutions to those questions and how the answers are gained via scientific investigation. It is first necessary to specify the philosophical stance underpinning the present study to address these concerns, which is critical because it aids in determining which technique best matches either (i) the phenomena to be examined or (ii) the goal of the study, which includes theory formulation, testing or extension (Knight & Cross, 2012). The approaches that would produce sufficient evidence to answer the research questions depend on the philosophical perspective used.

Two main paradigms generally serve as the foundation for the research process. The first is known as positivism, while the second may be called social constructivism or interpretivism (Amaratunga et al., 2002). On an epistemological level, positivism is also

known as the systematic, scientific, deductive, or quantitative approach. It is a paradigm associated with scientific research. It entails a belief that there is a correlation between the studied variables and the outcomes of those studies and "that reality is objective and can be described or measured based on methods that are not dependent on the researcher" (Knight & Cross, 2012). This suggests that all knowledge must be of a kind that allows for logical deductions to be derived from a collection of facts that may be seen (Easterbrook et al., 2008). This approach employs a process for systematically testing hypotheses, mostly via quantitative methodologies.

On the other hand, the other prevalent paradigm in social research, known as social constructivism, is also known as the inductive, qualitative, or interpretivist approach. It focuses on the subjective dimension of reality, arguing that the production of meaning depends on the circumstances in which information is seen, and it lends credence to qualitative research methodologies (Amaratunga et al., 2002; Knight & Cross, 2012).

Meanwhile, pragmatism is a distinct post-positivist approach that does not readily fit within the positivist or interpretivist paradigms. This paradigm shatters the conventional link between worldview and methodology. The paradigm admits that all knowledge is approximative and insufficient and that its worth is influenced by the methods with which it was derived while it simultaneously supports the idea that knowledge is evaluated based on how well it can solve practical problems (Easterbrook et al., 2008). Pragmatism is used as the guiding philosophical perspective in the current study because pragmatism can account for a wider range of phenomena than either positivism or interpretivism.

As a result, pragmatism as a research philosophy, with its recognition of both the benefits of positivism and the shortcomings of interpretivism, needs a pluralistic approach

to its methodology (Amaratunga et al., 2002; Knight & Cross, 2012). Mixed research techniques, which blend qualitative and quantitative methodologies to understand a topic of study, are heavily favored by the pragmatic position. This study thus uses a mixed-mode technique that takes a pragmatic perspective to accomplish the objective of this study. First, qualitative data are analyzed, and then quantitative data are collected and analyzed (Easterbrook et al., 2008).

Figure 5.1 illustrates how the current research took a pragmatic or mixed approach. Based on the primary objective of this study, a comprehensive empirical analysis of the data was required for investigations in response to two research questions stated in chapter one: “How could the factors of attitude and subjective norm of micro-entrepreneurs affect their intention to use the model developed?” and “What are the predictors of the micro-entrepreneur’s willingness to use the proposed model in terms of financing and human capital development services?” The research strategy used to assess appropriate answers to the underpinning research questions needed a quantitative research strategy or approach. A quantitative approach, also known to be systematic or deductive, is a paradigm associated with scientific research entailing a belief or an approach involving a methodology to rigorously test a prior hypothesis or its deduction from another theory. This study outlined hypotheses to test the behavioral intention of micro-entrepreneurs to use the Integrated Qardhul Hasan and Equity-based Micro Enterprise Development (IQEMD) model based on the Theory of Reasoned Action (TRA).

The qualitative aspect of this study answered one of the research questions presented in chapter one: "What would be the perception of the relevant stakeholders about the suitability, applicability, and prospects of the IQEMD model?" The question requires

an in-depth understanding of the themes associated with the IQEMD model to validate the model. Finding an appropriate answer to the underlying question requires a qualitative approach, which comes from the thematic analysis of qualitative data gathered from the experts and practitioners in the field through the use of interviews.

Therefore, as shown in the above discussion, a mixed research design (qualitative and quantitative) suited the research objectives to provide viable answers to the research questions posed in Chapter One.

5.2. RESEARCH DESIGN

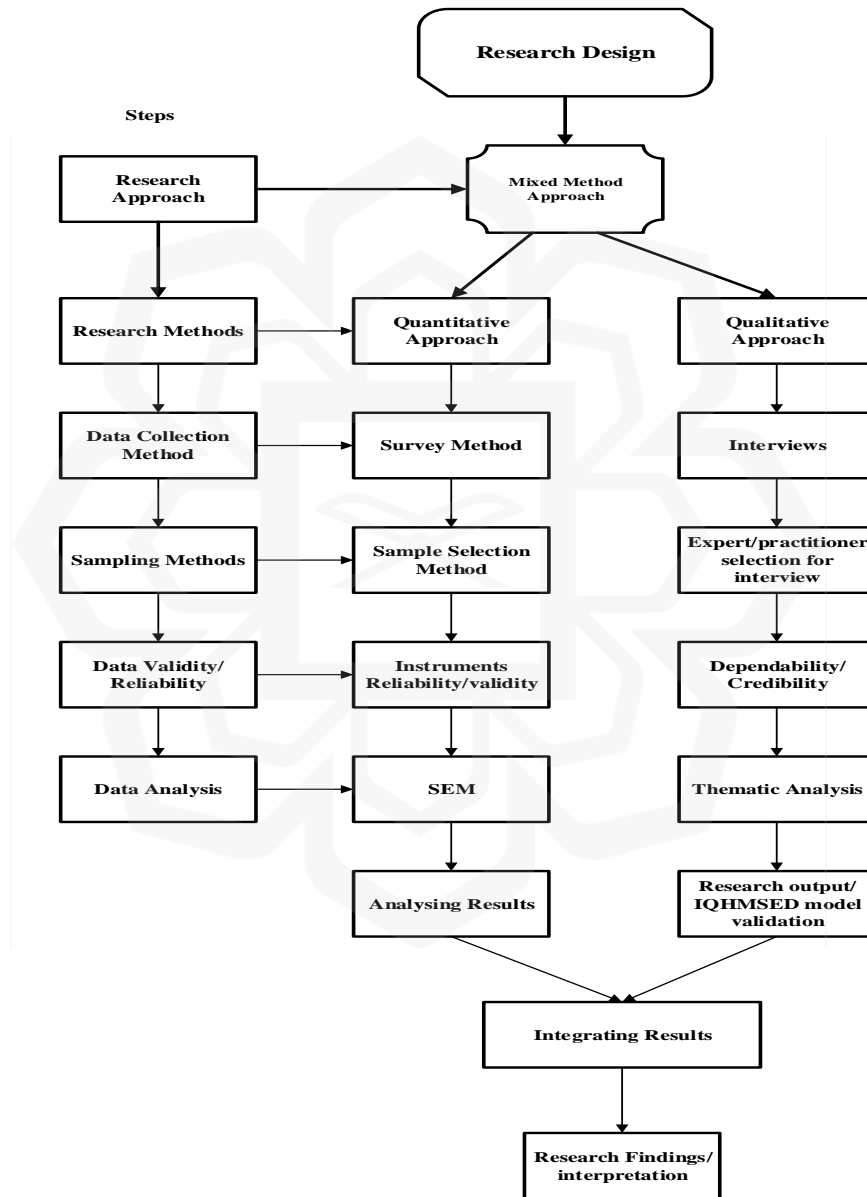
A mixed research design (both qualitative and quantitative) was considered an appropriate research strategy to answer the issues at hand in this study. The research design for this study is presented in Figure 5.1. The figure shows both qualitative and quantitative research methods that were applied in this study.

Interviews were chosen for collecting data as part of the qualitative approach. The data were gathered by asking open-ended questions to practitioners and experts in the related area through interviews. Thematic analysis was then utilized to identify the themes from the information outlined by the interviewees.

The quantitative approach or empirical testing requires careful design and selection of appropriate research methods to ensure that the research rigor is not compromised. The first stage of the quantitative method is to develop the measurement instrument. This study thus adopted and adapted its instrument items from previous studies (Abdullahi et al., 2021; Asmy, 2015; Aziz & Afaq, 2018; Echchabi & Olaniyi, 2012; Effendi et al., 2020; Maulana et al., 2018; Thaker et al., 2016). The instrument has

undergone proper validity and reliability measures such as content validity, pre-testing, and pilot testing to filter and improve the instrument.

Figure 5. 1 Research Design of the Study



Source: Adapted from Abubakar (2018) and Amaratunga et al. (2002)

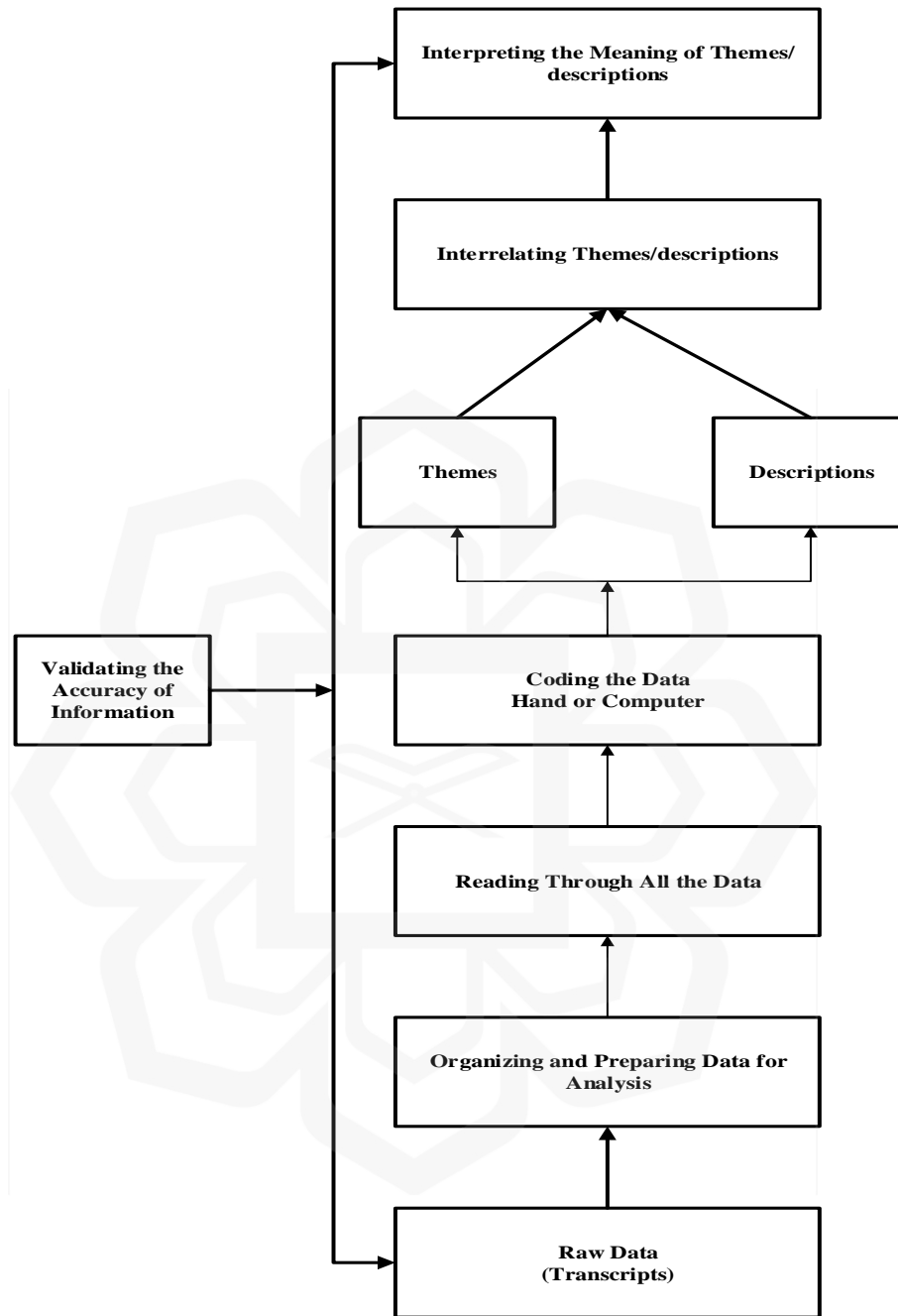
5.3 QUALITATIVE DATA COLLECTION AND ANALYSIS

The present study adopted a qualitative (interview) approach to achieve the qualitative-based objective of the study. Interviews were held with Shariah scholars, practitioners, academics, and specialists from particular areas and institutions. The objective was to get a deeper comprehension of the IQEMD model from the perspectives of specialists and chairs from various institutions to evaluate the model's adequacy, sustainability, and application, with the aim of examining the validity of the model thoroughly.

Creswell's (2009) steps were utilized for the qualitative analysis, as follows (see Figure 5.2 also):

1. Prepare and organize data for analysis depending on the information sources. This may require transcribing interviews, optically scanning documents, typing field notes, and classifying and organizing the data into various categories.
2. Examine and understand all the facts related to the materials.
3. Start an in-depth investigation using a coding procedure.
4. Use codes to construct descriptions of the environment, characters, and categories of themes for the study.
5. Describe how the descriptions and themes will be portrayed in the qualitative narrative.
6. Determine the interpretation and significance of the data attained.

Figure 5. 2 Steps in Qualitative Analysis



Source: Creswell (2009)

5.3.1 Interview

The interview, one of the most popularly used method for gathering qualitative data, was used to collect qualitative data for this study. An interview has the potential to offer important data for examining a range of views and developing a comprehensive understanding of the investigated issue. This research used the semi-structured interview format, which is briefly elaborated upon in the part that follows.

5.3.2 Semi-Structured Interview

Interviews with a semi-structured format are often pre-planned and standardized, consisting of open-ended questions designed to steer the conversation and promote discussion between the researcher and the participant (Abubakar, 2018). It is a standard practice to conduct the interview just once. The length of time the interview may take might vary from half an hour to several hours depending on the level of interest that both the researcher and the participant may have in the topic of discussion. The conversation that takes place between the researcher and the participant almost always results in the emergence of new questions (DiCicco-Bloom & Crabtree, 2006).

During the interview, participants can express their thoughts in their own words. The goal of a semi-structured interview is to make the interview process resemble a regular conversation between two individuals but with several predefined themes serving as the focal point of the discussion (Abubakar, 2018).

This study aimed to obtain the perception of the relevant stakeholders about the IQEMD model. The questionnaire for the interview covered questions on the suitability,

applicability, and prospects of the IQEMD model. Table 5.1 below presents a link between the research question and the data sources used.

The interview procedures were followed to ensure that all prerequisites were satisfied, including providing a list of questions, determining information on the interviewers and the jobs they held, and recording the date and time of the interviews in which they were carried out. In addition, each interview was recorded using the appropriate equipment and transcribed to conduct future analysis.

Table 5. 1 Research Question and Data Source

Research Question	Data Source	Justification
What would be the perception of the relevant stakeholders about the suitability, applicability, and prospects of the model developed in this study?	Interviews with Experts <ul style="list-style-type: none"> • Da Afghanistan Bank, Department of Islamic Banking (Central Bank). • Afghanistan Chamber of Commerce and Investment (ACCI) • Islamic Bank of Afghanistan (IBoA) • Kandahar University (KDRU) • Directorate of Ministry of Finance 	To investigate the perception of experts regarding the suitability, applicability, and prospects of the model developed in this study

5.3.3 Interview Participant Selection

The primary sampling approach used in this study was purposive sampling. Purposive sampling is an intentional search for volunteers with specific experience and knowledge in a particular field or area. Purposive sampling is often used in qualitative research to select participants based on traits or expert qualities (Abubakar, 2018). Typically, a purposive sample size is determined based on theoretical saturation, the point in data gathering at which fresh information no longer provides more insight into study topics. This study specifically utilized expert sampling, a subset of purposive sampling. The specialists were from various institutions, as shown in Table 5.2. The expert selection criteria were based on the experts' qualifications, area of specialization, and working experience (Abubakar, 2018; Asmy, 2018).

Table 5. 2 Interviewees' Profiles

No	Institutions	Position	Code
1	Da Afghanistan Bank, Department of Islamic Banking (Central Bank)	Regional Director	E1
2	Afghanistan Chamber of Commerce and Investment (ACCI)	Provincial Manager	E2
3	Islamic Bank of Afghanistan (IBoA)	Provincial Manager	E3
4	Shariah Faculty, Kandahar University (KDRU)	Dean of Sharia Faculty	E4
5	Faculty of Economics and Management Science, Kandahar University (KDRU)	Dean of Faculty	E5
6	Directorate of Ministry of Finance	Director	E6

Source: Author

5.3.4 Thematic Analysis

After collecting qualitative data through the interviews, it is essential to design an analytical approach to analyze the data attained. Based on the deployment of a model proposed, a standard framework or set of theoretical tenets and recurring themes in the qualitative data may be identified and explored. The formation of themes in a completely natural way further enhances the conclusions obtained from the qualitative data collection.

Thematic analysis, an analytical method for qualitative data, gives further insight and improves the discovery of other significant problems not originally anticipated as part of the interview process. The analytical method has the potential to comprehensively respond to the research topic that the present study sought to address. Consequently, the present study used thematic analysis as its method of analysis (Asmy, 2018; Braun et al., 2006; Creswell, 2009).

Thematic analysis is a particular approach to qualitative data where analysis is conducted thematically. The information in response to a question is often recorded in interview transcripts and reports on observed talks or courses. The analysis is used to condense enormous volumes of unstructured text into relevant and comprehensible information to evaluate and contrast the various participants' points of view on their experiences (Abubakar, 2018).

To define thematic analysis, according to Braun and Clarke (2006), it is "a method for identifying, analyzing and reporting patterns (themes) within data". There are different phases of thematic analysis as shown in Table 5.3 below.

Table 5. 3 Phases of Thematic Analysis

No	Phases	Description of the Process
1	Familiarizing yourself with your data	Taking notes on first thoughts while reading and rereading the data (if required), as well as transcribing the material (if necessary).
2	Generating initial codes	The process of encoding the important aspects of the data systematically throughout the whole data and compiling the data relevant to each code.
3	Searching for themes	Organizing the codes into prospective themes and collecting all the data pertinent to each potential subject.
4	Reviewing themes	Determining whether the themes apply to the coded extracts.
5	Defining and naming	Generating distinct names and definitions for each theme.
6	Producing the report	Preparing a scholarly report after analysis of the qualitative data.

Source: Braun et al. (2006)

5.3.5 Sample Size for Qualitative Method

Choosing an appropriate sample size for qualitative data analysis is extremely important to get significant and acceptable results and achieve the desired standard, by attaining competent answers to the research questions. Selecting an appropriate sample size for qualitative data analysis follows the concept of data "saturation", which refers to the moment at which there is no longer any new information or themes found in the data (Guest et al., 2006).

According to the concept of data saturation, a single interview is never enough since it is only possible to identify whether data saturation has been reached after at least two interviews have been analyzed and, in most cases, additional interviews have been conducted. Thus, qualitative research methods may use the notion of continuing sampling until data saturation is reached to justify using a certain sample size to attain responses for

an inquiry (Boddy, 2016). In a study conducted by Guest et al. (2006), it was discovered that saturation occurs within twelve interviews, even though key aspects of meta-themes appear as early as six interviews. The study advised a sample size of six to twelve interviews or cases for qualitative research. Therefore, for the qualitative purposes of this study, a sample size of six interviews was chosen, which also aligns with a study conducted by Asmy (2018).

5.4 QUANTITATIVE DATA COLLECTION AND ANALYSIS

The present research employed a structured questionnaire based on close-ended questions for its quantitative data collection. After gathering the data, partial least squares structural equation modelling (PLS-SEM) analysis was performed using Smart-PLS, version 4.0 to assess the micro-entrepreneurs' behavioral intention to use the IQEMD model as a source of financing and human capital development, based on the TRA.

5.4.1 Data Collection

In this study, data were collected through self-administered questionnaires containing items of different formats. The questionnaire covered different categories of information. It requested information related to the demographic and occupational background of micro-enterprises. The questionnaire also covered questions on the issues of financing and human capital development. In addition, the questionnaire included items related to the TRA. Furthermore, some of the questions were derived from qualitative data mainly related to financing, human capital development, and the IQEMD model. The

questions focused on the behavioral intention of micro-enterprises to use the IQEMD model as a source of financing and human capital development.

Most of the questions included in the questionnaire required dichotomous answers (“Yes” and “No”) or utilized self-assessment items measured by the Likert scale (Abdullahi et al., 2021). Table 5.4 presents the relationship between research questions and data sources for the quantitative investigations of this study.

Table 5. 4 Research Questions and Data Sources

Questions	Data Source	Justification
<ul style="list-style-type: none"> • How and to what extent can micro-enterprises overcome the problem of accessing finance and human capital development in Afghanistan, particularly in Kandahar? • How could the attitude and subjective norms of micro-entrepreneurs affect their intention to use the IQEMD model? 	Survey: <ul style="list-style-type: none"> • Micro-enterprises in Kandahar 	<ul style="list-style-type: none"> • To demonstrate the extent of financing and human capital development problems faced by micro-enterprises in Afghanistan, particularly in Kandahar. • To examine how the attitude and subjective norms of micro-entrepreneurs can affect their intention to use the model developed in this study.

5.4.2 Instrument Reliability and Validation Assessment

Validity is the capability of an instrument to measure the target variable in question. A variety of validity tests may be used to evaluate the accuracy of measurements. Validity assessments may be broken down into three distinct categories: construct validity, criterion-

related validity, and content validity (Sekaran & Bougie, 2016). To ensure the content or face validity of the current study's instrument, a pre-test or pilot study may be conducted to test the content validity of each item of the instrument. In this study, two experts checked the content validity of the data instruments as the expert's opinion is the basis for establishing content validity (Kline, 2016).

Additionally, to establish construct validity, research conducted by Hair et al. (1998) and Clemes et al. (2008) determined that an instrument is said to have construct validity when the measures of eigenvalue and factor loadings of each factor are greater than 1 and 0.3 respectively.

Meanwhile, criterion-based validity relevance may be determined by analyzing the associations of the various prototypes with one or more consistency efficiency indicators. In this study, the parameters relevant to the validation test were conducted through a correlation review between two constructs and one dependent variable.

On the other hand, instrument reliability refers to how free of bias (error) a questionnaire is and ensures consistent measurement throughout time. An instrument is considered reliable and consistent if it returns a Cronbach's alpha value of 0.70 (Hair et al., 2017).

5.4.3 Research Instrument

For the quantitative investigation of this study, a self-administered survey questionnaire was administered to target respondents for data collection. With a self-administered questionnaire, respondents learn and respond to questions independently without interference from a professional interviewer. A significant benefit of the self-

administered questionnaire is that it can be delivered at low expenses throughout a large spectrum of territories. Another benefit is that respondents can fill out their answers at their most suitable moment. Even so, it is also recognized that one of the drawbacks of the self-administered survey is that respondents could opt not to participate in the survey or leave the questionnaire form unfinished. To minimize this possible issue, the researcher must decide on a larger sample size (Sekaran & Bougie, 2016).

There are two main parts of the questionnaire (other than the part that acquires background information). The first part of the questionnaire for this study was created using information from the literature review and issues related to finance and human capital development. Meanwhile, the TRA was used to guide the development of the next part of the questionnaire.

This research generated the questions that were included in the part of the questionnaire related to the TRA by using measures that have been produced by earlier studies that have utilized the TRA (Abduh et al., 2011; Asmy, 2015; Echchabi & Olaniyi, 2012; Effendi et al., 2020; Thaker et al., 2016). Examples of the items included for the construct of behavioral intention are (i) "I intend to use IQEMD model if it is offered," coded as BI01, (ii) "I plan to use IQEMD model if it is offered" coded as BI02, and (iii) "I have a strong intention to use IQEMD model if it is offered" coded as BI03. Meanwhile, the items included for the construct of attitude are items such as (i) "Engaging in IQEMD model is valuable," coded as A01, (ii) "Engaging in IQEMD model is suitable," coded as A02, and (iii) "Engaging in IQEMD model is in line with my religious values" coded as A03. Moreover, examples of the items included for the construct of subjective norms are (i) "Most people who are important to me think that I should use this IQEMD model for

financing purposes," coded as SN01, (ii) "Most people who are important to me think that I should use this IQEMD model for enhancing my skills" coded as SN02, and (iii) "Most people whose opinion I value would approve my action to use this IQEMD model for financing purposes" coded as SN03.

In designing the questionnaire, the researcher was continuously guided by the research questions that need to be investigated on the problem of accessing finance, the problem of human capital development, and micro-enterprises' behavioral intention to use the IQEMD model. The questionnaire design utilizes the dichotomous scale ("Yes" and "No") and the widely used seven-point Likert Scale.

5.4.4 Data Analysis

The data analysis procedure of this study involved five stages. In the first stage, data cleaning and treatment were performed for the missing values of the responses. The second stage involved a descriptive analysis of the respondents' demographic information. Next, the third stage involved conducting the reliability and exploratory factor analysis (EFA). In the reliability analysis, the current study's research instrument was measured to determine the consistency among its inter-items. Meanwhile, EFA was performed to examine the strength of each scale of the research questionnaire. In the fourth stage, confirmatory factor analysis (CFA) was conducted using SEM to determine scale validity (Abdullahi et al., 2021). Finally, the final SEM stage was performed on the research hypotheses, where SEM was used to investigate the structural relationships among the variables in the study.

5.4.4.1 Structural Equation Modelling (SEM)

SEM analysis was employed to test the fitness of the the TRA with the data observed among the micro-enterprises in Kandahar, Afghanistan. The utilization of SEM has increased substantially in social science research. It provides researchers with a complete framework for evaluating and modifying theoretical models. It also allows the advancement of theory. Moreover, the utilization of its measurement model or CFA allows one to outline the relationships between constructs (Anderson & Gerbing, 1988).

SEM provides two significant benefits over other statistical methods. Firstly, as Schumacker and Lomax (2004) observed, it allows researchers to simultaneously employ several different observable variables in their investigations. Second, in contrast to other statistical methods, SEM combines observable and unobserved factors in its process of measurement (Byrne, 2010).

SEM is designed to illustrate the causal connections between variables (Byrne, 2010). SEM is an extension of the multivariate regression model. The key distinction between regression models and SEM is that the latter offers coefficients that assess the statistical significance and amplitude of the structural links between theoretical models (Mayhew et al., 2009).

Using SEM, this study aimed to determine the extent to which its findings adhere to the TRA and accurately predict the constructs found in the TRA. A confirmatory factor analysis was performed on the latent components before this study ran the structural equation modeling.

5.4.4.2 Model Evaluation

The correlations between various variables were explained using SEM, which was then utilized to evaluate the hypotheses. SEM analysis was divided into two phases in this study. The first phase included screening the data, removing outliers, and checking for normality as part of basic data analysis. This procedure is essential to ensure that all data collected are adequate and suitable for usage in the Smart-PLS (version 4) software.

The second phase involved the two-stage SEM analysis of the measurement and structural models. Under the first stage involving the measurement model, the reliability and validity (convergent and discriminant validity) of the items were examined using loading and cross-loadings, CR, and AVE. Meanwhile, under the second stage of evaluation of the structural model, all the hypotheses formulated for this study were tested. The second stage included assessing the model's predictive capabilities and the relationships between the constructs that involve the assessment of collinearity issue, significance and relevance of structural model relationships, coefficient of the determinant (R^2 values), effect size, and predictive relevance of the constructs. The structural model was carried out in this study to test two hypotheses. Each of the processes is explained in more detail in the following sections.

5.4.4.3 Measurement Model Assessment

Once the measurement model's constructs have been identified, the next step is to analyze the evaluation criteria of the model. Based on the two-stage analytical procedures recommended by Anderson and Gerbing (1988), the data analysis starts with testing the reliability and validity of the measurement model. Validity tests determine how effectively

an instrument measures the specific concept it is designed to assess, whereas reliability tests determine how consistently a measurement instrument measure a relevant concept (Sekaran & Bougie, 2016). All the constructs were evaluated for validity and reliability using CFA in SEM. During the questionnaire creation process, content validity had already been checked. It was necessary to determine the construct validity to support content validity since content validity is subjective (Sekaran & Bougie, 2016). Construct validity is established when convergent and discriminant validity are present. Therefore, to confirm the construct validity, convergent and discriminant validity were examined simultaneously.

5.4.4.4 Construct Reliability

The internal consistency or reliability of the model was assessed based on Cronbach's alpha (α) and composite reliability (CR). A Cronbach's alpha coefficient of 0.70 to 0.79 is considered fair, 0.80 to 0.89 is good, and 0.90 and above is excellent. Meanwhile, the values for the CR range from 0 to 1. The degree of reliability increases with increasing composite reliability. According to Hair et al. (2014), a composite reliability rating of 0.60 to 0.70 is considered satisfactory. Insufficient internal consistency reliability is indicated by composite reliability ratings below 0.60.

5.4.4.5 Convergent Validity

The degree to which indicators of a certain construct converge or have significant variation in common is known as convergent validity (Hair et al., 2012). It is the degree to which many items intended to assess the same idea agree when compared to items meant to test different constructs. Outer loadings, composite reliability (CR), and extracted average

variance (AVA) are used to determine convergent validity. Outer loadings result from a single regression of each indicator variable on their corresponding construct. Hulland (1999) indicated that loading values as low as 0.40 are acceptable, but the summation of the AVE should be greater than 0.5. However, it can be concluded that the loading values that are equal to or greater than 0.7 are considered appropriate (Hair et al., 2010). Meanwhile, AVE, the total variation in the indicators that may be attributed to the latent construct, must be at least 0.5 to suggest that the latent constructs can explain at least 50% of the variation in each item. To conclude, the threshold values for item loading, CR and AVE are 0.5, 0.70 and 0.5 respectively (Hair et al., 2010).

5.4.4.6 Discriminant Validity

Discriminant validity refers to the degree to which the model's constructs are empirically different (Hair et al., 2012). Validity assessments should not correlate excessively if two or more ideas are distinct. Moreover, discriminant validity analysis assesses the degree of distinction between redundant constructs. Three methods may be used to evaluate discriminant validity: the Fornell-Larcker criteria, the Heterotrait-Monotrait (HTMT) correlation, and the cross-loadings of indicators (Hair et al., 2017). This research included all three methodologies.

For discriminant validity to exist when analyzing cross-loading values, the loading factor for the chosen construct must be greater than the loadings for all other constructs (Hair et al., 2017). A difficulty with discriminant validity is present when cross-loadings exceed the outer loadings of the predictor.

Meanwhile, when the square root of AVE is larger than its correlation with all other variables, the Fornell-Larcker criteria indicates that discriminant validity has been established. This method assesses the correlation between all other latent constructs and the square root of the AVE (Fornell & Larcker, 1981). In other words, the average variance shared by each construct in the model should be greater than that shared by the construct and the other constructs.

Although cross-loading and the Fornell-Larcker criteria have been frequently utilized in earlier research to establish discriminant validity, the two techniques have certain drawbacks.

The HTMT ratio of correlations developed by Dijkstra and Henseler (2015) is another technique for evaluating discriminant validity. HTMT is based on estimating the correlation between the constructs. The high sensitivity rates show that HTMT can detect a lack of discriminant validity efficiently. The HTMT statistic's confidence interval (CI) value must not equal one on any of the constructs. Discriminant validity is proven when the HTMT value is less than or equal to 0.85 (Kline, 2011) or 0.90 (Gold et al., 2001). Compared to the other two approaches, HTMT is regarded as the most strict method, hence a superior discriminant criterion (Dijkstra & Henseler, 2015).

After passing all the reliability, convergent validity, and discriminant validity tests, the structural model is evaluated for hypothesis testing.

5.4.4.7 Structural Model Assessment

Once the measurement model's construct measurements were demonstrated to be accurate and valid, the next step was to perform SEM to evaluate the predicted relationships to

support the stated hypotheses. This research assessed the structural (inner) model using information from the main dataset ($n = 466$) as in the previous measurement model evaluation step. The value and relevance of each path coefficient between constructs were determined by analyzing the structural model based on the significance of the path coefficients, the level of the coefficient of determination (R^2) values, Cohen's (1988) pseudo-F-test (f^2 effect size), and the Q^2 predictive relevance. The path coefficients was assessed to determine the strength of the association between the structural model's latent variables (Hair et al., 2017). Meanwhile, the R^2 and f^2 effect size were assessed to determine the explanatory power of the structural model. Predictive relevance is also an important criterion for evaluating the hypothesized associations. The Q^2 was measured to find the model's predictive power.

5.4.5 Sample Size, Sampling Technique, and Study Area

The selection of an appropriate sample size is an essential issue in SEM. SEM requires a large sample size. According to Hair et al.'s (2014) recommendations, the sample size is vital in obtaining suitable results with meaningful estimations. There is no specific guideline concerning the sample size for analyzing the research model through SEM. If a research model includes 40 parameters, the optimal minimum sample size would be $n = 200$ (40×5) to be specific. In other words, there needs to be five observations for every parameter. If the ratio is lower than 5:1, the statistical significance of the findings may be called into question, and the findings themselves will not be credible (Hair et al., 2014). In this study, the researcher used 49 parameters or items in a survey questionnaire to test the

research model and took a minimum of five observations (respondents) for each parameter; then, the total sample size would be $n = 245 (49 \times 5)$.

On the other hand, Sekaran and Bougie (2016) stated that depending on the sample design and data analysis technique, the sample size could be between 30 and 500. In addition, Hair et al. (2014) suggested that if the sample size becomes too large, more than 500, then the goodness of fit indices for SEM will be poor for the model fit. According to Kline (2016), an appropriate sample size ratio for using SEM should be 10:1. Based on this discussion, ten respondents should answer each item of the study. Therefore, the total number of respondents for this study would be $n = 470 (47 \times 10)$. Thus, this study targeted 470 sample responses to apply SEM and obtain the expected results.

This study focused on micro-enterprises in the Kandahar province, the second-largest province in terms of the total number of micro-enterprises, see Table 2.5. This study used stratified random sampling, a type of probability sampling method which involve selecting some group of respondents based on classification and random selection from the strata. Moreover, stratified random sampling is a technique in which the characteristics of a precise variable are interpreted in the universe relative to the variable.

The number of elements assigned to the different strata is proportional to the representation of the strata in the target population. Each stratum is smeared with exactly the same sampling fraction, giving any single element within the population an equal chance of being picked (Iliyasu & Etikan, 2021). For instance, if a research planned to have a sample of 200 respondents from the target population of 1000 based on the gender characteristics and suppose the population consists of 300 females and 700 males, the sample size for the females and males based on the stratified sampling should be 60 female

and 140 male respondents. After the sample size is selected, then random sampling method would be used to select 60 females from the strata of 300 females and 140 males from the strata of 700 males.

In this study, the population was spread across fifteen districts in Kandahar province and each province has its own target population. The respondents (micro-entrepreneurs) from each district have homogenous characteristics. Therefore, each district was considered as a stratum. The number of districts, target population (total number of micro-enterprises), the relative percentage of population in each district, and the proportionate sample for each district in respect to the population of this study is presented in Table 5.5.

After defining the proportionate sample for each district, then the random sampling technique was used to gather the data from the list of each district's target population based on the random numbers technique from the Kandahar municipality database.

Table 5. 5 The Number of Micro-enterprises in Kandahar, in May 2023

District	Number of Micro-enterprises	Relative Percentage of Each District to Total	Proportionate Sampling
1	1530	15.7	74
2	733	7.5	35
3	1100	11.3	53
4	859	8.8	41
5	509	5.2	25
6	48	0.5	2
7	1178	12.1	57
8	359	3.7	17
9	1104	11.3	53
10	108	1.1	5
11	258	2.6	12
12	628	6.4	30
13	246	2.5	12
14	590	6.1	28
15	499	5.1	24
Total	9749	100	470

Source: Author's compilation from Kandahar Municipality

5.5 CHAPTER SUMMARY

This chapter argued that both qualitative and quantitative research methodologies are necessary to answer its research questions and verify its hypotheses. The proposed model's planned measurement scales for each element have been designed based on previously evaluated scales that were especially associated with the TRA. The pre-test and final survey data collection tools and procedures have been outlined. The data collection technique and sampling method have been specified. Moreover, the measurement of research variables and data analysis procedures were discussed for the quantitative investigation. Finally, the chapter also reported how the quantitative data was analyzed by conducting structural equation modeling (SEM) using Smart-PLS, version 4.

CHAPTER SIX

RESULTS OF QUALITATIVE ANALYSIS

6.0 INTRODUCTION

The present research performed a series of semi-structured interviews with experts to identify the possible problems of micro-enterprises pertaining to finance and human capital development. Additionally, the interviews also assessed questions related to the Integrated Qardhul Hasan and Equity-Based Micro-Enterprise Development (IQEMD) model. It was anticipated that the interviews would provide a credible picture of the suitability, applicability, and prospects of the IQEMD model in the market.

The interviews were conducted with practitioners, academicians, and Shariah scholars. The experts were from Da Afghanistan Bank (Central Bank), the Afghanistan Chamber of Commerce and Investment, the Islamic Bank of Afghanistan, the Directorate of the Ministry of Finance, and a few academicians from the state university. Table 5.2 of Chapter 5 provides information on the interviews.

The participants' responses are presented as quotes and included with the explanation of the findings in the present chapter. The quotations from each interviewee are numbered (E1 to E6) to make reference to the responder profile. The interviews were held in the Pashtoo local language.

After the data had been gathered by tape recording and recorded, it was examined thematically to identify common themes that captured the participants' opinions. Using thematic analysis, the present study identified 11 major unique themes. These themes

include the importance of micro-enterprises, the importance of financing for micro-enterprises, financial challenges, the importance of human capital development for micro-enterprises, human capital development challenges, suitability of the IQEMD model, importance of the IQEMD model, institutional platform to use, sustainability of the IQEMD model, challenges of the IQEMD model, and awareness cultivation. These themes are presented in Table 6.1.

Table 6. 1 Categorical Themes and Interview Questions

Themes	Interview questions related to a particular theme
Importance of Micro-enterprises	<ul style="list-style-type: none"> • Can you explain briefly the role of micro-enterprises in the Afghan economy? • Why do you think that micro-enterprises are important for the development of the national economy of a country like Afghanistan, particularly Kandahar? • How can micro-enterprise development contribute to economic growth and employment generation in Kandahar?
Importance of Financing for Micro-enterprises	<ul style="list-style-type: none"> • Why do you think that financing is important for micro-enterprises?
Financing Problems	<ul style="list-style-type: none"> • What do you think are the obstacles faced by micro-enterprises to access financing in Kandahar?
Importance of Human Capital Development for Micro-enterprises	<ul style="list-style-type: none"> • Why do you think that human capital development is important for micro-enterprises?
Human Capital Development Problems	<ul style="list-style-type: none"> • What do you think are the obstacles faced by micro-enterprises to develop human capital in Kandahar?
Suitability of the IQEMD Model	<ul style="list-style-type: none"> • Do you think Islamic donations and funds from Baitul Maal can be utilized to provide Qardhul Hasan to resolve the problem of accessing finance faced by micro-enterprises and how? • Do you think Islamic donations and funds from Baitul maal can be utilized to provide equity-based financing to resolve the problem of accessing finance faced by micro-enterprises and how? • Do you think Islamic donations and funds from Baitul maal can be utilized to resolve the problem of human capital development faced by micro-enterprises and how?

	<ul style="list-style-type: none"> • Is the proposed Integrated Qardhul Hasan and Equity-based Micro-enterprise Development (IQEMD) model practical for micro-enterprises' development and how? • Is the proposed Integrated Qardhul Hasan and Equity-based Micro-enterprise Development (IQEMD) model acceptable for micro-enterprises? (Please explain your views) • This model incorporates Musharakah Mutanaqisah Partnership (MMP). What is your view on this arrangement?
Importance of the IQEMD Model	<ul style="list-style-type: none"> • What is your view on the importance of the proposed Integrated Qardhul Hasan and Equity-based Micro-enterprise Development (IQEMD) model for micro-enterprises?
Institutional Platform	<ul style="list-style-type: none"> • In order to operate this model, should this model involve the Islamic Council's entity or corporate sector? Why?
Sustainability of the IQEMD Model	<ul style="list-style-type: none"> • From your perspective, what factors might contribute to the sustainability of adopting the Integrated Qardhul Hasan and Equity-based Micro-enterprise Development (IQEMD) model?
Challenges of the IQEMD Model	<ul style="list-style-type: none"> • What likely challenges may arise in materializing the Integrated Qardhul Hasan and Equity-based Micro-enterprise Development (IQEMD) model?
Awareness Cultivation	<ul style="list-style-type: none"> • Since Islamic donations and funds from Baitul maal are collected from the government, public and corporate sectors to assist micro-enterprises, how can the attitude of 'giving' and 'helping others' among the government, public and corporate sector be promoted?

6.1 FINDINGS

6.1.1 Importance of Micro-enterprises

The interviewees were questioned on their opinions on the importance of micro businesses in the growth of the national economy. The majority of participants (n=6) overwhelmingly agreed that micro businesses support the nation's economy. Some of the replies that came from the interviews are included below:

“From an economic perspective to alleviate poverty, I think there might be different phenomena among others; micro-enterprise development is

considered to be the important one because it can help to reduce poverty and enhance economic growth. In Afghanistan, these businesses can build the country's micro-level economy. For example, micro businesses might be developed and can grow to the next stages of development, such as small and medium-scale enterprises. Eventually, they can provide employment opportunities, employ skillful laborers, and can gradually eliminate poverty”. (E1)

“For two decades, abundant relief and aid has been inflowed into Afghanistan, but today, people are still in poverty. In my view, developing micro businesses is essential for developing a sustainable local economy. So, in general, I have to say that if the people of Kandahar are provided with the opportunity to establish micro-enterprises, for sure, their income will increase. Moreover, the government of Afghanistan is unable to provide employment opportunities to the entire labor force, so such programs should be created to provide facilities for micro-enterprises. A good example was the era of Sardar Daud Khan and Zahir Khan. They have established several programs and strategies that have been focused on facilitating micro-enterprises”. (E2)

“Unfortunately, in Kandahar or overall Afghanistan, the role of the private sector is somehow deflected. However, they are busy with employing people and investing funds. According to my opinion, Afghanistan does not possess a strong private sector. I think this is the initial and positive step toward private sector development. I think the government and other entities should work together to find a way and focus on the improvement and development of micro-enterprises in terms of providing financing and human capital development services. After a short time, they might progress and positively affect economic indicators such as employment, poverty alleviation, and can improve the standard of living”. (E4)

“In developing countries like Afghanistan, from my point of view, micro-enterprises are the dominant component of MSMEs. In the case of Kandahar, the economic cycle is in the beginning stage. Therefore, it can be said that the development of micro-enterprises might play a vital role in the economic growth of Kandahar. By developing micro-enterprises, employment opportunities might be created, and it could positively affect income generation. As a result, households’ expenditures will increase, and the economic cycle might move toward stability and growth. Since 70% to 80% of people in our country live in poverty. By developing micro-enterprises in Kandahar, the poverty level will decrease, and the economic situation will improve”. (E5)

The interviewees stated that the development of micro businesses could help to reduce poverty, provide job opportunities, create wealth, and raise the quality of life. These significances of micro-enterprises, as highlighted by the interviewees, are consistent with past studies (Asmy, 2015, 2018; Nasrullah, 2012).

Micro-enterprises can assist individuals in finding employment and learning how to make their own earnings. The micro-entrepreneurs' income stabilizes as their business revenue grows, and they often utilize this money to pay for household expenses to maintain and improve their quality of life. As a result, it is clear that micro-enterprises significantly advance the goal of reducing poverty in particular.

Table 6. 2 Importance of Micro-enterprises to the Economy

Expert's Opinion	E1	E2	E3	E4	E5	E6	Total
Employment creation	√	√	√	√	√	√	6/6
Income generation	n.a	√	n.a	√	√	n.a	3/6
Poverty alleviation	√	√	√	√	√	√	6/6
Economic growth	√	√	√	n.a	√	√	5/6
Improved standard of living	n.a	n.a	n.a	√	√	√	3/6

6.1.2 Importance of Financing for Micro-enterprises

The interviewees were questioned about their opinions on the importance of financing for micro businesses. The majority of the participants (n=6) agreed on the need for financing micro-firms. The opinions mentioned below are gathered based on the interviews:

“Unfortunately, in a poor society like Kandahar, people have business ideas, but due to lack of financial resources, they are unable to execute their business ideas. Therefore, I believe funding or financing micro-enterprises is

as important as the blood circulation in the body because financing might bring virtual ideas into practice. Moreover, it provides capital for start-ups, improves the business image in the market, and can save micro businesses from insolvency. The international community, the Afghan government, and other entities are responsible for providing alternative ways of financing these ideas. I think financing is considered effective for the execution, improvement, and development of micro businesses”. (E1)

“Currently, in Kandahar, there are micro-entrepreneurs who have invested in the businesses, but their growth is not prominent in the long run. In my opinion, there is an emerging need for financing services. Therefore, the government and other entities should have found sustainable sources of financing micro-enterprises because, with the help of financing, they might enhance their business growth and bring the business ideas into practice. In Kandahar, different people have certain practical skills to manage micro businesses, but due to a lack of financial sources, they are unable to commence businesses. Suppose the government and other responsible entities provide financing facilities for them immediately. In that case, we might have an increasing number of micro-enterprises in Kandahar that could help to reduce unemployment in the province”. (E3)

“Regarding the importance of financing for micro-enterprises, in my view, the availability of funding or financial resources would cause them to develop and expand their business further. And also, by the availability of financial resources, someone might start a new business. It also helps micro-entrepreneurs by having a good position in the marketplace and can also reduce the chance of business insolvency”. (E6)

Based on the results mentioned above, all the participants agreed that micro-enterprises need access to financing to execute their business plans. Moreover, most interviewees said that access to external finance by micro-firms may help them grow and develop, improve their reputation in the marketplace, and lower their risk of going bankrupt.

Table 6. 3 Importance of Financing for Micro-enterprises

Expert's Opinion	E1	E2	E3	E4	E5	E6	Total
Provide capital for start-up	√	√	√	√	√	√	6/6
Expand the business operations	√	√	n.a	√	n.a	√	4/6
Secure business from insolvency	√	n.a	√	n.a	√	√	4/6
Build an image in the market	√	√	√	n.a	√	√	5/6

6.1.3 Financial Problems

The interviewees were further questioned about their opinions on the financial issues that micro businesses encounter when applying for external financing. The majority of the participants (n=6) said that micro firms have serious financial issues, especially when it comes to obtaining outside financing. The opinions mentioned below are gathered based on the interviews:

“In Kandahar, if a micro business needs to apply for a loan, it might face long bureaucratic procedures. In addition, financial institutions impose high-interest rates, strict collateral requirements, and documentation requirements for the disbursement of financial services to micro-enterprises. The interest rate is a major deterrent and challenge to business growth. In Islamic societies like Kandahar, people are reluctant to take interest-bearing loans. To get rid of this problem, I proposed the demand for Islamic financial instruments that could provide a reasonable solution to the problem. Furthermore, another difficulty of financing is the requirement of a comprehensive business plan. However, most micro-enterprises are incapable and lack the skills that help them prepare a business plan. Besides, due to high-risk perceptions by banks and financial institutions, they are reluctant or rarely provide financing facilities to micro-enterprises”. (E2)

“Regarding financial difficulties, based on my point of view, we live in a Muslim country, and Islam has defined the Shariah ways of financing business. In our society, the majority of businesses are strict with these rules. On the other part, our country's banks and other financial institutions provide financing based on the interest rate (riba), which is prohibited in Islam. Meanwhile, banks and other financial institutions also charge interest rates from 15% to 22%. Micro businesses cannot meet this cost at the beginning or in the initial stage of development. Another problem could be the requirement for collateral by microfinance institutions. For example, you

will guarantee the equivalent amount of an additional property. Therefore, the conditions of loan disbursement are very strict in Afghanistan, particularly in the context of Kandahar”. (E4)

“In my view, the major financial difficulties in the prevailing financing models offered by microfinance institutions, Hawala dealers, and banks in Afghanistan, particularly in Kandahar, are the demand for the high-interest rate/high markup/high-profit margin. When applying for financial assistance, micro-enterprises are entitled to pay high financing costs, which is considered a major deterrent to business development. In the initial stage, the businesses are not profitable to pay for the high financing costs. Another problem is the lack of collateral as a loan security. Apart from these financing problems, according to my views, the strict documentation and the requirement of proper business plans and financial records are also financial difficulties faced by micro-enterprises in Kandahar”. (E5)

All the participants agreed that micro-enterprises had trouble getting access to financing based on the facts mentioned earlier. The respondents held the opinion that the inability to provide a proper business plan, the absence of pertinent documentation, the lack of financial records, and the lack of collateral all caused financing difficulties. Moreover, interest rates also seemed to be a factor that has caused micro-enterprises to face the financing problem. These findings are supported by earlier studies (Abdullah, 2021; Asmy, 2018; Hussaini, 2021; Najafizada, 2014; OECD, 2019)

Micro-entrepreneurs wish to use external financing services to run and grow their enterprises. When their internal resources (savings) are inadequate for business expansion, they typically look for external sources of finance. However, as highlighted by the interviewees, micro-enterprises often encounter challenges when seeking external financing from financial bodies. Therefore, their capacity to operate the enterprises is constrained. They are thus unable to grow their businesses and maintain operations.

Table 6. 4 Financing Problems Faced by Micro-enterprises

Expert's Opinion	E1	E2	E3	E4	E5	E6	Total
Interest rate	√	√	√	√	√	√	6/6
Strict collateral requirement	√	√	√	√	√	√	6/6
Strict documentation	√	n.a	√	n.a	√	n.a	3/6
Comprehensive business plan	n.a	√	√	n.a	√	√	4/6
Financial records	n.a	n.a	√	n.a	√	√	3/6

6.1.4 Importance of Human Capital Development for Micro-enterprises

The interviewees were questioned about their opinions on the importance of human capital development for micro-firms. The majority of respondents said that the development of human capital is very significant and may be regarded as a key source of the skilled labor supply. The opinions of the respondents that were gleaned from the interviews are given below:

“In my opinion, human capital development has a direct relationship with innovation and creativity. As human capacities are developed, they might bring new ideas and creativity into the workplace. As a result, we might witness the creation of diversified business professions. However, in the context of micro-enterprises in Kandahar, administrative, management, technical, financial, IT, and marketing skills are crucial for their development. Unfortunately, in Kandahar, most micro-enterprises did not possess such skills due to lack of literacy, which is considered a major challenge for the government and other entities”. (E1)

“Regarding the importance of human capital development among micro-enterprises, I am of the view that in today's world, in terms of business development, the first thing is that we should have a proper plan or business idea, which needs financial assistance for bringing the idea into practice (business establishment). In my view, the second most important thing is the availability of skillful human resources. Trained and skillful micro-entrepreneurs could operate the business in a way that might reach its ultimate destination of success. The skills required for business succession might be administrative, management, financial, marketing, technical, and IT skills”. (E4)

“In my point of view, the development of human capital related to micro-enterprises is extremely important in the case of Afghanistan as well as in Kandahar. Suppose some employees possess skills related to business development, financial management, or in another related field. This might contribute to micro-enterprises' success and growth. Consequently, they could be advanced from the initial to the second stage of business development. Besides, business development is the combined efforts of different people involved in numerous business operations. So, in my view, if we have competent people in every department or operation, then efficient utilization of resources might occur. For a successful micro business, there is a need for technical skills, administrative and management skills, financial skills, IT skills, and marketing skills. I think those skills can be acquired with a proper education system. However, the present education system in Kandahar should be evaluated, and the need for business-related skills should be assessed based on the market demand”. (E6)

According to the results above, the development and expansion of micro-firms are tied to the possession of necessary skills. The majority of the interviewees mentioned that skill development and availability could help micro businesses by fostering the development of emerging business concepts, increasing worker productivity, and making efficient use of the resources that are already available. These factors could ultimately result in the expansion and development of micro-enterprises.

Table 6. 5 Importance of Human Capital Development Services for Micro-enterprises

Expert's Opinion	E1	E2	E3	E4	E5	E6	Total
Creation of new ideas	√	√	√	√	√	√	6/6
Success of business	√	√	n.a	√	√	√	5/6
Improvement of productivity	√	n.a	√	n.a	√	n.a	3/6
Efficient utilization of resources	n.a	√	n.a	n.a	√	√	3/6

6.1.5 Human Capital Development Problems

The interviewees were further questioned about their opinions on the issue of human capital development among micro-enterprises. The majority of the participants (n=6) said that the

development of human capital is a challenge for micro-firms. The opinions of the respondents that were gleaned from the interviews are listed below:

“In my opinion, in Afghanistan, particularly in Kandahar, all the programs and courses available for developing human capital should be updated based on the needs of micro-enterprises in terms of skills development. For instance, graduates from economic and business institutions are unable and do not possess the appropriate skills needed by businesses. In this regard, educational institutions are responsible for updating their curriculums based on market demand. Unfortunately, in Kandahar, graduates do not possess the required skills, such as administrative, management, technical, and financial skills. For example, with the help of managerial skills, micro-enterprises might be able to manage their businesses well. Meanwhile, with the help of financial skills, micro-enterprises could be able to find proper financing resources for their projects and can ensure their effectiveness”. (E2)

“In my point of view, in the case of Kandahar, lack of human capital is a major problem for micro-enterprise development. We lack specialized workers in different aspects of micro business development, such as marketing, management, administration, finance, and IT. A good example is that we have 400 firms in Industrial Park, out of which only 250 are active. The reason is that we don't have specialized and skillful people. Most of the skilled workers were brought from Pakistan and Iran. In this regard, some entrepreneurs took some initiatives to train people, but they were unable to solve the problems of human capital development as a whole. Therefore, we need to provide training facilities to uplift human capital skills in every field so that they can respond to the problems of human capital development”. (E4)

“Regarding human capital development problems, from my point of view, actually in Kandahar, capital is not invested for human resource development, particularly related to micro-enterprises. The prevailing model for human capital development, established and followed by some non-governmental organizations (NGOs), is insufficient in providing human capital development services to all micro-enterprises. Actually, they are focusing on offering human capital development services to a special type or nature of micro-entrepreneurs. Most of these NGOs are offering such services to women-owned micro businesses. In my view, what I have heard is that such services are not enough to cope with the market demand for human capital. Therefore, in Kandahar, micro-enterprises lack business administration, management, technical, financial, and IT skills”. (E5)

“Presently, in the context of human capital, we face certain challenges that have extremely and dominantly affected the growth of businesses. From my

point of view, our country's current education system is insufficient to provide the required and relevant skills to graduates based on the market demand. Therefore, we lack skills in the different aspects of business development. For instance, we lack management skills, financial skills, and technical skills”. **(E6)**

Based on the findings above, the interviewees held that inadequate training and programs, a lack of experience, a lack of certain skills, and a low level of education all contribute to the problem of human capital development. The findings from the above interviews are aligned with earlier studies (Asmy, 2018; Freshta, 2016; Nazeer Mohammad, 2021; Nazifa & Muhammad Shahid, 2018; Wasiq & Dahlan, 2019). With the necessary skills, micro-entrepreneurs may take advantage of business opportunities, boost production and grow their enterprises. However, the lack of the necessary skills prevents the expansion and development of their businesses (Freshta, 2016; Wasiq & Dahlan, 2019). The lack of human capital development has caused micro-enterprises to have a lower level of administrative and management skills.

Additionally, the pertinent agencies' training and session offerings do not significantly improve the participants' capacity for creating larger business profits, which impacts the growth of their skills. Therefore, these issues with human capital development have a significant influence on the effectiveness of micro-firms.

Table 6. 6 Human Capital Development Problems

Expert's Opinion	E1	E2	E3	E4	E5	E6	Total
Low level of education	√	√	√	√	√	n.a	5/6
Improper course offered	√	√	n.a	√	√	√	5/6
Lack of administration skills	√	√	√	√	√	√	6/6
Lack of management skills	n.a	√	n.a	√	√	√	4/6
Lack of financial skills	√	√	√	√	√	√	6/6
Lack of technical skills	n.a	√	√	√	√	√	5/6

6.1.6 Suitability of the IQEMD Model

The interviewees were also questioned on whether the IQEMD model would effectively assist micro-enterprises in delivering financial and human capital development services. This theme emerges under six main questions as mentioned earlier in Table 6.1, which are as follows: (i) Do you think Islamic donations and funds from Baitul maal can be utilized to provide Qardhul Hasan to resolve the problem of accessing finance faced by micro-enterprises and how?; (ii) Do you think Islamic donations and funds from Baitul maal can be utilized to provide equity-based financing to resolve the problem of accessing finance faced by micro-enterprises and how?; (iii) Do you think Islamic donations and funds from Baitul maal can be utilized to resolve the problem of human capital development faced by micro-enterprises and how?; (iv) Is the proposed Integrated Qardhul Hasan and Equity-based Micro-enterprise Development (IQEMD) model practical for micro-enterprises' development and how?; (v) Is the proposed Integrated Qardhul Hasan and Equity-based Micro-enterprise Development (IQEMD) model acceptable for micro-enterprises? (Please explain your views); and (vi) This model incorporates Musharakah Mutanaqisah Partnership (MMP). What is your view on this arrangement?

All the participants (n=6) affirmed the suitability of the IQEMD model in assisting micro-enterprises. Below are the respondents' views that were generated from the interviews:

“In my opinion, the model you have proposed perfectly matches the desire of micro-enterprises in Kandahar related to financing and human capital development. This model efficiently integrated Islamic philanthropic donations such as Sadaqah, waqf, and funds from Baitul maal by providing Qardhul Hasan and Islamic equity-based financing services to micro-enterprises, while eliminating riba (interest rate). Particularly, the Qardhul Hasan contract used in this model might be influential in eliminating the financing problems. The reason is that it is an Islamic contract aligned with Sharia principles, and it is a kind of financing arrangement without charging high financing costs. Actually, I consider it an innovation because financing services are provided based on the financial status and stages of micro-enterprise development. These micro businesses are economically deprived and need emergency funding. This model provides Qardhul Hasan financing arrangement without interest rate, collateral, and documentation. Regarding Islamic equity-based financing, in my opinion, the government of Afghanistan is entitled to have a proper mechanism regarding how to organize and effectively allocate funds from Baitul maal for providing a sustainable flow of financing for micro-enterprises in the form of Musharakah and Mudarabah. There should be a proper institution that has the responsibility to manage all these philanthropic donations. This might positively affect the overall economic development of our society. Unfortunately, in the case of Kandahar, a specialized institution does not exist that can manage and allocate the funds for the sustainable development of society in terms of poverty alleviation, employment generation, and the extensions of micro business. Regarding human capital development, my view is that, besides the importance of financing, human capital development is also an important aspect of micro-enterprises development. As we discussed earlier, a skills deficiency exists among micro-enterprises in the context of Kandahar. In my opinion, this proposed model suggested the structure of human capital development, which seems influential for addressing the problems of human capital development faced by micro-enterprises. The society can benefit from those funds for developing human capital. For instance, the funds can be used to build and establish a training centre, capacity-building programs, and courses. Moreover, in my opinion, the structure of this model is applicable because this model mentions Islamic financial contracts as well as the acquisition of financial resources and the allocation of those funds for financing businesses and projects. In addition, a specific model has been proposed for human capital development. After economically deprived micro-enterprises benefited from financing and

human capital development services, they are supposed to grow and develop. Therefore, I think this is a practical model. Furthermore, in my opinion, by the implementation of this model, the problems of financing and human capital development might be eliminated by using Islamic financing methods. As a result, we might witness a sustainable increment in personal income and GDP growth. Regarding MMP, in my view, MMP is a type of partnership contract between two parties, which is used as a source of financing fixed capital. However, the MMP is a joint venture, and the use of MMP for financing business or projects related to micro-enterprises is a new idea. In my opinion, the MMP might play a vital role in this regard, where IsMFI will finance a large part of the project or business. Compared to other Islamic contracts, the creativity in this type of contract is that the ownership of the project or business is transferred to the micro-enterprise at the end of the project”. (E1)

“In my point of view, in the first step, it is important to have a proper mechanism. In fact, which you have proposed in this model. I strongly agree with that because a lot of money was spent in this country without a proper mechanism to eliminate poverty and enhance economic growth. In the second step, there should be a proper institution that might be responsible for collecting philanthropic donations from society and further allocating for the development of micro-enterprises in terms of providing financial and human capital development services in a way aligned with the Shariah law. This proposed model has provided the best solution and mechanism. The model offers Islamic financial contracts, such as Qardhul Hasan and Islamic equity-based financing, that eliminate the concept of riba (interest rate) and provide financing services without the requirement for collateral and documentation. My view regarding the use of philanthropic donations and funds from the Baitul maal for the establishment of Islamic financial contracts is that every state has the responsibility for making available employment opportunities and other economic services to the society's inhabitants. In my view, implementing this proposed model could help the government and society by channelling philanthropic donations and funds from Baitul maal in a way that might contribute to economic growth, provide business professionalism, reduce governmental expenditure, and make availability of employment opportunities. Above all, the distance between the government and the people will be decreased. Moreover, my view regarding the use of Islamic philanthropic donations and funds from Baitul maal for making the availability of human capital development services in Kandahar is that it is sufficient for the purpose of uplifting the skills desired by micro-enterprises. Unfortunately, the majority of our youths are illiterate. Suppose our youths are trained and acquired skills based on the market demand. In that case, the problems of micro-enterprises in terms of human capital development can be resolved, and we would have skillful employees who might contribute to the economic growth and development of our society. I strongly believe that this

proposed model is practical for the micro-enterprise's development. I believe that the practical implementation of this proposed model is desired, which is aligned with the current needs of our society. For example, the majority of prevailing financing arrangements in our society are based on the interest (riba), which is prohibited in Islam. The MSMEs are mostly strict with Islamic law, and the recent administration of Afghanistan also promotes Islamic financial contracts for financing businesses. Therefore, according to my point of view, this proposed model is a full-fledged model that contains all the necessary elements that are desired by MSMEs, which is also aligned with the Islamic Sharia and society's needs. I think micro-enterprises are ready to use this model. On the other hand, society is also willing to provide philanthropic donations in the form of sadaqah and waqf for this model as funding sources. Many young people have ideas but are unable to commence businesses due to a lack of financial and human capital development services. I think this is an opportunity for them to join the business community. Furthermore, regarding the use of the MMP contract in this model, according to my view, it is a special joint venture contract used in this model. The IsMFI will finance 80% of the project cost, and the remaining 20% will be bought by a micro business. As a result, any profit from the project or business will be shared based on the proportion of their assets investment. However, the advantage for micro businesses is that by refunding the institution's share at the end of the project, the micro-entrepreneurs will become the business owners. Consequently, the micro businesses might be advanced from the micro-state toward small enterprises". (E3)

"In my opinion, the Islamic charitable donations such as sadaqah, waqf, and funds from Baitul maal, which is proposed in this model, could be a possible and viable source of financing for economically deprived micro-enterprises and according to my views, the important thing I like is that this model channel these donations in the form of Qardhul Hasan to economically poor micro-enterprises. Moreover, these donations are considered voluntary. With the help of this funding, we can eliminate the concept of interest (riba, which is prohibited in Islam) and other major problems that exist in the prevailing financing models, such as the issues of collaterals and insufficient loan amounts. For instance, in my view, economically poor micro-enterprises cannot pay for high-interest rates due to their low capacity of earnings. Second, most micro businesses in Kandahar are bound to Sharia law and reluctant to acquire interest-bearing loans. Moreover, I am of the view that after passing or developing to the next level, this proposed model further offers Islamic equity-based financing arrangements to prosper them, where they can transform into small businesses. As a result, they will build their capacity and professionalism that can positively affect society's long-term sustainable growth. For instance, as we previously highlighted, Islamic philanthropic donations could be used in a way that guarantees sustainable development in terms of poverty alleviation, business development, reducing

government budget deficiency, promoting economic growth, and providing employment opportunities. Furthermore, I believe there is a high need and demand for human development services, particularly related to micro-enterprises. In Kandahar, it is difficult to find a modern training center established for micro-enterprises' skills development. I believe we can use sadaqah, waqf, and donations from Baitul maal to build modern training centers and establish a vocational training program for micro-enterprises' human capacity development. Moreover, in my opinion, in Kandahar, due to the problems of financing and human capital development, there is a need for an alternative model. However, looking at our society, this proposed model is totally aligned with the needs of micro-enterprises. This is because, recently, the government of Afghanistan has been extremely involved in establishing and promoting Islamic microfinance. Thus, I think this model could be an absolute alternative because this model has provided a suitable mechanism compared to other prevailing models based on the Shariah perspective. For example, this proposed model discarded the problems of interest rates, strict collateral requirements, and strict documentation requirements. This model particularly initiated the Musharakah Mutanaqisah partnership contract as an example of an Islamic equity-based financing arrangement in the proposed model. I believe this type of contract is a joint venture partnership between IsMFI and micro-enterprises. However, this kind of contract is used in the banking sector for financing fixed assets, such as cars or buildings. I think it is an innovative idea to incorporate this contract for financing some fixed assets required by micro-enterprises. This kind of contract is important for micro-enterprises because the micro firm or businesses become the business or project owner after the institution's share is returned". (E4)

The results above show that the interviewees agreed that the IQEMD model is appropriate for assisting micro businesses by offering financial services and services for the development of human capital while channeling donations from Islamic charities (Sadaqah and waqf) and money from Baitul maal. The agreement to use Islamic donations for financing is consistent with the earlier scholars' views, such as Saifurrahman and Kassim (2020), Rahman (2015), Atia (2011) and Riwayatanti (2013).

Meanwhile, in terms of the suitability of sadaqah, waqf, and funds from Baitul maal for providing financing services in the form of Qardhul Hasan financing for EPMEs and Islamic equity-based financing for EVMEs, they are considered to be creative by the

majority of interviewees. The interviewees considered it influential for the determination of sustainable economic growth and development of society. This is because they argued that the efficient utilization of philanthropic donations is quite much needed for the development of micro businesses. As a result, those micro businesses can contribute to sustainable development in terms of employment generation, poverty alleviation, income generation, and equal distribution of wealth. They could be a source for reducing governmental budget deficiency.

Moreover, regarding the suitability of sadaqah, waqf, and funds from Baitul maal for human capital development, the interviewees also prefer establishing a training center consistent with previous studies (Ahmed, 2004; Asmy et al., 2013; Sadiq & Tasmin, 2016). As suggested by the interviewees, it is also an excellent idea to improve business performance by including spiritual development programs within the training modules. Encouraging spiritual enlightenment could increase the employees' creativity, contentment, teamwork, and organizational dedication.

Moreover, the study showed that the majority of the interviewees favored the notion of using MMP as a financial arrangement, which involves a joint venture between two parties and the formation of two independent contracts. The first is a Musharakah in which the client and the financier become partners, and the second is an Ijarah in which the property is leased. The financier's equity is calculated using a decreasing balance approach. At the conclusion of the agreement, MMP permits the client to possess the property, and the IsMFI receives their main sum plus profit. The interviewees asserted that MMP might be used for all sorts of finance, including micro-enterprises, even if it is often used for housing finance. This follows the views of Abdul Razak and Tazwar (2018) and Selim

(2020), who indicated that the MMP contract is not only limited to property ownership. It may also be used for various kinds of initiatives and asset acquisition.

Table 6. 7 Suitability of the IQEMD model

Expert's Opinion	E1	E2	E3	E4	E5	E6	Total
a) Financing Qardhul Hasan							
• Provide interest-free financing	√	√	√	√	√	√	6/6
• Require no collateral	√	√	√	√	√	√	6/6
• No strict documentation	n.a	√	√	√	√	√	5/6
• Can serve both start-up and expansion	√	√	√	√	√	√	6/6
b) Financing equity-based contracts							
• Economic growth	√	√	√	√	√	n.a	5/6
• MEs' sustainability	√	√	√	√	√	√	6/6
• Business professionalism	n.a	√	n.a	√	√	√	4/6
• Private sector contribution to GDP	√	√	√	√	√	√	6/6
• Reducing budget deficiency	√	n.a	√	√	n.a	√	4/6
• Employment generation	√	√	√	√	√	√	6/6
c) Human capital development							
• Offer programs and courses	√	√	√	√	√	√	6/6
• Build training center	√	√	√	√	√	√	6/6
• Manage human capital investment	n.a	√	√	√	n.a	√	4/6
d) Practicality and acceptability of the IQEMD model							
• Interest of the present Islamic government	√	√	n.a	√	√	√	5/6
• Best possible solution for financial and human capital development issues	√	√	√	√	√	√	6/6
• Society needs to reduce poverty using the Islamic way	√	√	√	√	n.a	√	5/6
• Government and society contribute Islamic donations to eliminate poverty	√	√	√	√	√	√	6/6
• Interest-free financing	√	√	√	√	√	√	6/6
• Shariah-compliant	√	√	√	√	√	√	6/6
e) Musharakah Mutanaqisah Contract							
• Joint venture	√	√	√	√	√	n.a	5/6
• Innovative and creative	√	√	√	√	√	√	6/6
• Can transfer ownership	√	√	√	√	n.a	√	5/6
• Shariah-compliant	√	√	√	√	√	√	6/6

6.1.7 Importance of the IQEMD Model

The interviewees were questioned on their views on the importance of the IQEMD model that has been put forward in this research. The majority of the participants (n=6) agreed that this model is significant and pertinent for the demands of micro firms in terms of providing financial facilities and the development of human capital. The following opinions were gathered based on the interviews:

“In my opinion, the importance of your proposed model is related to the implementation of the model in terms of providing financial and human capital development assistance to micro-enterprises and the desired outcome of the model in terms of micro-enterprises’ development from the initial stage to the second stage of development. In my point of view, after implementing your model, society might observe poverty alleviation and economic growth. This model provides financing arrangements to micro-enterprises based on Shariah principles aligned with the needs of an Islamic society. For instance, Qardhul Hasan and Islamic equity-based financing arrangements are used to finance micro-enterprises, which eliminate the concept of interest (riba). In addition, a specific model has been proposed for enhancing the human capacity of micro-enterprises”. (E3)

“Based on my views, this model is extremely important in the case of Afghanistan, particularly Kandahar. Alhamdulillah, the people of Afghanistan are Muslims, and the society demands that businesses should follow Islamic principles in their matters, particularly financial matters. Your model proposed Islamic financing contracts, such as Qardhul Hasan for economically deprived micro-enterprises and Islamic equity-based financing for economically viable micro-enterprises. In my view, this model is attractive and creative because the financing and human capital development services offered by this model might bring positive changes to our society as well as the economy, which include poverty alleviation, business growth, business specialization, employment creation, and stability. Meanwhile, this model has no opposition to Sharia principles, and in all aspects, this model is applicable in the current situation”. (E4)

“I totally agree with your proposed model that the structure of this model seems unique and creative. It is also different from other models because this model has diversified micro-enterprises into two major parts based on their business nature and associated risk. Then, the model proposed a relevant type of financing arrangement for each business. For instance, for economically poor micro-enterprises the model provides Qardhul Hasan financing and

after they are graduated into the second stage of development, the model provides an equity-based financing arrangement. Another important thing I have noted is that at the end of a business or project, the micro-enterprises become the owner of the asset or project”. (E5)

“In my opinion, regarding the importance of this proposed model, the model incorporated Islamic charities and funds from Baitul maal as a source of funding for micro-enterprises. According to my views, the importance of this model could be explained as follows: first, the structure of the model clearly emphasizes providing financial and human capital development assistance to micro-enterprises based on eliminating the concept of interest rate, high fees, or cost. Instead, it incorporates Islamic contracts such as Qardhul Hasan and Islamic equity-based financing, particularly the Musharakah Mutanaqisah partnership agreement. Consequently, this might influence the performance of micro-enterprises in terms of micro-enterprises’ stability, professionalism, and development from the first stage to the second stage of business development. Second, it can also contribute to society as an influencing source of income, reducing unemployment, increasing economic growth, and resulting in equal distribution of wealth”. (E6)

Based on the results above, the interviewed members believed that the suggested model in this research is novel, distinctive, and significant. In the opinion of the experts, a replacement model for the current one of financial and human resource services is required. Hence, the IQEMD model considers all of these by offering financial assistance and a training facility to improve human capital development. The respondents believed that the approach would properly direct resources in accordance with the needs of micro-enterprises.

Table 6. 8 Importance of the IQEMD model

Expert's Opinion	E1	E2	E3	E4	E5	E6	Total
Provide financial services	√	√	√	√	√	√	6/6
Provide training and program	√	√	n.a	√	√	√	5/6
Align to Sharia perspective	√	√	√	√	√	√	6/6
Attractive	n.a	√	n.a	√	√	√	4/6
Relevant and needed at the moment	√	√	√	√	√	√	6/6
Creative	n.a	√	n.a	√	√	n.a	3/6

6.1.8 Institutional Platform

The participants were questioned on their opinions of the institutional framework to be used to establish the IQEMD model. The interviewees were given the choice of operating the IQEMD model under the corporate sector's entity or the entity of the Islamic council. The majority of participants said that the government, business community, and Islamic council should administer the IQEMD model as a distinct body. The opinions of the respondents that were gleaned from the interviews are listed below:

“Regarding the institutional platform of the model, in my view, looking at the structure of the model, the government, private sector, and banks are responsible for implementing and promoting this model. For example, the major element of this model is the donors. The donors could be individuals, institutions, and government. They can donate the funds in the form of sadaqah, waqf, and Baitul maal. For this purpose, the institutional body of the model should be composed of the government, private sector, and Islamic council”. (E2)

“In my view, it is important that all the society members get involved in the succession of the model. This is because, in my opinion, the important thing for sustainability is the systematic flow of funding from individuals, institutions, and government in the form of sadaqah, waqf, and Baitul maal. Therefore, the institution platform of the model must consist of professionals from economic backgrounds and Shariah backgrounds. The supervisory committee of the board should include members from the government, private sectors, and Islamic council to oversee financial affairs and monthly audits”. (E3)

“In my opinion, regarding the institutional platform of the model, there should be a general board committee, which consists of members from the private sector, government, Islamic council, and economic professionals. It is clear from the model structure that there is a need for involvement from the private sector in terms of financial support and promotions. Members of the government are also important for model sustainability because the administration of the model can work closely with government officials and needs their support for the success and funds collection. In my view, another aspect of the model is related to the allocation of funds. In this regard, members from the Shariah council can play an inclusive role in ensuring that the operation of the model is aligned with Shariah principles. Moreover, there should also be members from economic backgrounds who work for model evaluation and assessment”. (E5)

Based on the findings, the interviewees’ opinions regarding who should operate the IQEMD model were similar, and they preferred to have a separate entity. The corporate sector, Islamic council, and government should administer the established body.

Table 6. 9 Institutional Platform of the IQEMD Model

Expert’s Opinion	E1	E2	E3	E4	E5	E6	Total
Corporate sector, Islamic council, and governmental entity	√	√	√	√	√	√	6/6

6.1.9 Sustainability of IQEMD Model

The participants were further questioned about their opinions on the sustainability of the IQEMD model since it has been developed and is implementable. The interviewees brought up many elements of sustainability, such as the capability of micro-entrepreneurs, funding facilities, availability of proper training, and administration and management. The majority of participants (n=6) said that funding is crucial for the long-term viability of the IQEMD model, followed by microbusiness capabilities (n=5), training (n=5), and finally,

management and administration (n=4). The following opinions were gathered based on the interviews:

“Regarding the model's sustainability, in my view, the need for financing and human capital development assistance among micro-enterprises are the major factors contributing to the model's sustainability. Moreover, micro-entrepreneurs' abilities, their intentions for developing their businesses, and the effective utilization of financial sources could also contribute to the model's sustainability. The Islamic financing contracts used in this model, which are aligned with the Sharia principles, also could be a factor that contributes to model sustainability. Regarding funding, I believe that without the sustainable flow of funds, the model could not survive. Therefore, it is also considered and has an essential role in the sustainability of this proposed model”. (E1)

“In my opinion, the important thing is to build a strong trust between Islamic microfinance institutions and micro-enterprises. This means that the IsMFI should select the right and trustable micro-enterprises for financing and human capital development services during the screening phase. They should be trustworthy and loyal to the mission and agenda of the IsMFI. The second important thing, in my opinion, is the selection of professional staff for the institution's administrative and management-related responsibilities. The third important thing is the implementation of defined standard operating procedures, rules, and regulations by the IsMFI, which are the core steps in the success and sustainability of the model. Moreover, based on my views, the final important thing for the model's sustainability is the need for funds inflowing in the form of sadaqah, waqf, and Baitul maal, and the proper distribution of the funds for financing and human capital development services”. (E4)

“For the sustainability of your proposed model, based on my views, it is important to build an Islamic institution. The administration of the institution should be in the hands of qualified professionals. The board committee should comprise members from the private sector, government, and Islamic council. Moreover, there should be an appropriate evaluation mechanism to make sure all the operations are associated with Shariah principles and the main agenda. Besides, training programs and courses should be built based on market demand because skills development can define micro-enterprises' growth and development, ultimately contributing to model sustainability. Moreover, I believe that funding sources and the selection of micro-enterprises are extremely important for model sustainability”. (E5)

“I will say regarding the sustainability of your model...This model needs a sustainable fund flow for allocation. Therefore, the availability of funds is

essential for the model's sustainability. The second important thing, in my view, is to choose the right person in the sense of who should be capable of running their businesses because you must ensure that the selected micro-entrepreneurs are capable of successful business operations. Regarding human capital development, the availability of courses and programs should align with market and business needs”. (E6)

The results showed that funding is key to the IQEMD model's sustainability. The IsMFI must guarantee ongoing financing to preserve the viability of its services and initiatives. Their viability will be impacted if financing is not continued. Hence, the donations from the donors, whether in the form of sadaqah, waqf, or funds from Baitul Maal show their dedication to this concept.

Nevertheless, micro business characteristics are also crucial in assuring the sustainability of the IQEMD model. Micro businesses that are selected for the IQEMD model must be competent, and it is also anticipated that their efforts would generate income. Providing suitable training and programs for these micro firms, if there are gaps in their knowledge or expertise, is often a vital method for generating long-term advantages.

Table 6. 10 Sustainability of the IQEMD model

Expert’s Opinion	E1	E2	E3	E4	E5	E6	Total
Capable micro-enterprises	√	n.a	√	√	√	√	5/6
Training and programs	√	√	n.a	√	√	√	5/6
Sustainable flow of funds	√	√	√	√	√	√	6/6
Management and administration	√	n.a	n.a	√	√	√	4/6

6.1.10 Challenges of the IQEMD Model

The participants were then asked about their views regarding the potential challenges that would arise in materializing the IQEMD model. The majority of the participants (n=6)

believed that the potential challenges that might be faced by materializing the IQEMD model would be legal and public awareness. The opinions of the respondents gleaned from the interviews are listed below:

“First of all, we must have a positive vision so that there are no obstacles in the implementation of this model. The bureaucratic procedures and convincing the government can be a bit difficult. We do not have such professional staff who understand the importance of this model. I think it will be a problem for us to convince them about the implementation and effectiveness of the model. Still, I think this model is transparent and comprehensive and contributes to poverty alleviation and economic growth. I hope that it will be satisfactory to the government. Furthermore, in my view, public awareness is another obstacle to the implementation of this proposed model. Public awareness among the people in our society is very low regarding the utilization of philanthropic donations for the development of micro-enterprises. The government also has no specific mechanism to utilize funds from Baitul maal to develop micro businesses. According to me, the availability of funding for the model implementation could also be a challenge”. (E1)

“In my point of view, the potential challenges for implementing this model are the deficiency of trust and the general awareness of the public. For building trust in society, in my view, it is important to know that in the context of Kandahar, there is a lack of awareness regarding the use of philanthropic donations for the betterment and development of micro-enterprises, which need awareness enhancement concerning the use of philanthropic donations for the sustainable economic growth. Furthermore, according to my views, another major challenge could be the availability of the initial funds for the model implementation”. (E2)

“In my view, there are some challenges confronted with the implementation of this model. I think the first challenge could be awareness and building trust in society because this model is new and proposed some different nature of using philanthropic donations to develop micro-enterprises. Therefore, building trust and awareness could be a major challenge for the model. However, I think that with the help of the private sector and government support, we can solve this challenge. Another challenge might be the availability of funding for the model’s sustainability, particularly funding support from the government, which follows complicated steps and bureaucratic procedures”. (E6)

According to the results of the interviews, the primary obstacles to the implementation of the IQEMD model are anticipated to be legal and public awareness issues. The respondents highlighted that there is a low degree of public knowledge about the utilization of charitable donations for the growth of micro-enterprises. Most programs mainly focus on religious activities and the traditional charitable avenues of orphanages and relief for people experiencing poverty.

Table 6. 11 Challenges of the IQEMD model

Expert's Opinion	E1	E2	E3	E4	E5	E6	Total
Legal	√	n.a	√	n.a	n.a	n.a	2/6
Awareness	√	√	n.a	√	n.a	√	4/6
Public attraction	n.a	n.a	√	√	n.a	√	3/6
Funds	√	√	n.a	√	√	√	5/6

6.1.11 Awareness Cultivation

The participants were further questioned on their opinions on how to encourage the public and business sectors to adopt a "giving" and "helping others" mentality. The majority of the respondents (n = 6) believed that extensive promotion and campaigning are necessary to foster the attitude of "giving" and "helping others", followed by accountability and transparency (n = 4) and education (n = 3). The opinions of the respondents gleaned from the interviews are listed below:

“In my point of view, the attitude of helping others persists in our society, and people encourage the behavior of giving or helping others in the form of philanthropic donations. However, the problem is that there does not exist a proper mechanism to manage these donations in a way that provides financial and human capital development services to micro-enterprises. For awareness cultivation, I think promotion and campaigns are useful techniques. For instance, the proposed model should be explained to the people of society in

terms of its importance, applicability, and the use of funds that benefit society as a whole”. (E3)

“In general, for awareness cultivation, in my opinion, it is important to improve the behavior of giving to others. To do so, in my view, we should strengthen the spirit of people to donate in the way of Allah (SWT). This might be done through promotion, campaigns, and educating people about the role and importance of philanthropic donation in Islam. Alhamdulillah, we are Muslims, and we need to educate people that your small donation can contribute more to society and a lot to people. Another important thing, based on my view, is the transparency and accountability of the IsMFI”. (E4)

“For this model, the cultivation of awareness is extremely important because this model is highly based on the behavior of giving or helping others, which is a major source of funding for the model implementation. However, according to my views, this behavior could be influenced by the help of the government and Masjid Imams. This is because our society is conservative, and Masjid Imams play the dominant role in promoting and cultivating awareness regarding the model. Apart from this, promotion and campaign by private sector representatives and the involvement of different localities could serve as the best source for awareness cultivation”. (E5)

According to the findings, the interviewees concurred that promotion and campaigning are necessary to cultivate a culture of "giving" and "helping others" among the public and corporate sectors. With extensive promotion and campaigning, the public and corporate sectors would be able to get more information about donations and their role in Islam, which would help to close the “information gap” between the IsMFI and donors. Therefore, campaigning and promotion may be undergone via a variety of channels, including the media, the internet, magazines, newspapers, and mosques.

The interviewees also emphasized the value of education in fostering a culture of altruism and helping others by increasing public and corporate sector awareness of waqf and sadaqah. By doing this, people are disseminating information about the role of Islamic charitable giving in socio-economic development.

Moreover, the interviewees also stressed how crucial it is for the IsMFI to practice accountability and transparency. People's trust in IsMFIs can be increased by the presence of credibility, transparency, and accountability; as a result, they will continue to support it by making charitable donations.

Table 6. 12 Awareness Cultivation

Expert's Opinion	E1	E2	E3	E4	E5	E6	Total
Promotion	√	n.a	√	√	√	√	5/6
Campaign	√	√	√	√	√	n.a	5/6
Education	n.a	n.a	√	√	n.a	√	3/6
Accountability and transparency	n.a	√	√	√	n.a	√	4/6

6.2 CHAPTER SUMMARY

This chapter analyzed and presented responses to in-depth interviews with six specialists from diverse institutions. The results offered insightful evidence to support the significance of micro businesses to the economy and knowledge of how financing and human capital development issues affect Kandahar's micro business performance. The results showed that the lack of a business plan, the lack of financial track records, the absence of pertinent documentation, the lack of collateral, and high financing costs are financial challenges that micro businesses confront. It is followed by the issues of human capital development, which include a lack of skills, such as financial and managerial skills, inadequate human capital development training and programs, and a poor level of education.

The results further indicated that the IQEMD model is distinctive and significant in offering financial and human resource services. The results also emphasized how crucial it is to run the IQEMD model as a distinct entity with representatives from the business sector,

Islamic council, and government. Meanwhile, in terms of the IQEMD model's sustainability, the respondents' key points focused on the potential influence of the capacity of micro firms, funding, training, and management and administration toward the model's sustainability. Furthermore, legal issues and public awareness were reported to be possible obstacles that might develop in implementing the IQEMD model.



CHAPTER SEVEN

ANALYSIS AND FINDINGS OF THE QUESTIONNAIRE SURVEY

7.0 INTRODUCTION

This chapter mainly aims to present the overall responses to this study's survey questionnaire. The analysis and discussion of the findings are presented at a section-by-section basis according to the questionnaire. The chapter is organized into three main sections. The first section (Section 7.1) discusses data assessment. Meanwhile, descriptive analysis that includes cross-tabulation is presented in section 7.2. Structural equation modelling (SEM) analysis and the results of hypotheses are critically highlighted in section 7.3. In addition, logistic regression analysis is presented in section 7.4. The chapter then ends with its summary.

7.1 DATA ASSESSMENT

Respondents who participated in this study were micro-entrepreneurs in Kandahar, Afghanistan, with a sample size of 470 people.

Screening and managing data were one of the first actions conducted after data collection and before data analysis. This procedure was carried out to detect faulty replies, duplicated responses, missing data, and outliers. The grid set-up of the Google Form questionnaire forced respondents to fill each row and only permitted one response per column. Therefore, there were no blank or repetitive replies in this research. All question

items were then pre-coded with numerical values before being manually inserted into the IBM SPSS and Smart-PLS data files.

7.1.1 Outliers

The next stage was to identify the outliers. Hair et al. (2014) recommend identifying outliers and removing erroneous responses from the data set before running SEM. The existence of outliers was determined in this research by evaluating the Mahalanobis distances using multiple regression analysis, with the help of SPSS, version 26. First, a distinct variable for Mahalanobis distances was generated, and then a probability distribution was built for measuring the chi-square of Mahalanobis distances to identify outliers.

The critical chi-square value was calculated based on the degree of freedom represented by the number of variables in this study. The result demonstrated that four out of 470 respondents were outliers. The respondents' identification numbers were 39, 78, 226 and 248. After removing the outliers, the total number of respondents included in this study's data analysis was 466.

7.1.2 Normality

The skewness and kurtosis values were used to assess data normality in this study. Hair et al. (2017) and Cain et al. (2017) recommend using software available at <https://webpower.psychstat.org/models/kurtosis/> to assess data normality.

The findings in Table 7.1 indicate that Mardia's multivariate skewness ($\beta=2.001$, $p<0.01$) was more than +1, and multivariate kurtosis ($\beta=38.362$, $p<0.01$) was greater than +20. As a result, the data gathered was multivariate and not normal.

Table 7. 1 Mardia’s Multivariate Skewness and Kurtosis

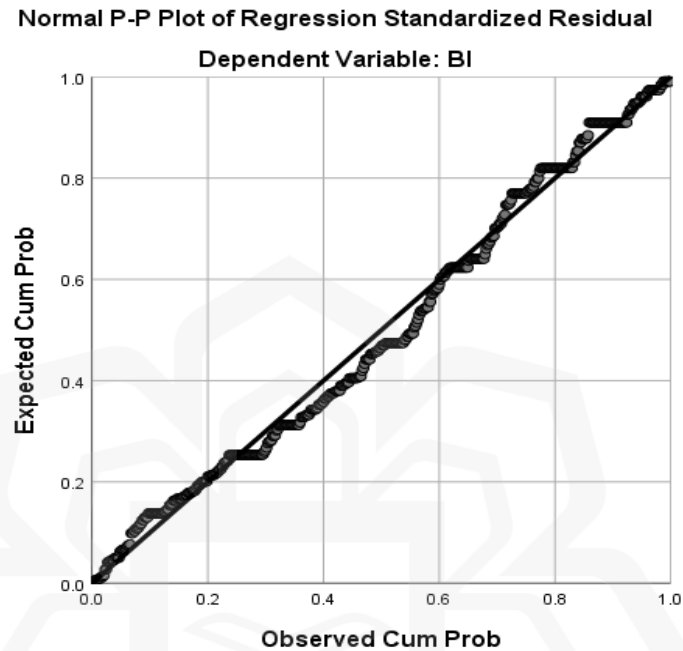
	b	z	p-value
Skewness	2.011	156.236	0
Kurtosis	38.362	4.338	0

The findings validated the choice to use partial least squares structural equation modeling (PLS-SEM) as a nonparametric analysis technique since Smart-PLS does not need its data to satisfy the normality requirement. Smart-PLS, version 4 is a software solution using a variance-based structural equation modeling (SEM) method. The goal of this study was to anticipate the connection between variables as defined in the research model rather than to generate a matrix of covariance to achieve model fit indices. Therefore, PLS-SEM was employed in this study rather than covariance-based SEM (Hair et al., 2014).

7.1.3 Normality of the Error Terms

One assumption of multivariate analysis is the normal distribution of the error terms. The P-P plot was used to assess the normality of the error terms in this study. Figure 7.1 below demonstrates that the plots are near the diagonal line, and thus, the assumption of the normality of the error terms was met.

Figure 7. 1 Normality of the Error Terms



7.1.4 Linearity

Another assumption of the multivariate model is the existence of a linear relationship between dependent and independent variables. This is ascertained by drawing a straight line on the scatter diagram. Figures 7.2 and 7.3 illustrate the linear relationship between the dependent variable, namely behavioral intention, and independent variables, namely attitude toward behavior and subjective norm.

Figure 7. 2 Linearity of Attitude

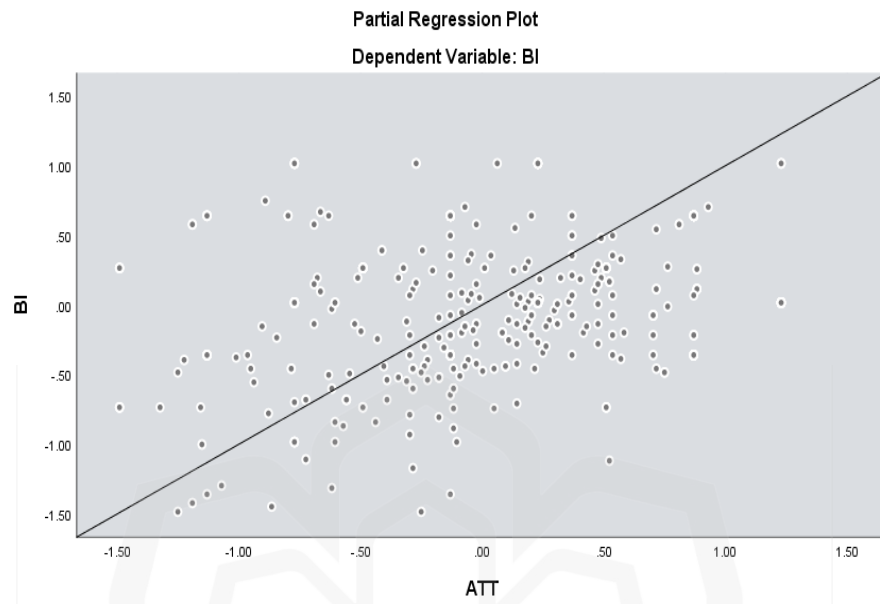
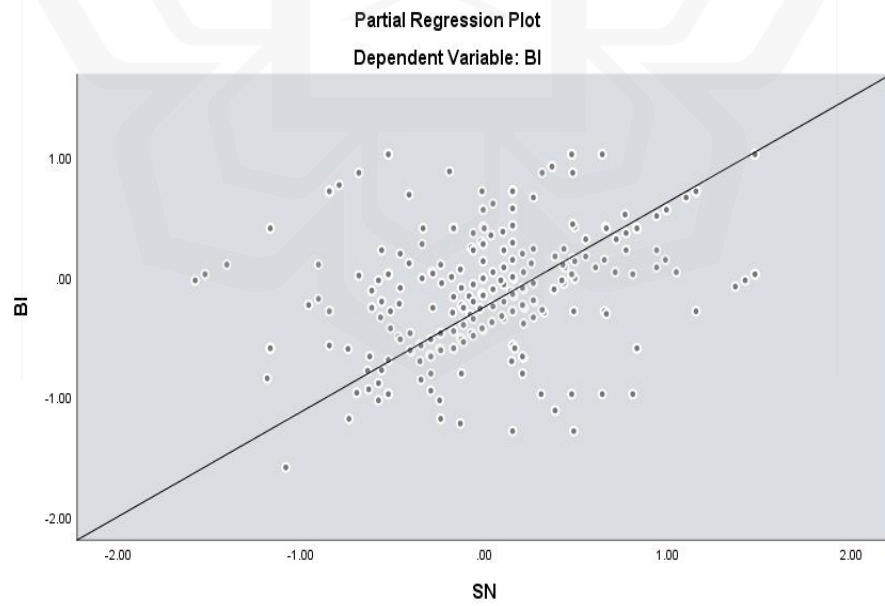


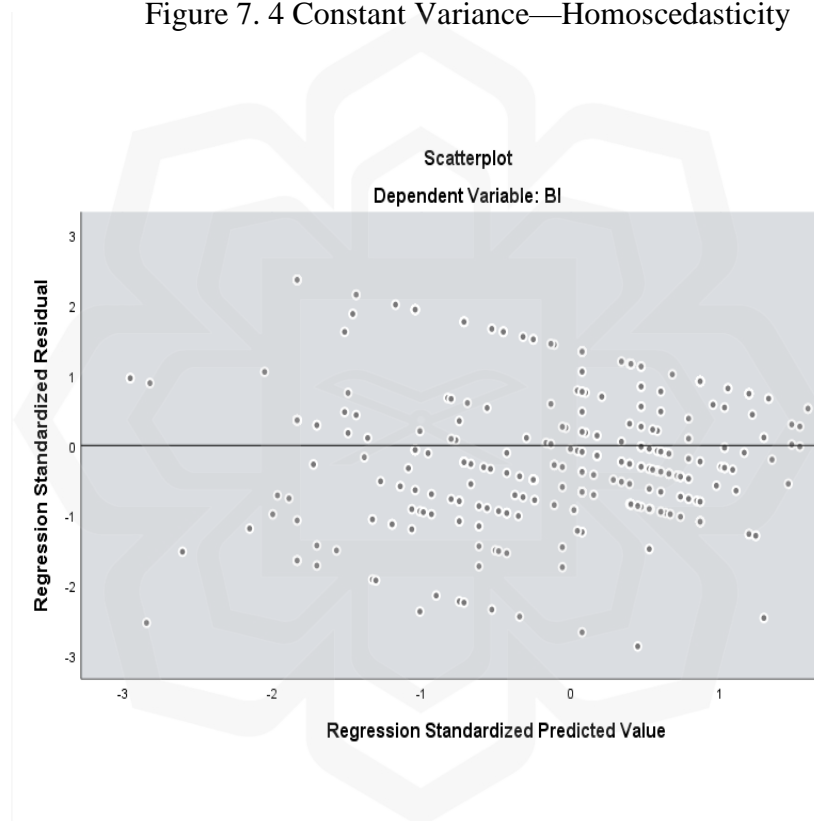
Figure 7. 3 Linearity of Subjective Norm



7.1.5 Constant Variance—Homoscedasticity

The third assumption is that the variance must be constant (homoscedastic) as opposed to not being constant (heteroscedastic). It is determined by observing the consistent pattern while plotting the studentized residual value of Y (ZRESID) against the predicted value of X (ZPRED).

Figure 7. 4 Constant Variance—Homoscedasticity



7.2 ANALYSIS OF DESCRIPTIVE STATISTICS

This section comprehensively describes the respondents' demographic characteristics, business information, and difficulties of financing and human capital development. It also includes descriptive data on the awareness of Qardhul Hasan and equity-based financing among micro-enterprises. Furthermore, this section provides descriptive data on the

willingness of micro-enterprises to use the IQEMD model as a source of financing and human capital development.

7.2.1 Description of Respondents by Gender, Age, Marital Status and Education Level

As depicted in Table 7.2, 94.6% of the respondents were men, while 5.4% were women. The preponderance of male respondents explains the role of men in pursuing economic activities more than females in Afghanistan. It adheres to the conventional gender-based division of labor, with the woman being responsible for the family and the husband being the breadwinner and head of the family (Asmy, 2015; Muhammad, 2012).

Almost three-quarters (72.6%) of respondents were between 20 and 36 years old, with just a handful above 36 years old (27.5%). The major portion of respondents between 20 and 36 years old signify the bulk of micro-enterprises that are established and managed by the working population's youngest generation. As a result, the survey's findings accurately capture the attitudes and beliefs of middle-aged and younger respondents (if we consider those above 36 to be the older respondents). This illustrates the fact that the majority of respondents are members of the working population. This demographic segment actively participates in running enterprises in an effort to improve their quality of life and find profitable employment.

Nearly 66.7% of the respondents were married, 30.9% were single, and 2.4% were divorced. It demonstrates that most of those surveyed operate micro businesses to increase family spending.

Additionally, the respondents' educational backgrounds are described in Table 7.2. Only 2.1% of the respondents had a bachelor's degree, 27.7% had a diploma, 7.1% had a

secondary education, and 63.1% were uneducated. The statistics clearly indicate that uneducated entrepreneurs run the majority of micro-enterprises.

Table 7. 2 Description of Respondents by Gender, Age and Marital Status

		Frequency	Percent (%)
Gender	Male	441	94.6
	Female	25	5.4
Age Group	17–26	135	29.0
	27–36	203	43.6
	37–46	103	22.1
	Above 46	25	5.4
Marital Status	Single	144	30.9
	Married	311	66.7
	Divorced	11	2.4
Educational Level	No Education	294	63.1
	Secondary Education	33	7.1
	Diploma	129	27.7
	Bachelor's Degree	10	2.1

A cross-tabulation of age by marital status, as shown in Table 7.3, indicated that 64.8% of the married respondents are in the middle-aged group of 17–46 years. Thus, it seems that the married middle-aged respondents highly influenced the survey findings. The findings also suggest that married participants actively participate in business because they feel a duty to their families. This is supported by the fact that most participants who engage in business are married.

A chi-square test further showed a significant difference between the respondents' marital status and age categories ($\chi^2 = 217.62$, sig. = 0.000), which may suggest that the respondent's age significantly influences the respondent's marital status in the current population.

Table 7. 3 Cross-tabulation of Age and Marital Status

		Marital Status			Total N
		Single N (%)	Married N (%)	Divorced N (%)	
Age	17-26	106 (78.5)	29 (21.5)	0	135
	27-36	38 (18.7)	157 (77.4)	8 (3.9)	203
	37-46	0	100 (97)	3 (3)	103
	Above 46	0	25 (100)	0	25

$\chi^2 = 217.62$
(p-value = 0.000)

A cross-tabulation of respondents' age by academic qualification revealed that some proportion of both the young and middle-aged generations have some type of academic paper qualification. As shown in Table 7.3 and described below, the different age groups have different proportions of the different academic qualifications:

- In the age group of 17–26 years old, 113 (83.7%) respondents had no education, 10 (7.4%) had just a high school certificate, and only 12 (8.9%) of the respondents in the same age group had a diploma.
- A hundred and eleven (54.6%) respondents aged between 27 and 36 years old had no schooling, 18 (8.9%) just had a high school education, while 65 (32%) reported having at least a diploma. It is worth noting that in the same age group, nine (4.5%) reported having a bachelor's degree.
- Fifty-three (51.4%) respondents aged between 37 and 46 years old had no schooling, 45 (43.7%) merely had a diploma, while one respondent (0.9%) had a bachelor's degree.
- Seventeen (68%) respondents over 46 years old had no formal education. In contrast, seven (28%) claimed they merely have a diploma.

The majority of respondents in the 17–26 and 27–36 years age groups did not complete high school indicating that due to familial pressure to provide basic necessities, the majority of young and middle-aged micro-entrepreneurs have begun working instead of attending school. However, those between the age groups of 37 and 46 years had certain benefits in terms of diploma education. This indicates that they had decided to pursue formal education after achieving stability in the early stages of micro-enterprise development. Furthermore, a chi-square test was performed, and it was discovered that there is a significant difference between the respondents' age categories and educational levels ($\chi^2 = 53.615$, sig. = 0.000). The result may indicate that the respondents' age is a factor in predicting their academic level in the current population.

Table 7. 4 Cross-Tabulation of Age and Educational Level

		Educational Level				Total (N)
		No Education N (%)	Secondary Education N (%)	Diploma N (%)	Bachelor's Degree N (%)	
Age	17–26	113 (83.7)	10 (7.4)	12 (8.9)	0	135
	27–36	111 (54.6)	18 (8.9)	65 (32)	9 (4.5)	203
	37–46	53 (51.4)	4 (4)	45 (43.7)	1 (0.9)	103
	Above 46	17 (68)	1 (4)	7 (28)	0	25
		$\chi^2 = 53.615$ (p-value = 0.000)				

7.2.2 Description of Respondents by Business Characteristics

According to Al-Kharusi (2003), the age of businesses may be divided into three categories: young businesses (0–5 years old), middle-aged businesses (6–10 years old), and older businesses (16 years and above). According to the findings in Table 7.5, 48.3% of the respondents had been in business for 1–5 years. Therefore, it is evident from the

present research that most micro-enterprises are young and in the beginning phases of business operations.

Around 32.0% of the respondents had been in business for 6–10 years. According to the data, these micro-enterprises are in the midst of their business cycles. Additionally, 10.5% of the respondents said they had been in businesses for over 10 years and were regarded as older businesses.

Furthermore, a cross-tabulation between gender and number of years in business, as shown in Table 7.6, revealed that most male-dominated micro-enterprises (48.3%) are considered young businesses. The statistics may help explain the situation where most micro businesses are run by young male entrepreneurs who seize the chance and initiative to launch their enterprises. The government must contribute to expanding job prospects for those looking to start new firms. However, a chi-Square test revealed that there is no discernible correlation between gender and years in the business, which may mean that gender does not predict how long a business has been in operation in the current population.

In terms of sectors, results indicated that the majority of the respondents (n = 181, 38.8%) are engaged in the retailing sector, followed by the service sector (n = 151, 32.4%), as shown in Table 7.5. The remaining 64 (13.7%) and 35 (7.5%) were found to be in the manufacturing and agricultural sectors respectively.

Furthermore, as depicted in Table 7.5, the majority of respondents, (n = 151, 32.4%) are in the AFN27000–AFN36000 average monthly income group and 118 (25.3%) of the respondents are in the AFN17000–AFN26000 average monthly income group.

Table 7. 5 Description of Respondents by Business Characteristics

		Frequency	Percent (%)
No. of Years in Business	1-5	225	48.3
	6-10	149	32.0
	11-15	49	10.5
	Above 16	43	9.2
Sector	Retailing	181	38.8
	Services	151	32.4
	Manufacturing	64	13.7
	Agricultural	35	7.5
	Construction	35	7.5
Average Monthly Income (in AFN thousand)	7000-16000	73	15.7
	17000-26000	118	25.3
	27000-36000	151	32.4
	37000-46000	110	23.6
	Above 46000	14	3.0
No. of Employee	1	96	20.6
	2	167	35.8
	3	110	23.6
	4	57	12.2
	5	36	7.7

Table 7. 6 Cross-Tabulation of Gender and Number of Years in Business

		Years in Business				Total (N)
		1-5 Years N (%)	6-10 Years N (%)	11-15 Years N (%)	Above 16 Years N (%)	
Gender	Female	12 (48)	9 (36)	4 (16)	0	25
	Male	213 (48.3)	140 (31.7)	45 (10.2)	43 (9.7)	441

$\chi^2 = 3.328$

(p-value = 0.344)

Based on the results of cross-tabulation (see Table 7.7) between number of years in business and average monthly income, 41.3% of young firms (who operated the businesses between 1–5 years) are in the AFN17000–AFN26000 average monthly income group. The outcomes of the responses may suggest that young enterprises with an operating history of less than five years have a restricted ability to increase revenue. Young firms seldom generate more income in the early phases of their operations since the emphasis will be more on the business establishment. At this point, additional operating expenses such as equipment purchases and working capital are often incurred.

In addition, most of the middle-aged (6–10 years old) micro-enterprises ($n = 77$, 51.7%) were earning AFN27000–AFN36000. In the category of older micro-enterprises, most firms (63.3%) were earning AFN37000–AFN46000. The middle-aged and older businesses that have been in operation for over five years were shown to be capable of making greater revenue, indicating that these businesses are well-established and have gained economy of scale. Therefore, their primary emphasis is often on generating revenue.

A chi-square test also showed a significant difference between the category of average monthly income and the number of years in the enterprise ($\chi^2 = 288.850$, sig. = 0.000). The result suggests that a factor in figuring out the monthly average income of micro-entrepreneurs in the current population is the number of years they have been in business.

Table 7. 7 Cross-Tabulation of Years in Business and Average Monthly Income

		Average Monthly Income					Total
		7000- 16000 N (%)	17000- 26000 N (%)	27000- 36000 N (%)	37000- 46000 N (%)	Above 47000 N (%)	(N)
Years in Business	1-5	67 (29.8)	93 (41.3)	56 (24.9)	9 (4)	0 (0)	225
	6-10	5 (3.3)	20 (13.4)	77 (51.7)	46 (30.9)	1 (0.7)	149
	11-15	1 (2)	2 (4.1)	12 (24.5)	31 (63.3)	3 (6.1)	49
	>15	0 (0)	3 (6.9)	6 (14)	24 (55.9)	10 (23.2)	43

$\chi^2 = 288.850$
(p-value = 0.000)

Table 7.5 depicts five categories of the number of employees involved in the micro-enterprises of the current sample. As shown in Table 7.5, it was identified that the majority of the micro-enterprises (35.8%) had two employees. However, 23.6% of micro-enterprises had three employees. From the table, it can be explained that most of the micro-enterprises have less than five employees. Furthermore, a cross-tabulation (see Table 7.8) of the number of years in business and the number of employees revealed the following:

- Eighty-six (38.2%) of the young micro-enterprises with 1–5 years in business hired one employee. Meanwhile, 105 (46.7%) of the young firms employed two workers. Twenty-six (11.5%) young micro-enterprises hired three employees, while 1.3% of the young firms employed five workers. It can be summed to indicate that 84.9% of the young firms hired less than three employees. Young micro-enterprises were keener on minimizing cost and concentrated more on finding reliable means for market competition.

- Seven (4.7%) of the middle-aged firms hired one employee, 37.6% of the middle-aged firms employed two workers, and 56 (37.6%) of the middle-aged firms hired three employees. It can also be illustrated from the table that 74.5% of the middle-aged micro-enterprises hired less than four employees.
- A small portion of 3.3% of old-aged firms of greater than ten years in business hired one employee. Meanwhile, 15.2% of the old micro-enterprises employed two workers, and 30.4% of old-aged micro-enterprises hired three employees. Moreover, 51% of the old-aged firms hired more than three employees.

This findings imply that micro-entrepreneurs who have been in business for longer expect to recruit more workers because they are more focused on growing their firms. A chi-square test shows a substantial difference between the number of employees and years in business, which implies that the number of years a firm has existed can impact its number of employees.

Table 7. 8 Cross-Tabulation of Years in Business and Number of Employee

		Number of Employees					Total (N)
		1	2	3	4	5	
		N (%)	N (%)	N (%)	N (%)	N (%)	
Years in Business	1-5	86 (38.2)	105 (46.7)	26 (11.5)	5 (2.2)	3 (1.3)	225
	6-10	7 (4.7)	48 (32.2)	56 (37.6)	29 (19.5)	9 (6)	149
	11-15	3 (6.1)	6 (12.2)	19 (38.8)	13 (26.5)	8 (16.3)	49
	Above 15	0 (0)	8 (18.6)	9 (20.9)	10 (23.2)	16 (37.2)	43
		$\chi^2 = 219.002$ (p-value = 0.000)					

7.2.3 Description of Respondents by Source of Financing

Getting funds to start up a business is a challenge to micro-enterprises. For newer micro-scale businesses, it is difficult to obtain external financing. Usually, most micro-scale enterprises use internally generated funds in the form of personal savings or their family's savings (Abdullah, 2021).

This study's findings on respondents' sources of financing are consistent with previous studies, such as Abdullah (2021) and Rasoli and Mirza (2019). Most of the respondents used internally generated funding (personal and family/relative/friend) to start their business. Three hundred thirty-nine (72.7%) micro-entrepreneurs used personal savings to commence their businesses, as shown in Table 7.9. Meanwhile, 284 (60.9%) of the respondents primarily used financing from family, friends, and relatives. Furthermore, 1.9% had obtained funding from a commercial bank, while 0.2% got funding from the government. The remaining 31 (6.7%) of the respondents indicated that they were being financed by microfinance institutions. A hundred and eleven (25.5%) of the respondents received loans from hawala dealers. Apart from this, 12% percent of the respondents received funds from NGOs.

Table 7. 9 Sources of Financing

		Frequency	Percent (%)
Personal	No	127	27.3
	Yes	339	72.7
	Total	466	100.0
Family/Relative/Friend	No	182	39.1
	Yes	284	60.9
	Total	466	100.0
Commercial Bank	No	457	98.1
	Yes	9	1.9
	Total	466	100.0
Government	No	465	99.8
	Yes	1	.2
	Total	466	100.0
Microfinance	No	435	93.3
	Yes	31	6.7
	Total	466	100.0
Hawala Dealers	No	347	74.5
	Yes	119	25.5
	Total	466	100.0
NGOs	No	410	88.0
	Yes	56	12.0
	Total	466	100.0

A cross-tabulation of the number of years in business and source of financing (personal), as shown in Table 7.10, demonstrates that the majority of micro firms, at various stages of their business cycle, prefer to use internal sources of finance. A hundred and forty-seven (65.3%) of the young micro businesses had used personal savings while commencing their enterprises. A hundred and eighteen (79.2%) of the old-aged micro businesses also used personal savings as a source of financing for starting their business. Moreover, 77.5% of the old firms deployed personal savings for business establishment. A chi-square test was conducted to see whether there is a significant difference between the

number of years in business and personal sources of financing. The result depicted a substantial difference between years in business and personal savings as a source of financing ($\chi^2 = 12.544$, p-value = 0.006), which may be suggesting that years in business could perhaps determine attaining finance from personal funds.

Table 7. 10 Cross-Tabulation of Years in Business and Source of Financing (Personal)

		Personal		Total (N)
		No N (%)	Yes N (%)	
Years in Business	1-5	78 (34.7)	147 (65.3)	225
	6-10	31 (20.8)	118 (79.2)	149
	11-15	11 (22.5)	38 (77.5)	49
	Above 15	7 (16.3)	36 (83.7)	43
$\chi^2 = 12.544$ (p-value = 0.006)				

It may be implied that micro-entrepreneurs mostly depend on internal sources of financing, which have little influence on how their enterprises make decisions. Other benefits are that personal savings are a cheap and accessible funding source.

Since personal resources are often inadequate, friends and relatives who favor the business idea also contribute directly to the venture or indirectly to the entrepreneur. This may be easier and less expensive to organize, and the repayment conditions may be more compliant. A hundred and twenty-six (56%) of the young firms, 63.8% of the middle-aged firms, and 68.5% of the older firms borrowed money from family, relatives, and friends for start-ups (see Table 7.11). The statistics indicate that when personal savings are inadequate, entrepreneurs often depend on family and friends to launch enterprises. According to a chi-

square test, however, there was no significant difference between the number of years in business and the source of funding (family/relative/friend) ($\chi^2 = 5.037$, sig. = 0.169).

Table 7. 11 Cross-Tabulation of Years in Business and Source of Financing (Family/Relative/Friends)

		Family/Relative/Friend		Total (N)
		No N (%)	Yes N (%)	
Years in Business	1-5	99 (44)	126 (56)	225
	6-10	54 (36.2)	95 (63.8)	149
	11-15	15 (30.6)	34 (69.4)	49
	Above 15	14 (32.6)	29 (67.4)	43
$\chi^2 = 5.037$ (p-value = 0.169)				

A cross-tabulation of years in business and receiving funds from commercial banks, government, microfinance institutions, hawala dealers, and NGOs as sources of financing are shown in Tables 7.12, 7.13, 7.14, 7.15, and 7.16. Only 1.3% of the young micro-enterprises, 2.7% of middle-aged businesses, and 4.7% of old micro businesses received funds from commercial banks as a source of financing (see Table 7.12). Moreover, only 2.3% of old-aged micro-enterprises received funds from the government (see Table 7.13).

Table 7. 12 Cross-Tabulation of Years in Business and Source of Financing
(Commercial Bank)

		Commercial Bank		Total (N)
		No	Yes	
		N (%)	N (%)	
Years in Business	1-5	222 (98.7)	3 (1.3)	225
	6-10	145 (97.3)	4 (2.7)	149
	11-15	49 (100)	0 (0)	49
	Above 15	41 (95.3)	2 (4.7)	43
$\chi^2 = 3.516$				
(p-value = 0.319)				

Table 7. 13 Cross-Tabulation of Years in Business and Source of Financing
(Government)

		Government		Total (N)
		No	Yes	
		N (%)	N (%)	
Years in Business	1-5	225 (100)	0 (0)	225
	6-10	149 (100)	0 (0)	149
	11-15	49 (100)	0 (0)	49
	Above 15	42 (97.7)	1 (2.3)	43
$\chi^2 = 9.858$				
(p-value = 0.020)				

Table 7.14 depicts the cross-tabulation of years in business and acquiring funds from microfinance institutions. Fourteen (6.2%) of the young businesses utilized funds from microfinance institutions for start-ups, and only 4% of the old-aged firms received funds from microfinance institutions. Meanwhile, 36 (16%) of the young enterprises received loans from hawala dealers. Forty-three (28.9%) of the middle-aged firms and 43.5% of the old micro-enterprises received loans from hawala dealers (see Table 7.15).

Table 7. 14 Cross-Tabulation of Years in Business and Source of Financing (Microfinance)

		Microfinance		Total (N)
		No	Yes	
		N (%)	N (%)	
Years in Business	1-5	211(93.8)	14 (6.2)	225
	6-10	137 (92)	12 (8)	149
	11-15	47 (96)	2 (4)	49
	Above 15	40 (93)	3 (7)	43

$\chi^2 = 1.067$
(p-value = 0.785)

A cross-tabulation between the years in business and funds from NGOs as a source of financing is portrayed in Table 7.16. Twenty-four (10.7%) of the young firms utilized NGO funds for commencing their businesses. Meanwhile, 13.4% of middle-aged micro-enterprises, and 43.5% of the old businesses used NGO funds.

A chi-square test was administered to find the differences between years in business and sources of financing (government, commercial banks, hawala dealers, and NGOs). A significant difference was found between years in business and receiving funds from hawala dealers. There is a possibility that hawala dealers are more interested in offering financing services to middle-aged and elderly businesses than young businesses. They consider young micro businesses risky.

Table 7. 15 Cross-Tabulation of Years in Business and Source of Financing (Hawala Dealers)

		Hawala Dealers		Total (N)
		No	Yes	
		N (%)	N (%)	
Years in Business	1-5	189 (84)	36 (16)	225
	6-10	106 (71.1)	43 (28.9)	149
	11-15	32 (65.3)	17 (34.7)	49
	Above 15	20 (46.5)	23 (53.5)	43

$\chi^2 = 31.455$
(p-value = 0.000)

Table 7. 16 Cross-Tabulation of Years in Business and Source of Financing (NGOs)

		NGOs		Total
		No	Yes	
		Years in business group	1-5	
6-10	129 (86.6)		20 (13.4)	149
11-15	41 (83.7)		8 (16.3)	49
Above 15	39 (90.7)		4 (9.3)	43

$\chi^2 = 1.827$
(p-value = 0.609)

7.2.4 Description of Respondents by Status and Objectives of Applying Loan

Table 7.17 shows that 227 respondents (48.7%) applied for an external loan during the last 6–12 months. The remaining 239 respondents (51.3%) answered that they had not applied for a loan in the previous six months to one year. It is important to explore the motivations behind the loan application of the those who applied for it.

Table 7.17 illustrates the cross-tabulation between applying for a loan and the purpose of the loan application, which indicates that the most commonly cited reason for

applying for external finance was the expansion of business; a hundred and twenty-two (53.8%) of the respondents sourced external financing for business expansion. The remaining 46.2% of micro-enterprises indicated the motivation behind applying for external financing was other reasons rather than business expansion.

Table 7. 17 Cross-Tabulation of Applying Loan and Purpose for Applying Loan (Expansion)

		Expansion		Total (N)
		No N (%)	Yes N (%)	
Applying Loan for the Last Six Months/Year	No	239 (100)	0 (0)	239
	Yes	105 (46.2)	122 (53.8)	227

$\chi^2 = 258.504$
(p-value = 0.000)

Table 7.18 shows that 139 (61.2%) of the respondents sourced external funding for capital purchases. A hundred and twenty-one (53.3%) of the respondents stated they had applied for working capital. The remaining 46.7% respondents (n = 106) indicated that they did not apply for working capital (see Table 7.19). Moreover, 52.4% of the respondents (n = 119) said they required external financing for relocation (see Table 7.20). However, it can be illustrated that purchasing capital and expanding a business were the most cited reasons for applying for external financing. In the enterprises' context, expansion can be in terms of expanding the size of the businesses or increasing the number of branches. Besides, developing and introducing a new product is also a type of business expansion. To purchase capital or expand business in the market, funding is required by micro-

enterprises to support initiatives. Therefore, the findings of this study are also consistent with their needs to purchase capital and expand their business.

A chi-square test was used to determine if there is a significant difference between loan applications and loan objectives. The findings showed a substantial difference between loan applications and loan objectives. The chi-square results for business expansion was $\chi^2 = 258.504$, sig. = 0.000, for purchasing capital was $\chi^2 = 266.074$, sig. = 0.000, for working capital was $\chi^2 = 258.376$, sig. = 0.000 and for relocation was $\chi^2 = 258.227$, sig. = 0.000. These four reasons may thus be important in defining the objectives of requesting loans from financial institutions.

Table 7. 18 Cross-Tabulation of Applying Loan and Purpose for Applying Loan (Purchase Capital)

		Purchase Capital		Total (N)
		No N (%)	Yes N (%)	
Applying Loan for the Last Six Months/Year	No	239 (100)	0 (0)	239
	Yes	88 (38.8)	139 (61.2)	227
$\chi^2 = 266.074$ (p-value = 0.000)				

Table 7. 19 Cross-Tabulation of Applying Loan and Purpose for Applying Loan (Working Capital)

		Working Capital		Total (N)
		No N (%)	Yes N (%)	
No		239 (100)	0 (0)	239
Yes		106 (46.7)	121 (53.3)	227
$\chi^2 = 258.376$ (p-value = 0.000)				

Table 7. 20 Cross-Tabulation of Applying Loan and Purpose for Applying Loan (Relocation)

		Relocation		Total
		No	Yes	(N)
		N (%)	N (%)	
Applying Loan for the	No	239 (100)	0 (0)	239
Last Six Months/Year	Yes	108 (47.6)	119 (52.4)	227

$\chi^2 = 258.227$
(p-value = 0.000)

Additionally, a cross-tabulation between the number of years in business and applying for a loan for business expansion is shown in Table 7.21. According to the table, 23 (39%) of the young firms, 44 (48.9%) of the middle-aged micro-enterprises, and 65% of the respondents under the age group of 11 to 15 years applied for a loan for business expansion. It indicates that old-aged micro businesses are developed enough and require external financing for business expansion. This aligns with the study's objective that the IQEMD model could be engaged to offer Islamic equity-based financing to economically viable micro-enterprises (EVMEs) for their business expansion.

Table 7.22 further presents a cross-tabulation of the number of years in business and the purpose of applying for loans to purchase capital. According to the table, 33 (56%) of the young micro-enterprises, 55 (61.1%) of the middle-aged businesses, and 67.5% of the older businesses needed external financing to purchase capital. Acquiring machinery, equipment, cars, and office supplies may all be considered capital expenditures for micro-enterprises.

Table 7. 21 Cross-Tabulation of Number of Years in Business and Purpose for Applying for Loan (Expansion)

		Expansion		Total (N)
		No N (%)	Yes N (%)	
Number of Years in business	1-5	36 (61)	23 (39)	59
	6-10	46 (51.1)	44 (48.9)	90
	11-15	14 (35)	26 (65)	40
	Above 15	9 (23.7)	29 (76.3)	38
$\chi^2 = 123.417$ (p-value = 0.000)				

Table 7. 22 Cross-Tabulation of Number of Years in Business and Purpose for Applying Loan (Purchase Capital)

		Purchase Capital		Total (N)
		No N (%)	Yes N (%)	
Years in business group	1-5	26 (44)	33 (56)	59
	6-10	35 (38.9)	55 (61.1)	90
	11-15	13 (32.5)	27 (67.5)	40
	Above 15	14 (36.8)	24 (63.2)	38
$\chi^2 = 103.624$ (p-value = 0.000)				

Furthermore, micro-entrepreneurs also applied for external financing for the purpose of attaining working capital (see Table 7.23). A total of 22 (37.3%) of the young enterprises, 61.6% of the middle-aged micro firms and 26 (65%) of the older micro-entreprises requested financing for attaining working capital. Micro-entrepreneurs may incur day-to-day expenditures such as the purchase of raw materials, inventory, overhead costs, advertising and marketing expenses, employee payments, and utility bills. Thus,

these micro-entrepreneurs acquired external funding sources to finance their working capital needs.

Meanwhile, 33.9% of young firms, 51 (56.7%) middle-aged firms, and 60% of the older firms have applied for loans for relocation purposes. The ambition to expand into new markets may prompt micro businesses to contemplate shifting their operations. In addition, relocation may be a viable option when a business is housed in outdated facilities. Some micro-enterprises begin in a location such as a small kiosk or a home garage before relocating to larger premises in the same city. Hence, financing may be required for relocation purposes.

Table 7. 23 Cross-Tabulation of Number of Years in Business and Purpose for Applying Loan (Working Capital)

		Working Capital		Total (N)
		No N (%)	Yes N (%)	
Number of Years in Business	1-5	37 (62.7)	22 (37.3)	59
	6-10	35 (38.9)	55 (61.1)	90
	11-15	14 (35)	26 (65)	40
	Above 15	20 (52.6)	18 (47.4)	38
$\chi^2 = 112.696$ (p-value = 0.000)				

A chi-square test demonstrated that there is a statistically significant difference between the number of years in the business and the reasons for the loan application: expansion ($\chi^2 = 123.417$, sig. = 0.000), capital purchase ($\chi^2 = 103.624$, sig. = 0.000), working capital ($\chi^2 = 112.696$, sig. 0.000) and relocation ($\chi^2 = 111.934$, sing. 0.000). This

indicates that the number of years micro-entrepreneurs had been in business is crucial for business expansion, the acquisition of capital, working capital and relocation. Perhaps young firms may be more likely to seek a loan to purchase capital than for business expansion, working capital, or relocation.

Table 7. 24 Cross-Tabulation of Number of Years in Business and Purpose for Applying Loan (Relocation)

		Relocation		Total (N)
		No N (%)	Yes N (%)	
Years in Business	1-5	39 (66.1)	20 (33.9)	59
	6-10	39 (43.3)	51 (56.7)	90
	11-15	16 (40)	24 (60)	40
	Above 15	14 (36.8)	24 (63.2)	38
$\chi^2 = 111.934$ (p-value = 0.000)				

7.2.5 Description of Respondents by Constraints in Accessing External Financing

Micro-enterprises may finally be able to get external financing. However, securing a loan is related to some difficulties. Considering this, the respondents were questioned about the challenges they had in seeking and getting external financing over the past 6–12 months. Participants replied that they had encountered some obstacles in acquiring external financing.

Table 7.25 depicts the problems encountered throughout the process of obtaining external financing. Respondents were asked to choose these factors on a dichotomous scale (1=Yes, 0=No). Respondents highlighted higher interest rates as one of the problems in

acquiring external finance, with 201 (88.6%) strongly agreeing with the statement. This outcome might be explained by the fact that financial institutions charge micro businesses higher interest rates due to the risk of failure and the high cost of information. Additionally, many financial institutions react to this circumstance by imposing high-interest rates in the lending market owing to the lack of collateral. Several commercial banks charge a 25% interest rate, and some international microfinance institutions, such as BRAC, Aga Khan Foundation (AKF), and WOCCU, charge between 17.5% to 24%.

As per the survey, 73.1% of respondents said they had trouble getting enough financing from financial institutions. There are several reasons why this outcome may have occurred. Depending on each loan customer's demands and the enterprise's size, the financial institutions may issue a certain amount of credit, and the institutions also take the micro firms' viability into account. During the loan application, some micro firms are unable to provide the necessary supporting documentation, collateral, financial history, and bank statements during the loan application process. Therefore, financial institutions are unable to supply enough credit to fulfill the demand of micro firms that are seen as risky.

The majority of micro firms also claimed that obtaining financial support from lending institutions is difficult due to the short period of loans, with 135 (59.5%) agreeing to this statement. Due to the obvious high-risk perception, most financial institutions only lend to micro firms for a short period.

The majority of respondents also believed that onerous collateral and paperwork requirements were barriers to getting external loans. These two elements received 178 (78.4%) and 103 (45.4%) number of agreements from the respondents respectively. It seems that these outcomes are the consequence of financial institutions' responsibility to

impose multiple restrictions and demand several pieces of documentation before awarding the loan. The restrictions and documentations also compensate for the nature of micro firms, which are typically seen as high-risk ventures.

Paperwork such as a business license, business registration, loan repayment statement, and cash flow forecast are some documents that financial institutions demand before issuing loans to businesses.

Furthermore, financial institutions set rigorous collateral requirements to compensate for the risk of lending to micro-enterprises, since they are deemed risky businesses. Usually, the need for collateral is based on credit assessment and the applicant's risk profile (Heriyanto et al., 2022; Khan & Bedi, 2021). This is understandable due to the fact that financial institutions tend to see micro businesses with a lack of collateral, which poses a substantial amount of risk, and if the amount involved is large, the probability of micro-enterprises obtaining a loan decreases substantially as well (Abdullah, 2021; Hussaini, 2021; Najafizada, 2014; OECD, 2019).

Financial institutions often see micro businesses as higher-risk borrowers than larger businesses. Thus, the financial institutions conduct a rigorous assessment of the features of the enterprises, including the age of the businesses, size of the businesses, and viability of the businesses before granting the loan. Therefore, financial institutions put several requirements on micro firms, such as high-interest rates, collateral requirements, and documentation, to offset all these associated risks (Heriyanto et al., 2022; Khan & Bedi, 2021).

Table 7. 25 Problems During Raising External Financing

		Frequency	Percent (%)
High Interest/ High Markup/High Margin	No	26	11.4
	Yes	201	88.6
	Total	227	100.0
Insufficient Financing	No	61	26.9
	Yes	166	73.1
	Total	227	100
Short Duration of Loan	No	92	40.5
	Yes	135	59.5
	Total	227	100
Strict Collateral Requirement	No	49	21.6
	Yes	178	78.4
	Total	227	100
Strict Documentation Requirement	No	124	54.6
	Yes	103	45.4
	Total	227	100
Characteristics of Business	No	176	77.5
	Yes	51	22.5
	Total	227	100

Furthermore, a cross-tabulation of the number of years in business and problems during raising the loan from an external source (high-interest rate/high-profit margin/high markup) (see table 7.26) was performed. According to the results, 81.4% of young, 91.9% of the middle-aged, 92.5% of the 11–15 age group, and 98.5% of the old-aged (above 15 years old) micro-enterprises consider high-interest rate/high-profit margin/high markup as an issue while applying for external financing.

Table 7. 26 Cross-Tabulation of Years in Business and Problem of Raising External Financing (High Interest/High-Profit Margin/High Markup)

		High-Interest Rate/High Margins/High Markup/High Profit		Total (N)
		No	Yes	
		N (%)	N (%)	
Number of Years in Business	1–5	11 (18.6)	48 (81.4)	59
	6–10	8 (8.9)	82 (91.1)	90
	11–15	3 (7.5)	37 (92.5)	40
	Above 15	4 (10.5)	34 (89.5)	38
$\chi^2 = 105.465$ (p-value = 0.000)				

Table 7.27 also presents a cross-tabulation of the number of years in business and the problem of insufficient financing while accessing loans from financial institutions. According to the analysis, 42 (71.2%) of the young micro-enterprises in the 1–5 age group stated insufficient financing as an issue while applying for external financing. Furthermore, 68 (75.6%) of the middle-aged micro businesses, 75% of micro-businesses in the 11–15 age group, and 68.4% of businesses in the age group above 15 considered insufficient financing as a major problem while accessing external financing.

Meanwhile, 39% of the young micro businesses (N = 23), 65.6% of the middle-aged, 72.5% of micro-businesses in the 11–15 age group, and 63.2% of enterprises with the age group above 15 stated that short duration of the loan is a crucial problem in the determination of loan from financial institutions (see Table 7.28).

Table 7. 27 Cross-Tabulation of Years in Business and Problem of Raising External Financing (Insufficient Financing)

		Insufficient Finance		Total (N)
		No	Yes	
		N (%)	N (%)	
Number of Years in Business	1-5	17 (28.8)	42 (71.2)	59
	6-10	22 (24.4)	68 (75.6)	90
	11-15	10 (25)	30 (75)	40
	Above 15	12 (31.6)	26 (68.4)	38
$\chi^2 = 103.323$ (p-value = 0.000)				

Table 7. 28 Cross-Tabulation of Years in Business and Problem of Raising External Financing (Short Duration of Loan)

		Short Duration		Total (N)
		No	Yes	
		N (%)	N (%)	
Number of Years in Business	1-5	36 (61)	23 (39)	59
	6-10	31 (34.4)	59 (65.6)	90
	11-15	11 (27.5)	29 (72.5)	40
	Above 15	14 (36.8)	24 (63.2)	38
$\chi^2 = 114.385$ (p-value = 0.000)				

Table 7.29 also depicts the cross-tabulation of the years in business and the problem of strict collateral requirements. A share of 40% of young businesses, 82.2% of the middle-aged, 87.5% of businesses in the 11–15 age group, and 76.3% of businesses in the age group above 15 considered strict collateral requirements as an issue while accessing external financing.

Table 7. 29 Cross-Tabulation of Years in Business and Problem of Raising External Financing (Strict Collateral Requirement)

		Strict Collateral Requirement		Total (N)
		No	Yes	
		N (%)	N (%)	
Number of Years in Business	1-5	19 (32.2)	40 (67.8)	59
	6-10	16 (17.8)	74 (82.2)	90
	11-15	5 (12.5)	35 (87.5)	40
	Above 15	9 (23.7)	29 (76.3)	38
$\chi^2 = 108.551$				
(p-value = 0.000)				

Young micro-enterprises in the age group of 1–5 years old faced the problems of strict documentation requirements (44.1%). Moreover, 45.6% of the middle-aged, 52.5% of the 11–15 age group, and 39.5% of the old-aged (above 15 years old) micro-enterprises considered strict documentation requirements as an issue while applying for external financing (see Table 7.30). Furthermore, 28.8% of young micro businesses, 20% of the middle-aged, 25% of the 11–15 age group, and 15.8% of the old-aged (above 15 years old) micro-enterprises faced strict documentation problems while accessing external financing (see Table 7.31).

A chi-square test was conducted to see if there is a significant difference in terms of the number of years in business and problems associated with raising a loan, such as the problems of high-interest rates, insufficient financing, short duration of the loan, strict collateral requirement, strict documentation requirement and characteristics of the business, which are shown in Tables 7.26, 7.27, 7.28, 7.29, 7.30 and 7.31 respectively. The chi-square test indicated that there are significant differences between the number of years

in businesses and high-interest rate ($\chi^2 = 105.465$, sig. 0.000), insufficient financing ($\chi^2 = 103.323$, sig. 0.000), short duration of the loan ($\chi^2 = 114.385$, sig. 0.000), strict collateral requirement ($\chi^2 = 108.551$, sig. 0.000), strict documentation requirement ($\chi^2 = 104.396$, sig. 0.000) and characteristics of business ($\chi^2 = 105.166$, sig. 0.000). The results perhaps indicate that the number of years in business is a factor for micro-enterprises in experiencing these six financing problems.

Table 7. 30 Cross-Tabulation of Years in Business and Problem of Raising External Financing (Strict Documentation Requirement)

		Strict Documentation		Total (N)
		No	Yes	
		N (%)	N (%)	
Number of Years in Business	1-5	33 (55.9)	26 (44.1)	59
	6-10	49 (54.4)	41 (45.6)	90
	11-15	19 (47.5)	21 (52.5)	40
	Above 15	23 (60.5)	15 (39.5)	38
$\chi^2 = 104.396$ (p-value = 0.000)				

Table 7. 31 Cross-Tabulation of Years in Business and Problem of Raising External Financing (Characteristics of Business)

		Characteristics Of Business		Total (N)
		No	Yes	
		N (%)	N (%)	
Number of Years in Business	1-5	42 (71.2)	17 (28.8)	59
	6-10	72 (80)	18 (20)	90
	11-15	30 (75)	10 (25)	40
	Above 15	32 (84.2)	6 (15.8)	38
$\chi^2 = 105.166$ (p-value = 0.000)				

7.2.6 Description of Respondents Not Applying for External Finance

As seen in Table 7.17 previously, 51.3% of the respondents said they haven't applied for a loan in the last six months to a year. It is critical to comprehend the reasons why some micro firms did not request loans from financial institutions. The survey included questions that attempted to elucidate the micro firms' rationale for not using external financing.

Table 7.32 shows the reasons reported for not obtaining financial assistance from external financing sources. Respondents were asked to select factors on a dichotomous scale (1=Yes, 0=No). One of the primary reasons for not acquiring external funding, as stated by 58.6% of the respondents, is a high-interest rate/large profit margin/high markup. A possible reason for this is that since high-interest rates/large profit margins/high markup indicate high financing costs, micro businesses are unwilling and unable to obtain costly loans with high interest rates.

Meanwhile, 27.6% of the respondents said they did not apply for a loan because they did not currently need financing. This shows that some micro firms are unwilling to borrow money to fund their operations. This often happens when micro businesses believe they have sufficient internal resources in the form of personal savings to run their business, or it can also result from micro-enterprises having a small-scale business feature. Typically, micro firms believe that their firm is still small enough that they do not need to seek a loan at the moment.

Furthermore, since most micro-firms are small, they cannot offer enough collateral to cover the complete amount of loans from financial institutions. Consequently, 54.8% of the respondents in this survey said they were unwilling to apply for a loan because they lack collateral.

Almost 44.4% of the respondents said that tight paperwork requirements during loan applications made getting a loan from a financial institution difficult. Moreover, the statistics indicated that 38.1% of the respondents did not apply for the loan due to a lack of paperwork or insufficient evidence to support their loan applications.

Furthermore, 46% of the respondents stated that they are unable to get external financing because they lack a comprehensive business plan. Financial institutions use business plans to assess a business's ability to repay loans while allowing the manager to exhibit his or her skills and expertise. If there is no solid business plan, micro firms have fewer opportunities to get loans from financial institutions. This is due to the lack of skills in developing such plans.

In addition, the vast majority of people (43.1%) who participated in this survey believed that they were not qualified to apply for external financing since they are still in the early stages of business development. Suppose a micro-enterprise is an infant and is unable to provide adequate assets that can be used as collateral, and lacks financial records and appropriate documentation to support the loan application. In that case, the micro-enterprise may believe that it is difficult to gain the trust of the financial institutions. This is especially true if they lack sufficient assets to be used as collateral.

The duration of time it takes to execute a loan application (also known as the "long duration" of the loan application process) is another element that might influence a micro business's willingness to get financing from a financial institution. Nearly 30.6% of those who participated in this survey said that they were less likely to apply for loans at an earlier period due to the long application process. Financial institutions may need additional time to complete the procedure when dealing with loan applications from micro businesses. This

is because financial institutions see micro firms as high-risk enterprises that need extensive screening prior to the acceptance of their application for the loan. Consequently, the financial institutions cannot fulfill the micro businesses' requirements to attain prompt financial assistance.

Additionally, 21.3% of the respondents who participated in the survey did not try to get a loan from a financial institution due to a poor credit history. In most cases, a poor credit history may suggest an insufficient ability for repayment, which will restrict the individual's prospects of obtaining more funding from financial institutions. This infrequently-selected explanation suggests that the majority of the micro-entrepreneurs in the research either do not have a history of poor credit performance or are probably hesitant to declare or reveal their history of poor credit performance.

Table 7. 32 Reasons for Not Applying for a Loan

		Frequency	Percent (%)
Loan Not Required	No	173	72.4
	Yes	66	27.6
	Total	239	100.0
High-Interest Rate/High-Profit Margin	No	99	41.4
	Yes	140	58.6
	Total	239	100
Infant Business	No	136	56.9
	Yes	103	43.1
	Total	239	100
Poor Credit History	No	188	78.7
	Yes	51	21.3
	Total	239	100
Strict Documentation	No	133	55.6
	Yes	106	44.4
	Total	239	100

Insufficient Collateral	No	108	45.2
	Yes	131	54.8
	Total	239	100
Insufficient Documents	No	148	61.9
	Yes	91	38.1
	Total	239	100
Long Processing Time	No	166	69.4
	Yes	73	30.6
	Total	239	100
No Proper Business Plan	No	129	54
	Yes	110	46
	Total	239	100

7.2.7 Description of Respondents by Experience

The focus of this study was to gather information about the respondents' prior experiences in managing micro-enterprises. Table 7.33 shows that 48.9% of the respondents had some experience in managing their enterprises, whereas 51.1% had no previous experience in managing their enterprises.

Table 7. 33 Respondents Having Experience Before Commencing Micro-enterprises

Experience	Frequency		Percent (%)	
	No	238	51.1	
Yes	228	48.9		
Total	466	100.0		

The statistics demonstrate that a vast majority of the owners of the micro-enterprises of the current sample did not have any previous business expertise before launching their businesses. Having a lack of experience indicate that they may not have a clear idea of how

to operate a firm from the very beginning of the business operation, and that they will have no basic understanding of the foundations of business (Chiliya & Lombard, 2012).

Table 7. 34 Cross-Tabulation of Level of Education and Business Management Experience

		Business Management Experience		Total (N)
		No N (%)	Yes N (%)	
Educational Level	Bachelor Degree	4 (40)	6 (60)	10
	Diploma	56 (43.4)	73 (56.6)	129
	No Education	163 (55.4)	131(44.6)	294
	Secondary Education	15 (45.4)	18 (54.6)	33
$\chi^2 = 6.184$ (p-value = 0.103)				

A cross-tabulation (see Table 7.34) between the level of education and experience was performed. The results showed that an absence of prior experience in managing an enterprise is obvious for those who did not have education (55.4%). Meanwhile, among those who had some education, 45.4% of the respondents with secondary education did not have prior business experience. Meanwhile, 43.4% of respondents with a diploma education and 40% with a bachelor's education were unable to possess prior business experience.

Hence, the cross-tabulated results demonstrate that many micro-entrepreneurs with a specific level of education, such as a diploma, a matriculation certificate, or a bachelor's degree, also entered business without any previous experience. This likely explains that after completing their education, they were unable to locate a suitable position with an

acceptable salary. Thus, they want to establish new enterprises and have joined the industry without previous expertise.

The consequences of a lack of experience included the inability to obtain accurate information, make sound judgments, grow and finance businesses, lead and hire staff, and retain consumers. However, the lack of experience does not exclude the success of these firms. Attending training courses and programs while launching the firm would provide the entrepreneurs with the knowledge and skills needed to boost enterprise development (Ensley et al., 2007).

A chi-square test was used to determine if there is a statistically significant difference between educational levels and work experience. According to Table 7.34, there is no statistically significant difference between educational levels and experience. Therefore, the level of education may not be a factor in evaluating whether micro firm owners have experience or not.

Meanwhile, a further cross-tabulation (see Table 7.35) between the number of years in business and experience revealed the following:

- A hundred and forty (61%) of the young micro-enterprises (1–5 years old) indicated that they did not have prior experience before starting their business.
- A total of 62 (41.6%) of the middle-aged micro businesses (6–10 years of business establishment) pointed out that they did not have prior experience before commencing their businesses.
- Twenty-three (37%) of the older micro-enterprises (11–15 years older) indicated that they did not have prior experience before starting their business.

- Thirteen (30.2%) of the micro-enterprises aged above 15 years indicated that they did not have prior experience before conducting their business.

Hence, it can be seen from the cross-tabulation that compared to middle and old-aged micro-enterprises, most young firms lacked prior experience before establishing their operations. This perhaps explains the proportion of young firms with a certain level of education. This group entered business without prior experience, as discussed earlier.

Moreover, chi-square test results revealed that there is a significant difference between the number of years in business and experience ($\chi^2 = 24.340$, sig. = 0.000). The result may explain that the longer the enterprises have been in existence, the more experience the owners have in operating their enterprises.

Table 7. 35 Cross-Tabulation of Level of Years in Business and Business Management Experience

		Business Management Experience		Total (N)
		No N (%)	Yes N (%)	
Years in Business	1-5	140 (62.2)	85 (37.8)	225
	6-10	62 (41.6)	87 (58.4)	149
	11-15	23 (47)	26 (53)	49
	Above 15	13 (30.2)	30 (69.8)	43
$\chi^2 = 24.340$				
(p-value = 0.000)				

7.2.8 Description of Respondents Attending Training Program or Scheme

Table 7.36 depicts micro-entrepreneurs' participation in training programs or schemes before launching their businesses. Out of 466 respondents, 51.9% said they have engaged

in some kind of business training program or scheme, which is primarily attributable to their lack of experience and training.

Besides, a cross-tabulation of experience and attending training programs or schemes, as shown in Table 7.37, revealed that 61.8% (n=147) of the respondents with no prior experience before starting the business have attended training programs or schemes. It may explain that micro firms with little experience participated in training programs or schemes to improve their skills and business expertise.

A chi-square test also showed that there is a significant difference between micro-entrepreneurs' experience and the training programs or schemes they have participated in ($\chi^2 = 36.553$, sig. = 0.000), indicating that micro-entrepreneurs' degree of experience is important in deciding their participation in training programs or schemes.

Table 7. 36 Respondents' Participation in Training Program

		Frequency	Percent (%)
Training Program	No	224	48.1
	Yes	242	51.9
	Total	466	100.0

Additionally, a cross-tabulation (see Table 7.38) between the number of years in business and attending training programs or schemes indicated that a total of 35.6% of young firms have participated in the training programs or schemes provided by the relevant agencies before starting their business, followed by 71.8% of middle-aged firms, 63.3% of older micro businesses (11–15 years of business establishment) and 55.8% of micro business with above 15 years of business establishment. These statistics may explain why micro firms, regardless of their level of development, have participated in training

programs or schemes, which were intended to improve their business management skills and knowledge.

A chi-square test was used to determine if there is a significant difference between the number of years micro-entrepreneurs have been in business and the training programs or schemes they have participated in, as shown in Table 7.38. The chi-square test result suggested a substantial difference between the number of years micro businesses have been in operation and the training programs or schemes they have participated in ($\chi^2 = 50.544$, sig. = 0.000). The result perhaps indicates that the number of years in business could influence the micro-entrepreneurs to attend the training programs or schemes.

Table 7. 37 Cross-tabulation of Business Experience and Attended Training Course

		Attended Training		Total (N)
		No N (%)	Yes N (%)	
Business Experience	No	147 (61.8)	91(38.2)	238
	Yes	77 (33.8)	151 (66.2)	228
$\chi^2 = 36.553$ (p-value = 0.000)				

Table 7. 38 Cross-tabulation of Years in Business and Attended Training Courses

		Training Course		Total
		No	Yes	
Years in Business	1-5	145 (64.4)	80 (35.6)	225
	6-10	42 (28.2)	107 (71.8)	149
	11-15	18 (36.7)	31 (63.3)	49
	Above 15	19 (44.2)	24 (55.8)	43
$\chi^2 = 50.544$ (p-value = 0.000)				

Meanwhile, according to the data shown in Table 7.36, about 48.1% of the respondents have not attended or participated in any training programs or schemes before starting their business. This may be because some micro-entrepreneurs think they already possess the skills necessary to manage their firms and do not need to participate in training programs or schemes. In addition, some micro businesses are inherited as family businesses and have no intention of participating in any programs or schemes. Since they have previously been informally taught by their families, they might not be interested in joining the training programs or schemes.

7.2.9 Description of Respondents by Awareness and Utilization of Program or Scheme

The respondents were asked whether they knew government entities and other institutions that offered human capital development programs or schemes. Table 7.39 demonstrates that 142 (30.5%) of the 466 micro businesses surveyed were aware of human capital development programs or schemes offered by the government and other entities.

Campaigns probably contributed to raising micro-entrepreneurs' awareness of the existing programs or schemes. The relevant agencies, such as FINCA, BRAC, Women for Women, Cordaid, and Aga Khan Foundation (AKF), are required to disseminate information related to skill upgrading programs through media, newspapers, magazines, the Internet, and career fairs.

The 142 respondents who were aware of the human capital initiatives or schemes were further questioned why they chose not to participate despite being aware of their existence. Table 7.39 shows that 68.3% respondents cited the program's inability to satisfy their business requirements was the basis for not participating in the programs. Sixty-nine

(48.6%) respondents declined to join the programs or schemes because of high costs or fees (see Table 7.40). Meanwhile, 94 (66.2%) respondents stated that the programs or schemes imposed many terms and conditions (see Table 7.41). Finally, 74 (52.1%) respondents claimed that the programs or schemes offered by the institutions were not required at the moment (see Table 7.42).

Table 7. 39 Cross-tabulation of Awareness Level and Reasons for Not Participating in Programs (Not Meet the Business Needs)

		Not Meet the Business Needs		Total (N)
		No N (%)	Yes N (%)	
Awareness of Programs/Scheme	No	324 (100)	0 (0)	324
	Yes	45 (31.7)	97 (68.3)	142

$\chi^2 = 365.295$
(p-value = 0.000)

Thus, there are several possible causes for not participating in the training programs or schemes, as shown in the findings above. It could be demonstrated that high costs or fees are one of the primary obstacles preventing micro-enterprises from entering training marketplaces. Participation in training programs or schemes is contingent on the cost of the training program. Some relevant authorities may impose excessively costly fees on micro-entrepreneurs.

Table 7. 40 Cross-tabulation of Awareness Level and Reasons for Not Participating in Programs (High Cost or Fee)

		High Cost or Fees		Total (N)
		No N (%)	Yes N (%)	
Awareness of Programs/Scheme	No	324 (100)	0 (0)	324
	Yes	73 (51.4)	69 (48.6)	142

$\chi^2 = 350.670$
(p-value = 0.000)

Furthermore, it is noted that training programs related to micro-enterprises were inappropriate, lacked quality, and did not satisfy the micro-entrepreneur's business needs. Nazeer Mohammad (2021) stated that in Afghanistan, the educational gap still exists between the work environment and international standards.

Table 7. 41 Cross-Tabulation of Awareness Level and Reasons for Not Participating in Programs (Many Terms and Conditions)

		Many Terms Conditions		Total
		No	yes	
Awareness of Programs/Scheme	No	324 (100)	0 (0)	324
	Yes	48 (33.8)	94 (66.2)	142

$\chi^2 = 361.612$
(p-value = 0.000)

In addition, micro-enterprises do not participate in training programs or schemes owing to the many criteria set by relevant authorities. For example, micro-enterprises should register with the municipality to get a business license, pay applicable taxes, and maintain financial records. Several micro companies are unable to meet the demanding

terms and conditions since they are still in the initial stage of business development. Particularly in Kandahar, some micro firms are termed informal since they are not registered with business authorities and lack business registration papers.

Table 7. 42 Cross-Tabulation of Awareness Level and Reasons for Not Participating in Programs (Not Required at the Moment)

		Not Required at the Moment		Total (N)
		No N (%)	Yes N (%)	
Awareness of Programs/Scheme	No	324 (100)	0 (0)	324
	Yes	68 (47.9)	74 (52.1)	142

$\chi^2 = 350.037$
(p-value = 0.000)

Meanwhile, several micro businesses were hesitant to join the programs or schemes because they believed it is unnecessary at the moment. This is possibly due to the fact that micro-entrepreneurs believe they already possess adequate skills to handle the firm. In addition, micro firms may not intend to participate in the programs or schemes since they regard their business to still be young, leading them to believe that training is unnecessary in the early phases of business development.

A chi-square test was undertaken to determine whether or not there is a significant difference between the level of awareness and the reasons for not participating in the programs or schemes. The findings indicated a significant difference between the level of awareness and the reasons for not participating in the program or scheme. The chi-square value for not meeting business needs was $\chi^2 = 365.295$, sig. = 0.000, for high cost or fees

was $\chi^2 = 350.670$, sig. = 0.000, for many terms and conditions was $\chi^2 = 361.612$, sig. = 0.000, and for not required at the moment was $\chi^2 = 350.037$, sig. = 0.000a. Hence, the results suggest that these four factors influence the choice of micro-entrepreneurs to not join training programs or schemes, even though they are aware of the programs and schemes.

Table 7. 43 Cross-Tabulation of Awareness Level and Reasons for Not Aware of Programs (Not Important to Know)

		Not Important to Know		Total (N)
		No N (%)	Yes N (%)	
Awareness of Programs/Scheme	No	145 (44.7)	179 (55.3)	324
	Yes	0 (0)	142 (100)	142

$\chi^2 = 132.864$
(p-value = 0.000)

Table 7. 44 Cross-Tabulation of Awareness Level and Reasons for Not Aware of Programs (Less Information Provided)

		Less Information Provided		Total
		No	Yes	
Awareness of the Program/Scheme	No	157 (48.5)	167 (51.5)	324
	Yes	0 (0)	142 (100)	142

$\chi^2 = 131.457$
(p-value = 0.000)

Table 7.39 shows that 324 (69.6%) respondents, on the other hand, were uninformed about the training programs or schemes. Table 7.43 reveals that 179 (55.3%) of the micro-enterprises felt it was unnecessary to be aware of a specific scheme or program. Lack of

information was another recurring response, with 167 (51.5%) respondents stating it as the reason for not being aware (see Table 7.44). Despite the availability of various programs and schemes, many micro businesses claimed to have little knowledge of the programs and schemes.

Table 7. 45 Cross-Tabulation of Awareness Level and Reasons for Not Aware of Programs (Less Promotion)

		Less Promotion		Total
		No	Yes	
Awareness of Program/Scheme	No	101 (31.2)	223 (68.8)	324
	Yes	0 (0)	142 (100)	142
$\chi^2 = 168.490$				
(p-value = 0.000)				

Respondents also indicated that they are unable to determine which training programs or schemes are covered by associated authorities and are applicable because they do not have access to the necessary information. When asked the name of a particular program or scheme, most respondents were unaware of the existence of the specified human capital development programs or schemes.

Less promotion by relevant authorities is a significant factor that respondents have also identified. A total of 223 respondents (68.8%) said that they were unaware of programs or schemes since there had been little promotion by relevant organizations. Although certain programs or schemes are offered for SMEs in Kandahar, most micro-enterprises are still unaware of these programs or schemes. This lack of awareness may indicate that the relevant organizations are not adequately marketing and publicizing the programs or

schemes. Additionally, the offer for human capital development programs is aimed at other components of MSMEs, such as small, medium, and large enterprises. The offer does not target micro businesses.

The findings of a chi-square test showed a substantial difference between micro-entrepreneurs' awareness of training programs or schemes and the reasons for not knowing about them. The details are as follows: not important to know ($\chi^2 = 132.864$, sig. = 0.000); less information provided ($\chi^2 = 131.457$, sig. = 0.000); and less promotion ($\chi^2 = 168.490$, sig. = 0.000). Hence, the results might mean that these three factors are important in deciding how willing micro businesses are to take part in training programs or schemes.

7.2.10 Description of Respondents by their Skills

The questionnaire also included questions about whether micro-entrepreneurs possess pertinent abilities in areas like technical/practical, marketing/management, business planning, labor management, financial management, and information and technology.

Table 7.46 reveals that 210 (45.1%) respondents specifically stated that they lacked technical skills. Technical skills involve understanding how certain objects operate, including product knowledge, process knowledge, service knowledge, marketing knowledge, and communication expertise (Smith & Perks, 2006). Lack of technical expertise may cause micro firms to operate with reduced productivity, worse input quality, and excessive expense, all of which would result in lower returns on capital investment. It also prevents micro-enterprises from competing in the market and impacts their performance.

Table 7. 46 Skills Possessed Among Micro-enterprises

		Frequency	Percent (%)
Technical/Practical	No	210	45.1
	Yes	256	54.9
	Total	466	100.0
Marketing/Management	No	295	63.3
	Yes	171	36.7
	Total	466	100
Business/Planning	No	316	67.8
	Yes	150	32.2
	Total	466	100
Labor Management	No	236	50.6
	Yes	230	49.4
	Total	466	100
Financing Management	No	338	72.5
	Yes	128	27.5
	Total	466	100
Information Technology	No	400	85.8
	Yes	66	14.2
	Total	466	100

Furthermore, 295 respondents said they lack managerial abilities. The ability to manage a business includes knowledge of planning, decision-making, marketing, finances, and accounting. Micro businesses need management abilities to plan, organize, control, and lead their activities. Even in large enterprises, managers should have these fundamental competencies. A lack of management skills makes it difficult for micro firms to connect with investors and financial institutions, which results in poor strategic planning, lack of potential, and an inability to network with other SMEs (Lyles et al., 2004).

Meanwhile, 316 respondents (67.8%) said they lack the ability to plan their businesses. Micro-enterprises often don't have proper planning procedures in place when they first start their business. A comprehensive and compelling business plan is the primary criterion for financial institutions to provide financing facilities. However, the majority of micro-enterprises in the industry are either inherited operations or possibly started as a pastime.

Moreover, 236 of micro-enterprises (50.6%) have no skills in labor management, which can result from most micro-enterprises operating with only one owner or lower staff.

Furthermore, 338 respondents (72.5%) said they lacked financial management abilities. When a micro business lacks financial management abilities, it cannot comprehend and apply financial management concepts like cash flow, pricing, costing, and financial risk. Additionally, since they lack financial skills, micro-entrepreneurs may not know how to get funds to launch, maintain and expand their enterprises.

On the other hand, 400 respondents (85.8%), said they are experiencing an IT skills shortage. It is challenging for micro-scale firms to properly plan to introduce and exploit new technology because of their size, age, education, and the nature of their enterprises. Additionally, micro businesses' low financial resources have made it difficult to implement the most recent advances, particularly those concerning Internet use.

The above results are aligned with the studies conducted by Freshta (2016), Murtaza et al. (2019), Nazeer Mohammad (2021), Nazifa and Muhammad Shahid (2018) and Wasiq and Dahlan (2019).

Table 7. 47 Cross-Tabulation of Years in Business and Having Skills
(Technical/Practical)

		Technical/Practical Skills		Total (N)
		No	Yes	
		N (%)	N (%)	
Number of Years in Business	1-5	136 (60.4)	89 (39.6)	225
	6-10	44 (29.5)	105 (70.5)	149
	11-15	18 (36.7)	31 (63.3)	49
	Above 15	12 (27.9)	31(72.1)	43
$\chi^2 = 42.509$ (p-value = 0.000)				

Table 7. 48 Cross-Tabulation of Years in Business and Having Skills
(Marketing/Management)

		Marketing Management Skills		Total (N)
		No	Yes	
		N (%)	N (%)	
Number of Years in Business	1-5	152 (67.6)	73 (32.4)	225
	6-10	89 (59.7)	60 (40.3)	149
	11-15	31 (63.3)	18 (36.7)	49
	Above 15	23 (53.5)	20 (46.5)	43
$\chi^2 = 4.353$ (p-value = 0.226)				

Meanwhile, a cross-tabulation between the number of years in business and having skills produced results that are presented as follows:

- A portion of respondents from young micro-enterprises aged 1–5 years old (60.4%), middle-aged micro businesses aged 6–10 years old (29.5%), old-aged

businesses aged 11–15 years old (36.7%), and micro-businesses aged above 15 years old (27.9%) all reported a lack of technical skills (see Table 7.47).

- A total of 152 (67.6%) young micro-enterprises (1–5 years of business establishment), 59.7% of middle-aged micro businesses (6–10 years of business establishment), 63.3% of old-aged firms (11–15 years of business establishment), and 53.5% of firms above 15 years old stated that they lack marketing management skills (see Table 7.48).
- A portion of 74.2% of young firms aged 1–5 years old, 67.1% of middle-aged micro-enterprises (aged 6–10 years old), 63.3% of old-aged firms (aged 11–15 years old), and 41.8% of businesses older than 15 years indicated that they lack business planning skills (see Table 7.49).
- A total of 151 (67.1%) young micro-enterprises (1–5 years of business establishment), 63 (42.3%) middle-aged micro businesses (6–10 years of business establishment), 17 (63.3%) old-aged firms (11–15 years of business establishment) and five (11.6%) of the firms above 15 years old stated that they lack labor management skills (see Table 7.50).
- A portion of 74.2% of young firms aged 1–5 years old, 71.8% of middle-aged micro-enterprises (aged 6–10 years old), 77.5% of old-aged firms (aged 11–15 years old) and 60.5% of businesses older than 15 years stated that they lack financial management skills (see Table 7.51).
- Portions of respondents from young micro-enterprises aged 1–5 years old (81.8%), middle-aged micro businesses aged 6–10 years old (86.6%), old-aged businesses aged 11–15 years old (89.8%), and all respondents of micro-

businesses aged above 15 years old (100%) indicated that they lack technical skills (see Table 7.52).

Table 7. 49 Cross-tabulation of Years in Business and Having Skills (Business Planning)

		Business Planning		Total (N)
		No	Yes	
		N (%)	N (%)	
Years in Business	1-5	167 (74.2)	58 (25.8)	225
	6-10	100 (67.1)	49 (32.9)	149
	11-15	31 (63.3)	18 (36.7)	49
	Above 15	18 (41.8)	25 (58.2)	43
$\chi^2 = 18.000$ (p-value = 0.000)				

Table 7. 50 Cross-tabulation of Years in Business and Having Skills (Labor Management)

		Labor Management		Total (N)
		No	Yes	
		N (%)	N (%)	
Years in Business	1-5	151 (67.1)	74 (32.9)	225
	6-10	63 (42.3)	86 (57.7)	149
	11-15	17 (34.7)	32 (65.3)	49
	Above 15	5 (11.6)	38 (88.4)	43
$\chi^2 = 59.752$ (p-value = 0.000)				

Table 7. 51 Cross-tabulation of Years in Business and Having Skills (Financial Management)

		Financial Management		Total (N)
		No	Yes	
		N (%)	N (%)	
Number of Years in Business	1-5	167 (74.2)	58 (25.8)	225
	6-10	107 (71.8)	42 (28.2)	149
	11-15	38 (77.5)	11 (22.5)	49
	Above 15	26 (60.5)	17 (39.5)	43

$\chi^2 = 4.124$
(p-value = 0.248)

Table 7. 52 Cross-tabulation of Years in Business and Having Skills (Information Technology)

		Information Technology		Total (N)
		No	Yes	
		N (%)	N (%)	
Number of Years in business	1-5	184 (81.8)	41 (18.2)	225
	6-10	129 (86.6)	20 (13.4)	149
	11-15	44 (89.8)	5 (10.2)	49
	Above 15	43 (100)	0 (0)	43

$\chi^2 = 10.843$
(p-value = 0.013)

The cross-tabulation demonstrates that micro-enterprises from various business stages lack expertise in various skills, which may help explain the various reasons why micro-enterprises may lack the skills. For example, business skills development among micro-entrepreneurs may be severely hindered in the absence of any substantial prior business experience. Prior business experience may assist micro firms in having abilities

such as recognizing clients, marketing strategies, financial management, and labor management.

A chi-square test was conducted to test the difference between having the skills and the number of years in business. The result of the chi-square test showed that the difference was significant for four skills: technical skills ($\chi^2 = 42.509$, sig. = 0.000), business planning skills ($\chi^2 = 18$, sig. = 0.000), labor management skills ($\chi^2 = 59.752$, sig. = 0.000), and information technology skills ($\chi^2 = 10.843$, sig. = 0.000). Hence, the results might indicate that these four skills are significant in determining the number of years in business.

Table 7. 53 Cross-Tabulation of Educational Level and Having Skills
(Technical/Practical)

		Technical/Practical		Total (N)
		No N (%)	Yes N (%)	
Educational Level	No Education	148 (50.4)	146(49.6)	294
	Secondary Education	17 (51.5)	16 (48.5)	33
	Diploma	42 (32.6)	87 (67.4)	129
	Bachelor Degree	3 (30)	7 (70)	10
		$\chi^2 = 12.927$ (p-value = 0.005)		

Additionally, a cross-tabulation between educational level and having respective skills produced results as follows:

- A portion of 50.4% of respondents with no education, 51.5% with secondary education, 32.6% of micro-entrepreneurs with a diploma education, and 30%

with a bachelor education indicated that they lack technical skills (see Table 7.53).

- A total of 194 (66%) respondents who had no education, 21 (63.6%) respondents who had secondary education, 74 (57.4%) respondents who had a diploma education, and six (60%) respondents who had a bachelor's degree pointed out that they lack marketing management skills (see Table 7.54).
- A portion of 71.8% of respondents who had no education, 69.7% of respondents with secondary education, 58.1% of micro-entrepreneurs with a diploma education, and 70% with a bachelor's degree indicated that they lack business planning skills (see Table 7.55).
- A total of 167 (56.8%) respondents who had no education, 15 (45.4%) respondents who had secondary education, 50 (38.8%) respondents who had a diploma education, and four (40%) respondents with a bachelor's education pointed out that they lack labor management skills (see Table 7.56).
- A portion of 74.9% of respondents who had no education, 63.7% of respondents with secondary education, 70.5% of micro-entrepreneurs with a diploma education, and 60% with a bachelor's education indicated that they lack financial management skills (see Table 7.57).
- A portion of 87.4% of respondents having no education, 72.7% of respondents with secondary education, 86% of micro-entrepreneurs with a diploma education, and 80% with bachelor's education indicated that they lack information technology skills (see Table 7.58).

There are various possible reasons for the lack of skills in micro-entrepreneurs with various educational backgrounds. For example, some micro-entrepreneurs finished their elementary or secondary education and started their businesses without the necessary skills. Due to challenges in finding work with competitive compensation for people with low levels of skills, they may have decided to launch their firm without the requisite skills. Similarly, micro business employers with a specific level of education, such as a diploma, matriculation, or bachelor's degree, started operating without the necessary skills. It just so happens that they cannot find suitable positions once they finish their studies. As a consequence, they have the intention of launching a business despite lacking the necessary skills.

Table 7. 54 Cross-tabulation of Educational Level and Having Skills (Marketing Management)

		Marketing Management		Total (N)
		No N (%)	Yes N (%)	
Educational Level	No Education	194 (66)	100 (34)	294
	Secondary Education	21 (63.6)	12 (36.4)	33
	Diploma	74 (57.4)	55 (42.6)	129
	Bachelor's Degree	6 (60)	4 (40)	10

$\chi^2 = 2.918$
(p-value = 0.404)

Table 7. 55 Cross-Tabulation of Educational Level and Having Skills (Business Planning)

		Business Planning		Total (N)
		No	Yes	
		N (%)	N (%)	
Educational Level	No Education	211 (71.8)	83 (28.2)	294
	Secondary Education	23 (69.7)	10 (30.3)	33
	Diploma	75 (58.1)	54 (41.9)	129
	Bachelor's Degree	7 (70)	3 (30)	10

$\chi^2 = 7.713$
(p-value = 0.052)

Table 7. 56 Cross-Tabulation of Educational Level and Having Skills (Labor Management)

		Labor Management		Total (N)
		No	Yes	
		N (%)	N (%)	
Educational Level	No Education	167 (56.8)	127 (43.2)	294
	Secondary Education	15 (45.4)	18 (54.6)	33
	Diploma	50 (38.8)	79 (61.2)	129
	Bachelor's Degree	4 (40)	6 (60)	10

$\chi^2 = 12.559$
(p-value = 0.006)

Besides, a chi-square test was conducted and it was found that there is a significant difference between educational level and skills. The results of the chi-square test showed that there exists a substantial difference between educational level and three pertinent skills: technical skills ($\chi^2 = 12.927$, sig. = 0.005), business planning skills ($\chi^2 = 7.713$, sig. = 0.052) and labor management skills ($\chi^2 = 12.559$, sig. = 0.006). The results imply that the levels

of education are determinant in acquiring skills related to business technicality, business planning, and labor management among employers of micro-enterprises.

Table 7. 57 Cross-tabulation of Educational Level and Having Skills (Financial Management)

		Financial Management		Total (N)
		No	Yes	
		N (%)	N (%)	
Educational Level	No Education	220 (74.9)	74 (25.1)	294
	Secondary Education	21 (63.7)	12 (36.3)	33
	Diploma	91 (70.5)	38 (29.5)	129
	Bachelor's Degree	6 (60)	4 (40)	10
$\chi^2 = 3.135$ (p-value = 0.371)				

Table 7. 58 Cross-Tabulation of Educational Level and Having Skills (Information Technology)

		Information Technology		Total (N)
		No	Yes	
		N (%)	N (%)	
Educational Level	No Education	257 (87.4)	37 (12.6)	294
	Secondary Education	24 (72.7)	9 (27.3)	33
	Diploma	111 (86)	18 (14)	129
	Bachelor's Degree	8 (80)	2 (20)	10
$\chi^2 = 5.552$ (p-value = 0.136)				

7.2.11 Description of Respondents by Awareness of Qardhul Hasan and Islamic Equity-based Financing

The respondents were asked whether they are aware of the Qardhul Hasan and Islamic equity-based financing. Table 7.59 shows that 465 (99.8%) of the micro-entrepreneurs acknowledged that they are aware of Qardhul Hasan, and only one (0.2%) respondent stated that he/she is unaware of Qardhul Hasan financing. The large amount of awareness may be attributed to the simplicity of Qardhul Hasan financing and the fact that it is mostly used to fulfill short-term financial needs among micro-enterprises in Kandahar.

Moreover, Table 7.59 shows that 438 (94%) of micro-enterprises in Kandahar are aware of Islamic equity-based financing, and only 28 (6%) of respondents are unaware of equity-based financing. The high level of awareness is because of the wide publicity by Islamic scholars in the mosque and other social gatherings.

Table 7. 59 Awareness of Qardhul Hasan and Equity-based Financing

		Frequency	Percent (%)
Awareness of Qardhul Hasan	No	1	.2
	Yes	465	99.8
	Total	466	100.0
Awareness of Islamic Equity-based Financing	No	28	6.0
	Yes	438	94.0
	Total	466	100.0

Meanwhile, Table 7.60 depicts the ability of the respondents to use Qardhul Hasan and Islamic equity-based financing. A total of 450 (96.6%) respondents confirmed that they know how to utilize or use Qardhul Hasan financing. Only 16 (3.4%) of the micro-

enterprises pointed out that they are unable to use Qardhul Hasan financing arrangement. It may be elaborated that due to the nature of Qardhul Hasan financing arrangement and its simplicity, the majority of businesses, besides being aware of the terms of Qardhul Hasan, know the nature and the utilization of this financing arrangement.

Apart from that, Table 7.60 summarizes micro-enterprises' responses regarding the use of equity-based financing arrangements. A portion of 81.5% of respondents indicated that they are able to use equity-based financing arrangements. On the other side, 8.5% of respondents stated that they are unable to use equity-based financing. The slightly higher portion of respondents unable to use Islamic equity-based financing compared to Qardhul Hasan financing may be because, comparatively, the nature of Islamic equity-based financing is more complex than Qardhul Hasan financing. Therefore, most of the micro-enterprises are likely to be more interested in using the Qardhul Hasan financing arrangement.

Table 7. 60 The Use of Qardhul Hasan and Equity-based Financing

		Frequency	Percent (%)
Use of Qardhul Hasan	No	16	3.4
	Yes	450	96.6
	Total	466	100.0
Use of Islamic Equity-based Financing	No	86	18.5
	Yes	380	81.5
	Total	466	100.0

7.2.12 Description of Respondents by Willingness to Use the IQEMD Model

Micro businesses were questioned on their willingness to employ the IQEMD model developed in this research as a potential source of finance. Table 7.61 shows that out of 446 respondents who answered the question, 451 (96.8%) responded positively, while 15 (3.2%) indicated the opposite. This shows that the majority of micro-enterprises are ready and enthusiastic to use the IQEMD model to finance their businesses.

It is also similar in the case of human capital development. Respondents were asked if they are willing to use the IQEMD model as a viable option for human capital development. Out of 466 that responded to the question, 432 (92.7%) responded positively, while 34 (7.3%) indicated the opposite (see Table 7.61). The findings imply the desire and willingness of micro-enterprises to use the IQEMD model to enhance their skills development.

Table 7. 61 Willingness to Use the IQEMD Model

		Frequency	Percent (%)
Willingness to Use the IQEMD Model for Financing	No	15	3.2
	Yes	451	96.8
	Total	466	100.0
Willingness to Use the IQEMD Model for Human Capital Development	No	34	7.3
	Yes	432	92.7
	Total	466	100.0

7.2.13 Descriptive Statistics of Survey Items Based on Theory of Reasoned Action

A section of the items in the questionnaire employed for this study were adopted and adapted from scales based on the Theory of Reasoned Action (TRA), which have been developed by previous studies that used the TRA (Ajzen & Fishbein, 1980; Asmy, 2015; Muhammad, 2012). The purpose was to assess the behavioral intention of micro-entrepreneurs to use the IQEMD model. As shown in Table 7.62, a total of six questions for the construct of attitude were successfully chosen and included in the questionnaire. Furthermore, the questionnaire contains 6 and 7 questions for the constructs of subjective norm and behavioral intention respectively.

A brief glance at the mean scores for each item for the specific constructs reveals that almost all scores are more than six for attitude and behavioral intention and greater than five for the subjective norm. This implies the agreement of respondents with each of the descriptive statements. For example, (i) an item coded ATT1 which represents the construct of attitude “Engaging in the IQEMD model is fair” had a mean score of 6.06, (ii) an item coded ATT6 which also represents the construct of attitude “Engaging in the IQEMD model is fulfilling Shariah principles” had a mean score of 6.12, (iii) an item coded SN1 which represents the construct of subjective norm “Most people who are important to me think that I should use this IQEMD model for financing purposes” had a mean score of 5.92, (iv) an item coded SN5 which also represents the construct of subjective norm “It is expected of me that I should use the IQEMD model for financing purposes” had a mean score of 5.90, (v) an item coded BI1 which represents the constructs of behavioral intention “I intend to use the IQEMD model if it is offered” had a mean score of 6.30, and (vi) an item coded BI6 which also indicates the construct of behavioral intention “I will definitely

opt for the IQEMD model in the future” had a mean score of 6.33 (see Table 7.62). In addition to this, this research examined the total average mean score for constructs based on the TRA.

Overall, the measures of central tendency such as the mean demonstrate how data distribution is centered on the middle value. Considering the three survey constructs, the mean data match the replies of micro-entrepreneurs. For instance, the minimum and maximum statistics are 1 (strongly disagree) and 7 (strongly agree) for attitude toward behavior, subjective norm, and behavioral intention in responses to the questionnaire. The overall mean scores range between 5.87 and 6.31 across the board. As a measure of data similarity, these figures suggest that the majority of respondents' responses are reflected by the number six, which stands for agreement with constructs of TRA. Indeed, the findings revealed that the great majority of respondents replied "agree" to the statements. In general, answers to the three survey constructs showed widespread agreement.

Table 7. 62 Descriptive Statistics of Survey Items

Items and Code		Strongly disagree	Disagree	Some what disagree	Neutral	Somewhat agree	Agree	Strongly agree	Mean	Std. Dev
Attitude										
Engaging in the IQEMD model is fair (ATT1)	N	n.a	n.a	n.a	1	98	239	128	6.06	0.701
	%	n.a	n.a	n.a	0.2	21	51.3	27.5		
Engaging in the IQEMD model is valuable (ATT2)	N	n.a	n.a	1	6	100	224	135	6.04	0.758
	%	n.a	n.a	0.2	1.3	21.5	48.1	29		
Engaging in the IQEMD model is suitable (ATT3)	N	n.a	4	1	2	92	209	158	6.09	0.839
	%	n.a	0.9	0.2	0.4	19.7	44.8	33.9		
Engaging in the IQEMD model is fulfilling Shariah principles (ATT6)	N	n.a	3	4	1	83	210	165	6.12	0.841
	%	n.a	0.6	0.9	0.2	17.8	45.1	35.4		
Engaging in the IQEMD model is in line with my social values (ATT7)	N	n.a	n.a	2	4	95	237	128	6.04	0.742
	%	n.a	n.a	0.4	0.9	20.4	50.9	27.5		
Engaging in the IQEMD model is in line with my religious values (ATT8)	N	n.a	n.a	n.a	2	87	211	166	6.16	0.732
	%	n.a	n.a	n.a	0.4	18.7	45.3	35.6		
Total Average of Mean and Standard Deviation = (ATT1+ATT2+ATT3+ATT6+ATT7+ATT8)/6									6.08	0.768
Subjective Norms										
Most people who are important to me think that I should use this IQEMD model for financing purposes (SN1)	N	n.a	n.a	1	5	112	259	89	5.92	0.699
	%	n.a	n.a	0.2	1.1	24	55.6	19.1		
Most people who are important to me think that I should use this IQEMD model for enhancing my skills (SN2)	N	n.a	n.a	2	9	133	253	69	5.81	0.717
	%	n.a	n.a	0.4	1.9	28.5	54.3	14.8		
Most people whose opinion I value would approve my action to use this IQEMD model for financing purposes (SN3)	N	n.a	n.a	1	7	112	270	76	5.89	0.686
	%	n.a	n.a	0.2	1.5	24	57.9	16.3		
Most people whose opinion I value would approve of my action to use this IQEMD model for enhancing my skills (SN4)	N	n.a	n.a	1	10	124	259	72	5.84	0.708
	%	n.a	n.a	0.2	2.1	26.6	55.6	15.5		
	N	n.a	n.a	n.a	10	123	236	97	5.90	0.741

It is expected of me that I should use the IQEMD model for financing purposes (SN5)	%	n.a	n.a	n.a	2.1	26.4	50.6	20.8		
It is expected of me that I should use the IQEMD model for enhancing my skills (SN6)	N	n.a	n.a	1	8	116	260	81	5.88	0.706
	%	n.a	n.a	0.2	1.7	24.9	55.8	17.4		
Total Average of Mean and Standard Deviation = (SN1+SN2+SN3+SN4+SN5+SN6)/6									5.87	0.709
Behavioral Intention										
I intend to use the IQEMD model if it is offered (BI1)	N	n.a	n.a	n.a	n.a	44	238	184	6.30	0.632
	%	n.a	n.a	n.a	n.a	9.4	51.1	39.5		
I will frequently use the IQEMD model if it is offered (BI2)	N	n.a	n.a	n.a	3	41	246	176	6.28	0.645
	%	n.a	n.a	n.a	0.6	8.8	52.8	37.8		
It is important for me to use the IQEMD model if it is offered (BI3)	N	n.a	n.a	n.a	n.a	44	238	184	6.30	0.632
	%	n.a	n.a	n.a	n.a	9.4	51.1	39.5		
I have a strong intention to use the IQEMD model if it is offered (BI4)	N	n.a	n.a	n.a	5	48	218	195	6.29	0.692
	%	n.a	n.a	n.a	1.1	10.3	46.8	41.8		
I will strongly recommend the IQEMD model to others (BI5)	N	n.a	n.a	1	4	43	224	194	6.30	0.688
	%	n.a	n.a	0.2	0.9	9.2	48.1	41.6		
I will definitely opt for the IQEMD model in the future (BI6)	N	n.a	n.a	n.a	4	36	228	198	6.33	0.654
	%	n.a	n.a	n.a	0.9	7.7	48.9	42.5		
IQEMD model is a necessity in the present situation (BI7)	N	n.a	n.a	1	2	44	189	230	6.38	0.691
	%	n.a	n.a	0.2	0.4	9.4	40.6	49.4		
Total Average of Mean and Standard Deviation = (BI1+BI2+BI3+BI4+BI5+BI6+BI7)/7									6.31	0.662

7.3 STRUCTURAL EQUATION MODELING (SEM)

7.3.1 Analyzing the Measurement Model

Figure 7.5 depicts a conceptual representation of the proposed model reflecting the TRA in this study. The model is based on a dataset of 466 responses to a multi-item composite questionnaire using a seven-point Likert scale. Generally, this research tested this conceptual model for the proposed hypothesis. The hypothesized model posits that behavioral intention has a path relationship with two latent variables: attitude toward behavior and subjective norms.

Consequently, the latent constructs for the proposed measurement model of this study are attitude toward behavior (ATT), subjective norms (SN), and behavioral intention (BI) (see Figure 7.5). The proposed measurement model was evaluated for construct reliability and validity.

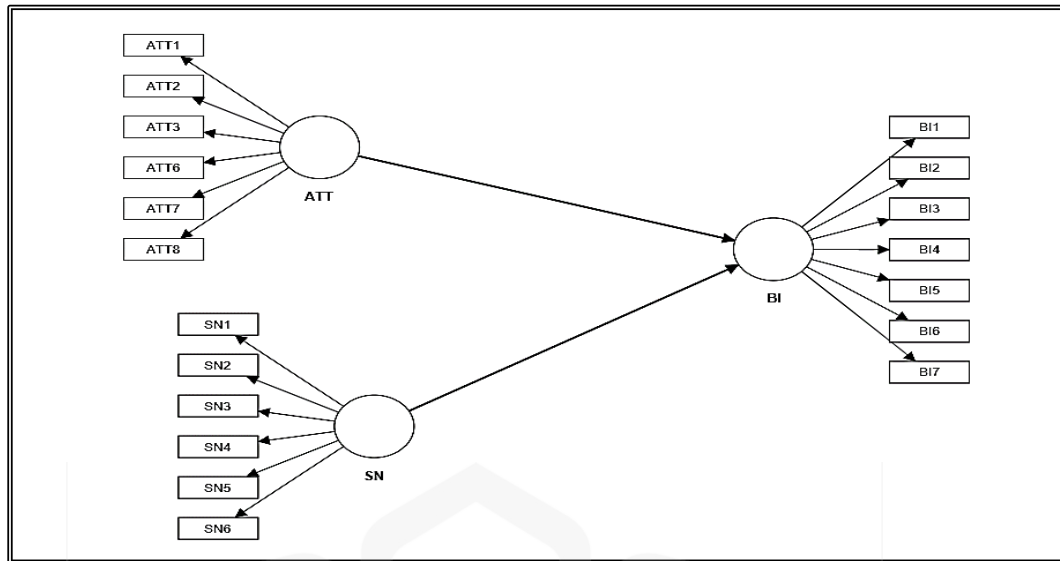


Figure 7. 5 Proposed Model for Hypotheses Testing

7.3.2 Construct Reliability

Cronbach's alpha and composite reliability (CR) values were used to evaluate the measurement reliability of all latent constructs. As shown in Table 7.63, Cronbach's alpha value for the latent constructs attitude toward behavior, behavioral intention, and subjective norms were 0.929, 0.938, and 0.941 respectively, all of which were more than the minimum threshold value of 0.7. The composite reliability (CR) rating was 0.941 for attitude toward behavior, 0.950 for behavioral intention, and 0.945 for subjective norms, all of which were above the 0.7 minimum threshold value. These findings suggest that all the latent constructs have internal consistency across multiple measurement items. Consequently, the constructs in the current study showed high measurement reliability.

Table 7. 63 Reliability of Latent Constructs

Latent Constructs	Label	α	CR
Attitude	ATT	0.929	0.941
Behavioral Intention	BI	0.938	0.950
Subjective Norms	SN	0.941	0.945

7.3.4 Convergent Validity

Outer loadings, CR, and average variance extracted (AVE) were used to determine convergence validity. Before deletion, full loading results for all components, AVE, and CR for the corresponding structures were assessed. Items with low outer loadings of less than 0.5 were discarded in accordance with the cut-off rule. Two elements from attitude were impacted, ATT4 and ATT5, with loading values of -0.012 and -0.009 respectively. This indicates that just 4.2% or two of the original 47 items were removed significantly, less than the suggested maximum of 20% (Hair et al., 2017). The deletion process immediately enhanced the AVE, Cronbach's alpha, and CR values. Figure 7.6 displays the AVE and outer loadings values of all constructs. The convergent validity results are summarized in the AVE calculated for each construct (Fornell & Larcker, 1981). The AVE values for attitude toward behavior, subjective norm, and behavioral intention were 0.738, 0.771, and 0.730 respectively, all of which were more than the AVE cut-off value (0.7). Most item loadings were more than 0.7 and statistically significant at 0.001. The attitude construct had the lowest CR (0.938), while the behavioral intention construct had the lowest AVE (0.730).

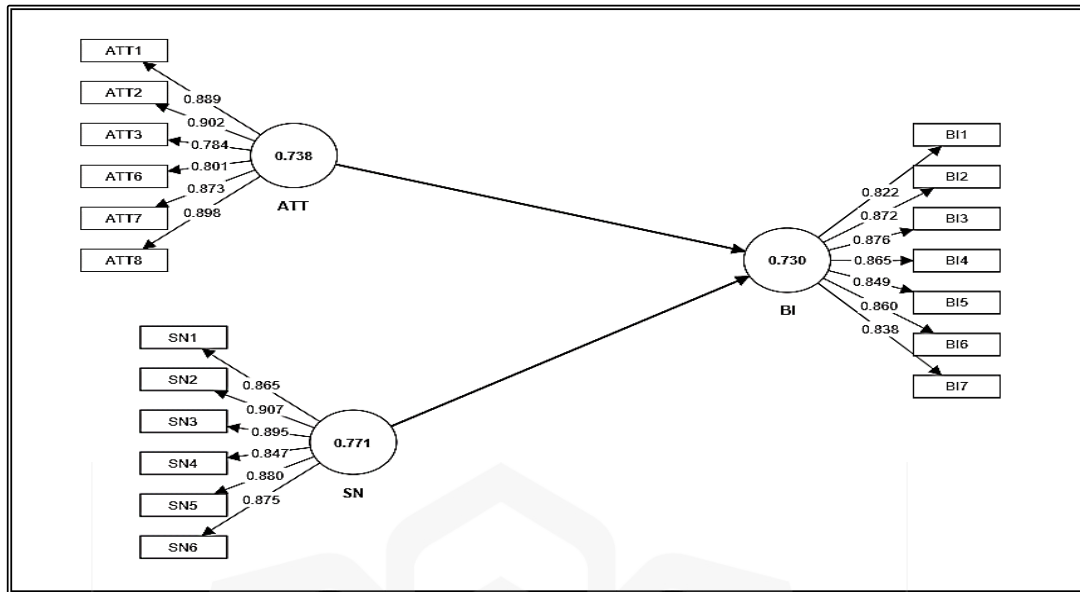


Figure 7. 6 AVE and Outer Loadings for Hypothesized Model

The final results of the measurement model are shown in Table 7.64 and Table 7.65 for exogenous constructs (independent variables) and endogenous constructs (dependent variables) respectively. The CR value in the exogenous measurement model was 0.941 for attitude toward behavior and 0.945 for subjective norm (see Table 7.64). In the case of the endogenous measurement model, the CR value was 0.950 for behavioral intention, which was higher than the threshold value of 0.5 for CR (see Table 7.65).

At this stage in the assessment process, all initial models met the necessary degree of reliability and convergent validity. After determining the convergent validity of the model's items, the next step was to determine discriminant validity.

Table 7. 64 Measurement Model for Exogenous Constructs

Latent Constructs	Items	ATT	α	CR	AVE
Attitude	ATT1	0.889	0.929	0.941	0.738
	ATT2	0.902			
	ATT3	0.784			
	ATT6	0.801			
	ATT7	0.873			
	ATT8	0.898			
Subjective Norms	SN1	0.865	0.941	0.945	0.771
	SN2	0.907			
	SN3	0.895			
	SN4	0.847			
	SN5	0.880			
	SN6	0.875			

Table 7. 65 Measurement Model for the Endogenous Construct

Latent Constructs	Items	ATT	α	CR	AVE
	ATT8	0.898			
Behavioral intention	BI1	0.822	0.938	0.950	0.730
	BI2	0.872			
	BI3	0.876			
	BI4	0.865			
	BI5	0.849			
	BI6	0.860			
	BI7	0.838			

7.3.5 Discriminant Validity

Discriminant validity refers to the degree to which the constructs in a model are empirically different from one another (Hair et al., 2012). Three methodologies were used in this study

to measure discriminant validity: indicator cross-loadings, the Fornell-Larcker criteria, and the HTMT correlation ratio.

7.3.5.1 Cross-loading

Table 7.66 shows the cross-loadings for all indicators in the proposed model's latent components, which indicate that the loadings of the predictors for each construct are much higher than the loadings for the other tested constructs.

The loading of predictors for the construct of attitude toward behavior were 0.889, 0.902, 0.784, 0.801, 0.873, and 0.898, which were high compared to loads on the other two constructs, namely behavioral intention and subjective norms. Likewise, the loadings of predictors for the construct of behavioral intention were 0.822, 0.872, 0.876, 0.865, 0.849, 0.860, and 0.838, which were also the highest compared to loadings for the other constructs. Similarly, the loadings of the predictors for subjective norms were also high compared to loading for the other constructs (see Table 7.66). This suggests that the constructs are distinct from one another. Thus, discriminant validity was demonstrated using this approach.

Table 7. 66 Cross-loadings for the Hypothesized Model

Items	ATT	BI	SN
ATT1	0.889	0.313	0.26
ATT2	0.902	0.349	0.32
ATT3	0.784	0.222	0.229
ATT6	0.801	0.282	0.299
ATT7	0.873	0.36	0.342
ATT8	0.898	0.333	0.307
BI1	0.28	0.822	0.323
BI2	0.302	0.872	0.346
BI3	0.297	0.876	0.364
BI4	0.327	0.865	0.381
BI5	0.32	0.849	0.359
BI6	0.316	0.86	0.368
BI7	0.346	0.838	0.346
SN1	0.291	0.314	0.865
SN2	0.31	0.414	0.907
SN3	0.321	0.376	0.895
SN4	0.269	0.339	0.847
SN5	0.335	0.381	0.88
SN6	0.284	0.357	0.875

7.3.5.2 Fornell and Larcker criterion

According to the Fornell and Larcker criterion, when the square root of the AVE exceeds its correlation with all other constructs, discriminant validity has been established. The variance that each construct in the model experiences on average should be higher than the variance that each construct experiences compared to other constructs. The square root of AVE for the attitude construct was 0.859, which is the highest compared to the square root of AVE of the same construct for other constructs, namely behavioral intention and subjective norm. Similarly, the square root of AVE for behavioral intention was 0.855, which was the highest compared to the square root of AVE of the same construct for the other constructs such as subjective norm. Likewise, the square root of all constructs met

the criteria (see Table 7.67). Hence, the results offer solid proof that discriminant validity has been established.

Table 7. 67 Fornell-Larcker Criterion for Hypothesized Model

Latent Constructs	ATT	BI	SN
ATT	0.859		
BI	0.367	0.855	
SN	0.345	0.416	0.878

7.3.5.3 Heterotrait-Monotrait ratio

Discriminant validity is also established when the HTMT value is 0.85 or below (Kline, 2016). Dijkstra and Henseler (2015) further specified that the HTMT statistic's confidence interval (CI) value must not be equal to 1 for any of the constructs. In this study, as shown in Table 7.68, all the values are less than the required HTMT value threshold. Hence, the findings indicate that discriminant validity was achieved.

After the suggested model had passed all reliability, convergent validity, and discriminant validity tests, the structural model was tested for hypotheses testing.

Table 7. 68 HTMT Results for Hypothesized Model

Constructs	ATT	BI	SN
ATT			
BI	0.385		
SN	0.364	0.44	

7.3.6 Structural Model

Once the measurement model is demonstrated to be valid and reliable, the next stage in SEM is to evaluate the hypothesized relationships to validate the stated hypotheses. This study assessed the structural (inner) model using information from the main dataset ($n = 466$), as in the previous measurement model evaluation step. The magnitude and relevance of each path coefficient between constructs were determined by analyzing the structural model. The exogenous variables covered in this dataset were attitude (ATT) and subjective norms (SN). The endogenous variable was behavioral intention (BI).

The key criteria for assessing the hypothesized relationships are the significance of the path coefficients, the level of the coefficient of determination (R^2) values, the F-test (f^2 effect size) and the Q^2 predictive relevance. The path coefficients represent the degree to which the latent variables in the structural model are related to one another (Hair et al., 2014). The R^2 and f^2 effect size were assessed to determine the explanatory power of the structural model. The Q^2 was assessed to determine the model's predictive power. Table 7.69 displays the result of the structural model analysis. Meanwhile, Table 7.71 presents the summary results of the tested hypotheses at the end of this chapter.

7.3.7 Path Coefficient and Hypothesis Testing

When the impact of other variables in the model is held constant, the path coefficient assesses the strength of a relationship between dependent and independent variables. This study calculated the significance level and standard error for each path using SEM to determine the path loadings between the constructs. Two hypotheses were developed to describe the relationships between the constructs, which involved testing the direct

relationship between two independent variables (attitude and subjective norm) and one dependent variable (behavioral intention). To test the significance level of these relationships, t-statistics for all paths were generated using the Smart-PLS (version 4) bootstrapping function.

Table 7.69 summarizes the results of the two hypotheses tested on the direct relationships between the independent and dependent variables. Based on the path coefficients in Table 7.69, the two relationships tested were found to both have a t-value more than or same as 1.645, significant at the 95% level. Results indicated that attitude toward behavior has a positive and significant effect ($\beta = 0.253$, Standard Error = 0.044, $t = 5.81$, and $p < 0.01$) on the behavior intention of micro-entrepreneurs to use the IQEMD model. Moreover, subjective norm was also found to have a positive and significant effect ($\beta = 0.329$, Standard Error = 0.041, $t = 7.987$ and $p < 0.01$) on the behavioral intention of micro-entrepreneurs to use the IQEMD model as a source of financing and human capital development services.

The above results corroborate the findings from previous research in the field, notably aligning with the studies conducted by Effendi et al. (2020), Echchabi and Olaniyi (2012), Abdullahi et al. (2021), Aziz and Afaq (2018), Ibrahim et al. (2017), Thaker et al. (2016) and Umar et al. (2021). These studies collectively underscore the critical role of individual attitudes and perceived social norms in shaping entrepreneurial intentions, particularly in the context of financial decision-making and adoption of innovative financing models. The consistency of the above results with prior literature not only validates the current study's findings but also reinforces the theoretical underpinnings of the TRA in the domain of micro-enterprise financing.

To elaborate on the similar earlier findings, Effendi et al. (2020) investigated customers' attitudes and subjective norm toward the services offered by Islamic rural banks. According to the findings, customers' attitude and subjective norm (as adopted from the TRA) have a major impact on their intentions toward utilizing services provided by Islamic rural banks. Likewise, Echchabi and Olaniyi (2012) investigated the elements influencing people's intentions to use Islamic banking services in Malaysia using the TRA. The researchers found that attitude and subjective norm towards Islamic banking services favored the desire to embrace Islamic banking services in the Malaysian context. Furthermore, Abdullahi et al. (2021) investigated the factors influencing potential customers' decisions on whether or not they would use Islamic microfinance in Nigeria. The data was analysed using SEM. According to the research findings, attitude toward behaviour and subjective norm directly and significantly influenced the behavioral intention to embrace Islamic microfinance. Similarly, Aziz and Afaq (2018) investigated the factors affecting individuals' intentions to adopt Islamic banking in Pakistan. The findings revealed that attitude has a significant positive relationship with the intention to adopt Islamic banking. Moreover, Ibrahim et al. (2017) analyzed the impact of attitude on the customer's desire to choose Islamic home finance. The research indicated that attitude positively impacts the intention to choose Islamic home finance products. In another study, Thaker et al. (2016) investigated the behavioral intentions of micro firms to use the Integrated Cash Waqf Micro-enterprise Investment (ICWME-I) model as a source of finance. According to the research findings, the micro-entrepreneurs' attitudes and subjective norms favorably influenced their desire to use the ICWME-I model within Malaysia. Furthermore, Umar et al. (2021) examined consumer behavior concerning their

desire to use Islamic microfinance in frontier markets. The researchers discovered that subjective norms have a significant influence on the intention to use Islamic microfinance.

Table 7. 69 Path Coefficients and Results of Hypotheses Testing

Hypotheses Testing		Beta	Std Error	t-Value	p-values	Decision
HI	Attitude toward behaviour (ATT) → Behaviour Intention (BI)	0.253	0.044	5.81**	0.000	ATT significantly and positively affects BI
H2	Subjective Norm (SN) → Behaviour Intention (BI)	0.329	0.041	7.987**	0.000	SN significantly and positively affects BI
**p-value < 0.01						

7.3.8 Assessment of R^2

The R^2 indicates the portion of the variance in the structured model explained by the exogenous variables (Hair et al., 2014). The greater the R^2 value, the better the construct is jointly described by all of the latent variables in the structural model through the path coefficient. Figure 7.7 shows the R^2 , p-value, and path coefficient values of the proposed model.

There is no precise threshold for determining the strength of R^2 values; various scholars have suggested different thresholds to use. Falk and Miller (1992) advised that R^2 values equal to or more than 0.10 is adequate for explaining the variance of a certain endogenous construct. Meanwhile, Cohen (1988) suggested that the R^2 value for explaining the variance of an endogenous latent variable is assessed as follows: 0.26

(substantial), 0.13 (moderate), and 0.02 (weak). Cohen (1988) recommended that the R^2 value for explaining the variance of an endogenous latent variable is assessed as follows: 0.67 (substantial), 0.33 (moderate), and 0.19 (weak). Meanwhile, Hair et al. (2013) suggested that R^2 values of 0.75, 0.50, or 0.25 (interpreted as substantial, moderate and weak respectively) be used as a rule of thumb for explaining the variance of an endogenous latent variable.

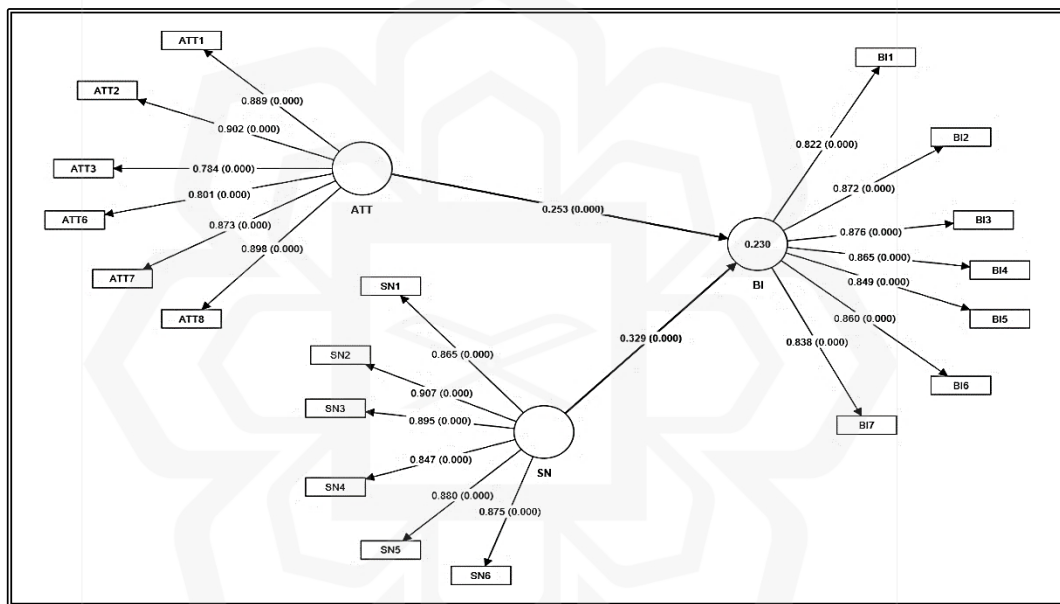


Figure 7.7 R^2 , p-value and Path Coefficient Values for *the* Hypothesized Model

For this study, the R^2 value was generated using a bootstrapping setting applied to 466 cases with a resampling of 5000. The results revealed that the R^2 value for behavioral intention to use the IQEMD model was 0.23 (see Figure 7.7). This value is deemed adequate, according to Falk and Miller (1992), and moderate, according to Cohen (1988). However, this R^2 value is considered weak according to Chin (1998) and Hair et al. (2013).

The R^2 value suggests that 23% of the variance in the behavioral intention of micro-enterprises to use the IQEMD model can be explained by exogenous variables, namely, attitude toward behavior and subjective norm. In other words, together, attitude and subjective norm explained 23% of the variance in the intention of micro-enterprises to use the IQEMD model.

The path coefficients describe the degree of variance explained by individual exogenous variables toward the endogenous variable. The path coefficient from attitude toward behavioral intention was 23.3%, which indicates that 23.3% of variance in the behavioral intention of micro-enterprises to use the IQEMD model is explained by attitude. Meanwhile, the path coefficient from subjective norm toward behavioral intention was 32.9%, which indicates that the subjective norm explains 32.9% of the variance in the behavioral intention of micro-enterprises to use the IQEMD model. All path coefficients were significant with p -value < 0.01 (see Figure 7.7).

7.3.9 Assessment of the Effect Size

The f^2 effect size quantifies the change in R^2 value caused by the removal of a specific exogenous construct from the model. It is used to determine if the absence of an exogenous construct has a significant influence on the R^2 values of the endogenous construct(s). As Sullivan and Feinn (2012) asserted, the p -value shows statistical significance or the presence of an effect. Meanwhile, the effect size test reveals substantive importance that the p -value does not.

The result from the f^2 analysis for this study's model is shown in Table 7.70. Cohen's guideline (1988) was used to measure the effect sizes; values of 0.02, 0.15, and

0.35 represent small, medium, and large effect sizes respectively. Attitude toward behavior ($f^2=0.073$) exceeded the required effect size threshold value in producing the R^2 of behavioral intention. Likewise, the subjective norm ($f^2=0.124$) also exceeded the required threshold value. Both values represented small f^2 effect sizes. The findings indicate that attitude and subjective norms have practical significance in impacting micro-enterprises' intention to use the IQEMD model (see Figure 7.8).

Table 7. 70 The f^2 Effect Size of Exogenous Variables on Endogenous Variable

Exogenous variables	Labels	f^2 Effect Size on Behavioral Intention
Attitude toward behavior	ATT	0.073
Subjective Norm	SN	0.124

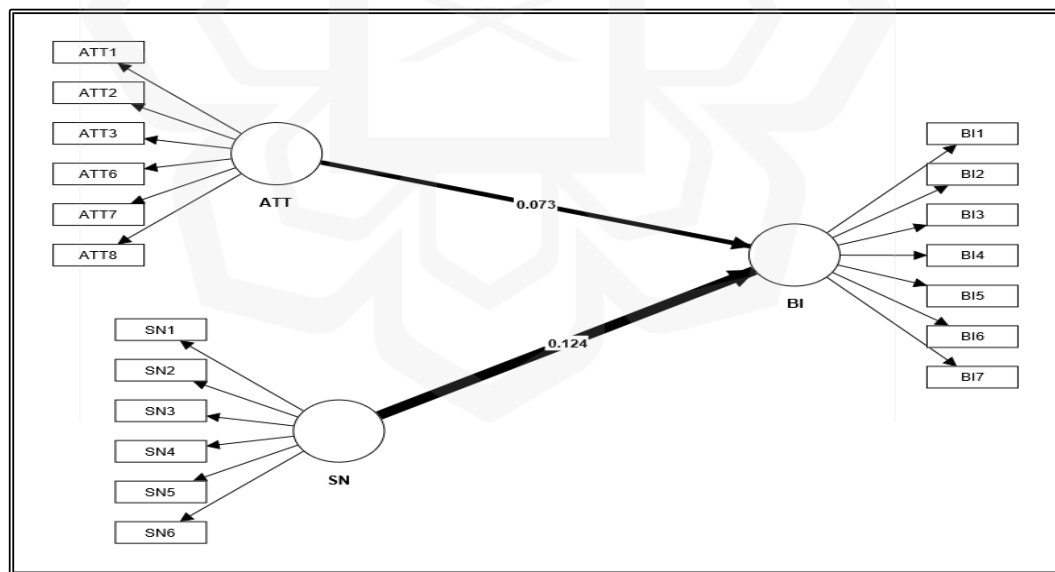


Figure 7. 8 f^2 Effect Size of Attitude and Subjective Norm on Behavioural Intention

7.3.10 Assessment of the Predictive Power

The last phase in the structural model evaluation involves determining the model's predictive relevance (Q^2). The Q^2 score represents the predictive importance of predictor constructs on the endogenous construct (Hair et al., 2014). Q^2 values greater than zero for a given reflective endogenous latent variable show that the path model's predictive relevance for a particular construct has been demonstrated. In contrast, Q^2 values of zero or less indicate a lack of predictive relevance. Hair et al. (2017) stated that for a relative measure of predictive relevance, the values of 0.02, 0.15, and 0.35 indicate that an exogenous construct has a small, medium, or large predictive relevance respectively for a certain endogenous construct.

Predictive relevance (Q^2) was found by performing PLS-predict using Smart-PLS 4. Both endogenous constructs were found to be above zero, indicating that the model has sufficient predictive relevance. The behavioral intention construct ($Q^2=0.22$) had a medium predictive relevance.

Table 7. 71 Result of Structural Model Analysis

Relationship	Beta	Std Error	t-Value	p-values	R^2	f^2	Q^2	VIF
H1 ATT -> BI	0.253	0.044	5.81**	0	0.23	0.073	0.22	1.135
H2 SN -> BI	0.329	0.041	7.987**	0		0.124		1.135

**p-value < 0.01

7.3.11 Importance-Performance Analysis

The importance-performance map analysis (IPMA) is a helpful method that reveals the relative relevance of constructs in explaining other constructs in structural model analysis

using Smart-PLS (Hair et al., 2014). This technique may be used to infer information about a construct's relative importance and performance concerning a target construct.

Table 7.72 presents the importance-performance analysis of attitude and subjective norm toward the target variable, namely, micro-enterprises' intention to use the IQEMD model. Results of the analysis indicated that the performance of the latent variables was 45.452 for attitude, 70.274 for subjective norm, and 75.304 for behavioral intention (see Figure 7.9). The importance of subjective norm (0.329) was higher than attitude (0.253). Thus, it may be concluded that the importance of subjective norm has a higher effect in determining the target variable (intention toward using the IQEMD model) compared to attitude. The findings may also be seen in Figure 7.10.

Table 7. 72 Importance Performance (IMPA) Analysis

Latent variables	Intention to Use the IQEMD Model		
	Label	Total Effect (Importance)	Index value (Performance)
Attitude	ATT	0.253	75.452
Subjective norm	SN	0.329	70.274

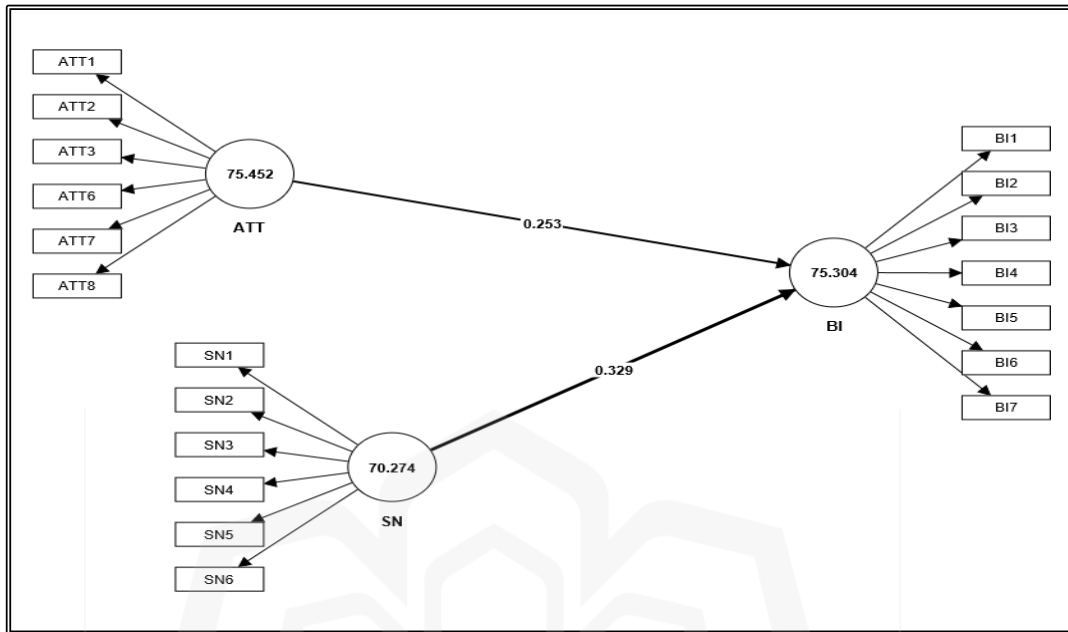


Figure 7. 9 Latent Variables' Performances and Path Coefficients

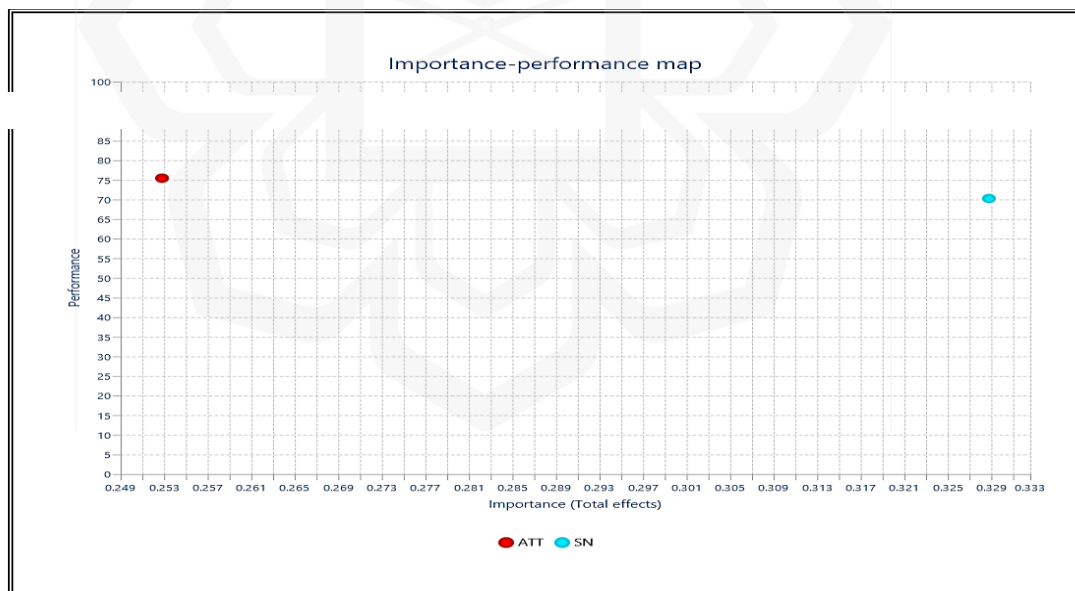


Figure 7. 10 Importance-performance Map Analysis

7.4 LOGISTIC REGRESSION ANALYSIS (LOGIT MODEL)

This study used a binary logistic regression model (logit model) to identify the major factors that determine the willingness of micro-entrepreneurs to use the IQEMD model in terms of financing and human capital development. The logit model is one of the most extensively used econometric methods for determining factors influencing a particular dummy dependent variable. The logit model is favored over the probit model because it is easier to understand and may reveal patterns in the data that may be obscured (Mukherjee et al., 2013).

7.4.1 Model specification

In the binary logistic regression model, probabilities are assigned to each of the two possible outcomes. This study sought to determine the probability of the micro-entrepreneur's willingness to use the IQEMD model in terms of financing and human capital development. Thus, the dependent variable (Y) is a dichotomous variable that took the value 1 (YES) when a micro-entrepreneur is willing to use the proposed IQEMD model, and the value 0 (NO) when a micro-entrepreneur is not willing to use the proposed IQEMD model.

For a binary response variable Y and a vector of explanatory variables X, the probabilities of an event ($Y_i = 1$ and $Y_i = 0$) occurring can be written as follows:

$$P_i = \text{Prob}(Y_i = 1) = \frac{1}{1 + e^{-(\beta_0 + \beta_1 X_1 + \dots + \beta_k X_k)}} = \frac{e^{(\beta_0 + \beta_1 X_1 + \dots + \beta_k X_k)}}{1 + e^{-(\beta_0 + \beta_1 X_1 + \dots + \beta_k X_k)}} \dots \quad (7.1)$$

and

$$P_i = \text{Prob}(Y_i = 0) = 1 - \text{prob}(Y_i = 1) = \frac{1}{1 + e^{-(\beta_0 + \beta_1 X_1 + \dots + \beta_k X_k)}} \quad \dots (7.2),$$

where P_i is the probability of the micro-entrepreneur's willingness to use the IQEMD model in terms of financing and human capital development and $(1 - P_i)$ is the probability of the micro-entrepreneur's unwillingness to use the IQEMD model.

The ratio $\left(\frac{P_i}{1 - P_i}\right)$ is simply the odds ratio in favor of using the IQEMD model among micro-enterprises in Kandahar. The odds of an event occurring are defined as the ratio of the probability that it will occur to the probability that it will not. Dividing equation (7.1) by (7.2):

$$\frac{\text{Prob}(Y_i=1)}{\text{Prob}(Y_i=0)} = \frac{P_i}{1 - P_i} = e^{(\beta_0 + \beta_1 X_1 + \dots + \beta_k X_k)} \quad \dots (7.3)$$

The log of the odds ratio was further obtained by taking the natural logarithm of the above equation. The general logit model is represented as follows:

$$L_i = \ln\left(\frac{P_i}{1 - P_i}\right) = \beta_0 + \beta_1 X_{1i} + \beta_2 X_{2i} + \dots + \beta_k X_{ki} \quad \dots (7.4),$$

where L is the logarithm of the odds of the micro-entrepreneur's willingness to use the IQEMD model, called the logit. P_i is the probability of expected outcomes. X_{1i} to X_{ki} represent the predictors. β_0 is the intercept and β_1 to β_k are the coefficients of the predictors.

Based on the motivation of this study, the predictors were divided into two groups based on the problems of financing and human capital development. The first group of predictors was related to the use of the IQEMD model in terms of financing, called Model 1. The second group of predictors was related to the use of the IQEMD model in terms of

human capital development, called Model 2. A binary logistic regression was separately employed for each model, as reported below in sections 7.4.2 and 7.4.3.

7.4.2 Model 1

The logistic regression model is estimated to predict a categorical (usually dichotomous) variable from a set of predictor variables. For the purpose of this study, in Model 1, the dependent or the outcome variable of interest was constructed as a ‘yes/no’ (later on coded as 1 = yes and 0 = no) dichotomous indicator based on the response to survey questionnaire item number 25: “Would you be willing to use the IQEMD model in your business if it is available and used to assist your business in terms of providing financing”? ‘Yes’ were coded as 1 and ‘no’ were coded as 0. In short, the dependent variable is “willing to use IQEMD model in terms of financing”. The predictors for Model 1 were (i) the number of years in business (YB), (ii) gender (GE), (iii) the number of employees (NE), (iv) high cost of financing (HCF), (v) collateral requirement (CR), (vi) documentation requirement (DR), (vii) short duration of the loan (SDL), (viii) insufficient financing (INF), (ix) characteristics of business (CB), (x) Qardhul Hasan financing (QHF), and (xi) Islamic equity-based financing (IEF).

A proposed binary logistic regression equation (Model 1) for willingness to use the IQEMD model in terms of financing is presented below in Equation 7.5.

$$L_i = \ln\left(\frac{P_i}{1-P_i}\right) = \beta_0 + \beta_1 YB_{1i} + \beta_2 GE_{2i} + \beta_3 NE_{3i} + \beta_4 HCF_{4i} + \beta_5 CR_{5i} + \beta_6 DR_{6i} + \beta_7 SDL_{7i} + \beta_8 INF_{8i} + \beta_9 CB_{9i} + \beta_{10} QHF_{10i} + \beta_{11} IEF_{11i} + \varepsilon_i \dots\dots (7.5)$$

Exp (B) is an abbreviation for the odds ratio. An Exp (B) higher than one indicates that the independent variable raises the logit and the probabilities of events. However, when $\text{Exp (B)} = 1$, the independent variable has no influence. Meanwhile, if Exp (B) is less than one, the independent variable reduces the logit and the probabilities of events. In terms of the estimated logit model coefficients, a positive regression coefficient suggests that the explanatory variable raises the log odds of the result. In contrast, a negative regression coefficient means that the predictive variable reduces the log odds of that outcome. In this scenario, a negative coefficient will result in an odds ratio between 0 and 1, whereas a positive coefficient will result in an odds ratio larger than 1.

Table 7.73 presents the results of the binary logistic regression based on equation 7.5. This study found insignificant predictors, which are ‘difficulty in raising external financing due to high-interest rate/high-profit margin’, ‘difficulty to raise financing due to strict collateral requirement’, ‘difficulty to raise financing due to strict documentation requirement’, ‘difficulty to raise financing due to short duration of the loan’, ‘difficulty to raise financing due to insufficient financing’ and ‘difficulty to raise financing due to characteristic of businesses. Meanwhile, the significant predictors, with between 1 and 10 percent levels, were the number of years in business, gender, use of Qardhul Hasan financing among micro-enterprises, and the awareness of Islamic equity-based financing among micro-enterprises, which were found to positively and significantly affect the probability of opting for IQEMD model in terms of financing.

To explain the influence of the significant predictors further, those micro-enterprises managed by older persons tend to opt for the model with the odds 1.284 times higher compared to businesses managed by younger entrepreneurs. Besides, those micro-

enterprises managed by males are likely to opt for the IQEMD model with the odds 8.225 times higher compared to those micro businesses run by females. Moreover, the micro-enterprises familiar with the use of Qardhul Hasan financing arrangement are likely to opt for the IQEMD model in terms of financing with odds 5.436 times higher compared to those unfamiliar with the use of Qardhul Hasan financing. Apart from that, the odds of using the IQEMD model is 9.980 times higher for micro businesses who are aware of the Islamic equity-based financing arrangement than those who are unaware of Islamic equity-based financing (see Table 7.73).

However, it was found that the number of employees had a significant and negative effect on the probability of using the IQEMD model in terms of financing. The coefficient of the number of employees is significant at 10% levels with a negative sign. The negative value of B for the dummy of the number of employees indicates that an increase in the number of employees would mean that the micro-enterprise is less likely to opt for the IQEMD model than micro-enterprises with fewer employees. In other words, for a firm with a high number of employees, the odds of selecting the IQEMD model decreases by a factor of 0.536, with all other factors being equal.

As for diagnostic tests, the model explains 34% (Nagelkerke R^2) of the variance in choosing the IQEMD model in terms of financing and correctly classifies 96.8% of cases. The Hosmer-Lemeshow test statistic supported the model as being worthwhile. The chi-square value for the test was 6.978, with a significance value of 0.539. The model fits the data well since the significance value is larger than 0.05 (5%) (see Table 7.73).

Table 7. 73 Results of Logistic Regression for Model 1

Predictors	B	p-value	Exp(B)	95% C.I. for Exp(B)	
				Lower	Upper
Number of Years in Business	.250* (0.133)	.061	1.284	.988	1.667
Gender	2.107*** (0.801)	.009	8.225	1.712	39.517
Number of Employees	-.624* (0.345)	.070	.536	.273	1.053
High Interest Rate	-1.388 (1.626)	.393	.250	.010	6.048
Strict Collateral Requirement	-1.029 (1.252)	.411	.357	.031	4.160
Strict Documentation	-1.986 (1.389)	.153	.137	.009	2.086
Short Duration of Loan	-.564 (1.231)	.647	.569	.051	6.349
Insufficient Finance	3.540 (2.323)	.127	34.464	.363	3268.043
Characteristics of Business	2.316 (1.667)	.165	10.131	.386	266.049
Qardhul Hasan Financing	1.693** (0.831)	.042	5.436	1.067	27.697
Islamic Equity-based Financing	2.301*** (0.762)	.003	9.980	2.240	44.467

% Correct classification = 96.8

Omnibus Chi-square statistics = 41 (sig.= 0.000)

Hosmer-Lemeshow test statistics = 6.978 (sig. = 0.539)

Negelkerke R-square = 0.34

Note: Standard errors are in parentheses; ***Statistically significant at the 1% level; **5% level; *10% level.

Model 2:

Model 2's dependent variable is “willing to use the IQEMD model in terms of human capital development”. The predictors are the number of years in business (YB), age of respondents (AGE), number of employees (NE), business management experience (BME), training course(s) (TC), high cost/fees (HC), many terms and conditions (TC), less information provided (LIP), less promotion (LP), and not important to know (NIK).

A proposed logistic regression equation (Model 2) for willingness to use the IQEMD model in terms of human capital development is presented below in Equation 7.6.

$$L_i = \ln\left(\frac{P_i}{1-P_i}\right) = \beta_0 + \beta_1 YB_{1i} + \beta_2 AGE_{2i} + \beta_3 NE_{3i} + \beta_4 BME_{4i} + \beta_5 TC_{5i} + \beta_6 HC_{6i} + \beta_7 TC_{7i} + \beta_8 LIP_{8i} + \beta_9 LP_{9i} + \beta_{10} NIKP_{10i} + \varepsilon_i \dots \dots \dots (7.6)$$

It was found that there were insignificant predictors, which are ‘the number of employees’, ‘micro-enterprises having business management experience’, ‘micro-enterprises having attained training course(s)’, ‘not participating in the training program due to high cost or fees’, ‘not participating in the training program due to the many terms and conditions’ and ‘not participating but it is not important to know the reason’.

Conversely, the significant predictors, with between 1 and 10 percent levels, were the number of years in business, gender, and less information provided. It was found that these predictors positively and significantly affect the probability of opting for the IQEMD model in terms of human capital development. Those micro-enterprises managed by older individuals tend to opt for the IQEMD model with odds 1.291 times higher compared to those managed by younger individuals. Besides, those enterprises run by males opt for the IQEMD model with odds 3.001 times higher compared to those run by females. Moreover,

the odds of those selecting less information provided as the reason for not participating in the training program was 3.615 times higher in opting for the IQEMD model compared to those who did not select the option.

The coefficient of the variable 'less promotion' was significant at 10% levels with a negative sign. The negative value of B for the dummy of 'less promotion' indicates that an increase in the respondents stating 'more promotion' is related to a decreased likelihood to opt for the IQEMD model. This can be elaborated in a sense that if micro-entrepreneurs perceived high promotion of training programs/courses already provided by the related organization, they would be less likely to opt for the IQEMD model. Meanwhile, for respondents selecting the reason for not participating in the training course as due to less promotion, the odds of them selecting the IQEMD model decrease by a factor of 0.324, with all the other factors being equal (see Table 7.74).

The Hosmer-Lemeshow test was used to assess model fit. The result supported the model as being worthwhile. Moreover, the chi-square value for the test was 8.391, with a significance value of 0.396. The model fits the data well since the significance value is larger than 0.05 (5%). The model explains 14.9% (Nagelkerke R^2) of the variance for choosing the IQEMD model in terms of human capital development and correctly classifies 92.7% of cases.

Table 7. 74 Results of Binary Logistic Regression for Model 2

Predictors	B	p-value	Exp(B)	95% C.I. for Exp(B)	
				Lower	Upper
Number of Years in Business	.255*** (0.087)	.003	1.291	1.088	1.530
Gender	1.099* (0.587)	.061	3.001	.950	9.478
Number of Employees Number	-.189 (0.226)	.404	.828	.531	1.290
Business Management Experience	.404 (0.407)	.321	1.497	.675	3.322
Training Courses	-.178 (0.435)	.683	.837	.357	1.962
High Cost/Fees	.040 (0.685)	.954	1.041	.272	3.984
Many Terms and Conditions	-.502 (0.652)	.441	.605	.169	2.172
Less Information Provided	1.285** (0.647)	.047	3.615	1.018	12.835
Less Promotion	-1.128* (0.626)	.072	.324	.095	1.105
Not Important to Know	.280 (0.548)	.609	1.323	.452	3.868

% Correct classification = 92.7
Omnibus Chi-square statistics = 29.154 (sig. = 0.002)
Hosmer- Lemeshow test statistics = 8.391 (sig. = 0.396)
Nagelkerke R-square = 0.149
Note: Standard errors are in parentheses; ***Statistically significant at the 1% level; **5% level; *10% level.

7.5 CHAPTER SUMMARY

This chapter presented and discussed the results of the quantitative analysis employed in this study to empirically measure micro-entrepreneurs' behavioral intention to use the proposed IQEMD model in Kandahar, Afghanistan. The analysis was composed of two

parts. The first part concentrated on results of analyzing the respondents' demographic characteristics, business profile, financing information, human capital development information, and awareness and use of Qardhul Hasan and Islamic equity-based financing. The study also provided analysis results of respondents' views regarding using the IQEMD model in terms of financing and human capital development. Furthermore, in relation to human capital development, results of analysis related to the respondents' experiences, skills, and programs attended was also provided.

The second part of the chapter provided the results of hypotheses testing. The hypotheses were explained in detail to identify the relationships between the independent and dependent variables using SEM analysis in Smart-PLS, version 4. In the SEM analysis, the first outer model (measurement model) was assessed to determine the validity and reliability of the constructs, which is the preliminary step before assessing the inner model (structural model). The constructs fulfilled the threshold criteria for the outer model. After that, the structural model was assessed to test the proposed hypotheses. The values of R^2 , f^2 and Q^2 were adequate for determining the effect of independent variables on the dependent variable. Therefore, the current study has proven that attitudes toward behavior and subjective norms positively and significantly influence micro-entrepreneurs' behavioral intention to use the IQEMD model as a source of financing and human capital development.

The third part of the chapter explained the predictors of willingness to use the IQEMD model in terms of financing and human capital development using binary logistic regression analysis. The results of binary logistic regression indicated that the number of years in business, gender, the use of Qardhul Hasan financing, and awareness of Islamic

equity-based financing positively and significantly affect the probability of opting for the IQEMD model in terms of financing. On the other side, it was found that the number of years in business, gender, and less information provided positively and significantly affect the probability of opting for the IQEMD model in terms of human capital development.



CHAPTER EIGHT

CONCLUSION, IMPLICATION, LIMITATION and FUTURE RESEARCH

8.0 INTRODUCTION

This chapter's presentation is broken into four pieces. First, the study's conclusion is given in the next section. Next, the chapter discusses the study's implications. Then, the next section discusses the study's limitations. The final part concludes the study by making recommendations for further research.

8.1 CONCLUSION OF THE STUDY

This research aimed to fill a gap by focusing on and analyzing the difficulties that micro businesses encounter, especially those that relate to obtaining external financing and improving the quality of human capital in Afghanistan, particularly in Kandahar. The difficulties that hinder micro-enterprises' access to external financing are (i) the high cost of external financing, (ii) strict collateral requirements, (iii) strict documentation, (iv) the requirement for professional business plans, (v) no financial track record, and (vi) short maturity of loans. Although academics, practitioners, and government officials have shown interest in the financing and human capital development concerns, there are few and hard-to-find in-depth studies that attempt to build an alternate model, which indicates a significant knowledge gap and the best ways to solve the issues that micro firms have confronted.

The study's conclusions show that the problems of financing availability and human capital development hamper the micro firms' development. As a result of this, the micro

firms subsequently contribute little to the national GDP. In addition, the available research results suggest that the practical difficulties of the existing models to support micro firms are associated with access to finance and human capital development. These insights contribute to a better understanding of the association between these issues and micro-enterprises' growth in Kandahar, Afghanistan.

Therefore, there is a crucial need for an alternative model of financing that is based on interest-free and collateral-free principles. In addition, the model should also be able to help micro-enterprises financially. The first objective of the present research was to provide a model that might successfully handle the problems of financing and human capital development. This aim was accomplished by developing the Integrated Qardhul Hasan and Equity-based Micro-enterprise Development (IQEMD) model. With its integrated structure and practical methods, as described in Chapter 3, it is anticipated that micro-entrepreneurs using the model would be able to overcome the challenges of financing and human capital development and improve their productivity and contribution to the national income or GDP. The IQEMD model integrates all these identified aspects. This study proposes the IQEMD model as an alternative and viable solution to the financing dilemmas faced by micro-enterprises. The IQEMD model is conceptualized to specifically address the identified financial barriers.

The second purpose of this research was to investigate experts' perceptions regarding the proposed IQEMD model's acceptability, applicability, and prospects. The experts' responses to individual interviews validated the relevance of the IQEMD model for delivering financial and human resource services. The results further emphasized the significance of accomplishing the IQEMD model as a distinct institution from ICE or the

corporate sector. Regarding the sustainability of the IQEMD model, the experts have identified that the micro-enterprise characteristics, funding, training, and management and administration are the key drivers of its viability. In addition, legal obstacles and public awareness were regarded as possible obstacles that may occur during the implementation of the IQEMD model.

Subsequently, the study embarked on an empirical examination of the behavioral intentions of micro-entrepreneurs toward utilizing the IQEMD model as a source of financing. This empirical analysis was conducted within the framework of the Theory of Reasoned Action (TRA), thereby enabling a thorough understanding of the factors influencing the intentions of micro-entrepreneurs and the potential efficacy of the IQEMD model in the Afghan context of micro-enterprise financing.

Structural equation modeling (SEM) was employed to validate the behavioral intentions of micro-entrepreneurs regarding the adoption of the IQEMD model. This validation was predicated on two primary predictors: attitude toward behavior and subjective norm. The findings of the study revealed that both factors—attitude toward behavior and subjective norm—exert a positive and significant influence on the intentions of micro-entrepreneurs to utilize the IQEMD model as a financing source. Future studies may further develop a specific framework to examine other factors of the intentional behavior to use the IQEMD model and to plan appropriate intervention strategies to increase access to finance.

The fourth objective involved analyzing the predictors of the micro-entrepreneur's willingness to use the IQEMD model in terms of financing and human capital development services. This study used binary logistic regression models to assess the probabilities of

determinants that may influence the likelihood of micro-entrepreneurs to opt for the IQEMD model in terms of financing and human capital development. The results of the binary logistic regression analysis revealed that the number of years in business, gender, number of employees, awareness about Qardhul Hasan financing, and awareness about Islamic equity-based financing are the major predictors, with high probabilities of success, that can affect the micro-entrepreneur's willingness to use the IQEMD model in terms of financing. Apart from that, the number of years in business, gender, less information provided about training program or courses, and less promotion about existing training programs were found to be significant determinants, with high probabilities of success, that can influence micro-entrepreneur's willingness to use the IQEMD model in terms of human capital development services.

These results are crucial from the perspective of government and policymakers since micro-enterprises are seeking an alternative model. The overall assessment based on the TRA using SEM revealed that micro-enterprises widely accept the IQEMD model. The IQEMD model might assist them in gaining access to financing and enhancing their human capital development. In addition, the study indicated the significance of social pressure groups; subjective norms (such as those of family members, relatives, friends, neighbors, and coworkers) affect the micro-entrepreneur's decision-making process to use the IQEMD model.

8.2 IMPLICATIONS OF THE STUDY

This research investigates financial and human capital development issues of micro businesses in Kandahar, Afghanistan. It is essential to note that the most extensive survey

ever completed in this field has been employed in this study. A total of 470 micro-entrepreneurs took part in this study, which was the most representative survey carried out in Kandahar, Afghanistan.

Based on the literature and feedback received concerning financing and human capital development issues covered in Chapter 2's Sections 2.3 and 2.5 and Chapter 7's Sections 7.2.5 and 7.2.10, there is a great need for an alternative model. Since this study is the first to attempt to develop an IQEMD model for micro-enterprises to provide financial and human capital development services, the study's conclusions have a variety of implications that might improve the performance of micro businesses to contribute to Afghanistan's economic development. The parts that follow particularly look at those implications.

8.2.1 Theoretical Implications

The theoretical implications of the study on the IQEMD model are extensive and contribute to various fields of research and practice. Firstly, it enriches the financial theory within Islamic contexts by offering a novel perspective on the integration and application of Qardhul Hasan and equity-based financing, especially for micro-enterprises. Secondly, the study utilizes the TRA to empirically test the behavioral intentions of micro-entrepreneurs in adopting the IQEMD model. This not only underscores the relevance of the TRA in financial decision-making in Islamic finance but also highlights the influence of attitudes and subjective norms in shaping entrepreneurial behaviors. The introduction and validation of the IQEMD model as an innovative approach in Islamic microfinance contribute a new dimension to Islamic finance theory. Thus, the IQEMD model enriches the discourse and

encourages the development of alternative, more inclusive financial models for smaller businesses.

In addition, this study offers several managerial implications that are significant for micro-enterprises and financial institutions. The findings of the study enable micro-enterprises to consider adopting the IQEMD model as an alternative to conventional financing methods, providing a more suitable and ethical financing option in Muslim-majority regions. From a strategic decision-making perspective, the findings provide a better understanding of the factors that influence the micro-entrepreneur's behavioral intentions toward using different financing models. This knowledge is crucial in tailoring financial products and services to the specific needs of micro-enterprises. The study's insights are also invaluable for policy formulation and compliance, as the findings would assist in advocating for regulations that facilitate the growth of the sector and ensure compliance with supportive policies.

8.2.2 Implications for Practice

Regarding its practical implications, the IQEMD model provides an implementation roadmap that may be helpful for the further growth of micro firms and could ultimately replace another model to help micro firms by offering financing and human capital development services. Additionally, the model aims to encourage micro businesses to adopt an alternative model based on Qardhul Hasan and Islamic equity-based financing while channeling Islamic voluntary donations rather than primarily using traditional financial and human capital development services. The model first offers Qardhul Hasan financing arrangement along with human capital development services to economically poor micro-enterprises (EPMEs). After benefiting from the financing and human capital development

services, the EPMEs are supposed to develop to the second stage and become economically viable micro-enterprises (EVMEs). During the second stage, the Islamic microfinance institution could be engaged in offering equity-based financings, such as Musharakah and Mudarabah, to the EVMEs. For illustration purposes, this study particularly concentrated on the MMP contract as a new advancement for financing EVMEs.

The IQEMD model's mechanisms have been developed and investigated empirically. According to experts, this model is particularly helpful for micro firms as a means for financing and human capital development services. Additionally, the IQEMD model may be recommended to other micro businesses in various parts of Afghanistan and other Muslim nations.

8.2.3 Implications for Micro-enterprises

According to the available literature and survey results, micro-entrepreneurs have difficulties getting external financing from established financial institutions. Relevant organizations offer several financial and human capital development programs and schemes, as detailed in Sections 2.2 and 2.4. However, in Afghanistan, especially in Kandahar, the problems with obtaining financing and developing human services persist and hinder micro-enterprise growth and participation.

The present study's findings indicate that micro firms are struggling with problems of high-interest rates, tight paperwork requirements, severe collateral requirements, a lack of funding, lengthy loan disbursement periods, and the nature of their businesses. Additionally, issues of human capital development exacerbate the risk of micro

business operations. The findings imply that a lack of expertise, education, training, and skills hamper human capital growth among micro-entrepreneurs.

The current research has developed the IQEMD model, which includes Islamic donations, Qardhul Hasan, and Islamic equity-based financing in response to concerns regarding access to finance and human capital development services. This model is anticipated to provide financing and human capital development services in the form of an Islamic voluntary institution as an adequate substitute for traditional financial and human capital development services. Since the IQEMD model incorporates elements of Islamic voluntary principles, it is possible to significantly reduce the drawbacks of the traditional financial and human capital development model, including the interest rate, uncertainty in financing (gharar), strict collateral and documentation requirements, high entrance fees, and ineffective training modules. Meanwhile, the IsMFI will also actively assist micro businesses by creating a partnership called Musharakah Mutanaqisah (diminishing partnership).

The empirical results of this research have significantly demonstrated the usefulness of the IQEMD model and recommend it for the development of micro-enterprises. Adopting this model might fail without micro businesses' dedication and support. In this respect, micro-firms must participate in the IsMFI to improve their access to financing and human capital development services. With the adoption of the IQEMD model, micro-businesses may realize the potential advantages of participating in the model and perhaps may advance from the micro stage to the small and medium phases.

8.2.4 Implications for the Government and Policy Makers

The results of this research also have governmental and policymaking implications. It has been shown in Chapter 1 (Section 1.1) that the existing government policies are unable to sufficiently address the needs of a particular component of MSMEs in terms of financing and human capital development services, particularly in Kandahar, Afghanistan. Micro-enterprises constitute the majority of MSMEs. However, government policies increasingly favor small and medium-sized businesses. Pieces of evidence suggest that in contrast to micro-enterprises, small and medium-sized enterprises received enough assistance from the government in terms of access to financing and the development of human resources. According to several studies, micro-businesses seemed to be falling behind in terms of assistance, especially concerning financing and human capital development (Abdullah, 2021; Ghiasy et al., 2015; Hussaini, 2021; Hussein, 2009; Lutfi, 2021; Najafizada, 2014; OECD, 2019).

Although it may be claimed that the government and related agencies provide a variety of financial and human capital development programs and schemes as outlined in Chapter 2 (Sections 2.2 and 2.4), the current study's empirical findings indicate that the development and contribution of micro-enterprises in Afghanistan are being hampered by persisting issues related to accessing finance and human capital development.

From the pieces of evidence, it could be summarized that in Afghanistan, particularly in Kandahar, four financing models are available for micro-enterprises: the microfinance model, the commercial bank model, the NGO financing model, and the money-lender model. The models, however, lack in terms of providing a sustainable flow of financing and human capital development services to MEs. Most of the financing models

offer financial services to MEs accompanied with high-interest rates, strict documentation requirements, strict collateral requirements, insufficient funding, and extended loan terms. In terms of human capital development services, only the NGO financing model provides related services, only to targeted MEs such as women-owned micro businesses, SHG, or credit unions. The services are, therefore, not considered to be vital for the skills development of micro-enterprises as a whole (Nazeer Mohammad, 2021; OECD, 2019). Thus, there does not exist proper human capital development services for MEs in the context of Kandahar (Abdullahi et al., 2021; Hussaini, 2021; OECD, 2019).

The present study has developed the IQEMD model to help micro firms improve their access to financing and human capital development. This model is built in response to the problems that characterize the current financing models, government programs, and schemes. The experts have validated the suitability of the IQEMD model in terms of model sustainability, applicability, and other prospects in the market. A field survey showed that micro businesses' intention and willingness to use the IQEMD model as a source of financial and human capital development services is remarkable. Thus, it is recommended that government agencies and other policymakers adopt the IQEMD model to improve the performance and productivity of micro-enterprises.

For better policy implication and to get rid of the problems faced by existing models, the IQEMD model guides the provision of assistance to two types of MEs: EPMEs and EVMEs. The IQEMD model will provide the appropriate type of financing arrangements for both based on their nature and the risk associated with them. For instance, for the EPMEs, due to the nature of risk, Qardhul Hasan financing will be provided to them because they are in the initial stage of business development and unable to earn for both

their business sustainability and paying the high cost of financing required by existing financing models. The high cost of financing actually raises the problems of moral hazard or asymmetric information. As a result, most of the microfinance institutions, such as AMFI, Sunduq, ARMP, and AFS, have stopped their operations due to the high cost of financing and irregular disruption in the payback period of loan maturity.

After the MEs have developed to the second stage of development, and now may be called EVMEs, the IsMFI can enact with them and offer Islamic equity-based financing such as Musharakah and Mudharabah to them. This focuses on graduating MEs to the stage of small enterprises.

For model sustainability, the government can act as a middle party to enhance the performance of the IQEMD model and make sure it runs smoothly. For instance, to encourage donors to participate in the IQEMD model, the government may provide incentives like a tax cut of 10%. Additionally, as part of their corporate social responsibility, the government may strongly encourage private corporations or government-affiliated enterprises to join this model. The government may also provide incentives in the form of business tax exemption. This is done to entice businesses to join programs with a social focus.

Moreover, the government can improve the relationship between the IsMFI and essential parties such as FINCA, BRAC, AKF, MUTHID, OXUS, and other partners of MISFA to patch their financial and human capital development services through the use of the IQEMD model. The IQEMD model has the potential to assist micro-enterprises in offering better services for financing and human capital development.

Apart from this, the government can provide funds from Baitul maal for the model's sustainability. The government could provide the funds to assist micro-enterprises by providing financing and human capital development services through the use of the IQEMD model, as the model is empirically demonstrated to be effective from the views of experts and micro-entrepreneurs compared to other classical or conventional models. Therefore, the government could concentrate on providing funds from the Baitul maal to assist the IsMFI instead of funding other institutions.

In the meanwhile, the IQEMD model may also assist in reducing the load on the government in the form of budget deficiency. In other words, this implies that the IQEMD model may assist in lowering the government's budget deficit. Typically, a substantial amount of funding must be provided by the government for MSME development in general and micro business development in particular. This model could help in lowering the deficit in the national budget. Therefore, by implementing the IQEMD model, the government may stop worrying about the expenses associated with micro-firm developments. The IsMFI's engagement as a nonprofit organization helps micro-businesses by providing a better source of finance and human capital development services.

8.3 LIMITATION OF THE STUDY

This research has sufficiently contributed to theory, methodology, and policy. However, its conclusions and ramifications have certain limitations.

Due to constraints, the scope of the research was limited to current operating micro businesses in Kandahar, Afghanistan. Other potential micro firms were not included in the study's analysis unit. This research's results may have been found to be different in other

Afghan regions. Additionally, small and medium enterprises (SMEs) were also not included. The SMEs of Afghanistan may also have brought different results to this research.

Moreover, this research limited the issues of micro-enterprises to only two problems: financing and human capital development. These two issues significantly impacted micro businesses' growth and development. However, other issues, including infrastructure, market accessibility, innovation, and technology adoption, might also impact their development.

Finally, the IQEMD model is being presented, however, no real-world use exists so far. As a result, it is not yet feasible to empirically test the model's predicted outcome.

8.4 SUGGESTION FOR FUTURE STUDY

The current research's results and limitations have led to identifying prospective future research paths for further study. Below are the suggestions for further study that have been formed as a consequence of this study.

- The findings of this research contribute to the literature on entrepreneurship, Islamic donation, Qardhul Hasan, and Islamic equity-based financing in the context of Afghanistan. However, comparative analysis may be further done, particularly employing other Muslim nations, to see if the findings of this study can be applied to other Muslim countries.
- This study utilizes the TRA to empirically test the behavioral intentions of micro-entrepreneurs in adopting the IQEMD model. The relevance of the TRA in financial decision-making in Islamic finance also highlights the influence of attitudes and subjective norms in shaping entrepreneurial behaviors. Future

studies can be conducted to use the extension of the TRA, namely, the Theory of Planned Behavior (TPB).

- Concerning the unit of study, additional research might be undertaken on the other components of MSMEs, namely, small, and medium-sized businesses. It is also possible to expand the sample size of micro firms to include micro firms from other provinces to achieve more accurate results that are representative of all micro-enterprises in Afghanistan. In other words, the research scope might be expanded to include additional provinces in Afghanistan.
- As this research focuses on the issue of financing and human capital development, future research could concentrate on other problems related to micro-enterprise development, such as market accessibility, infrastructure, innovation, and technology adaptation.
- This research proposed the IQEMD model as a new avenue for using Qardhul Hasan and equity-based financing to enhance the development of micro-enterprises. Further research is required to refine the model and make it fully operational. In addition, more studies might be conducted on the distribution of Qardhul Hasan's management and administration.
- This study used interviews, structural equation modeling, and descriptive analysis. Even though each methodology used aims to analyze a distinct data set with a particular purpose, many other methodologies with comparable functions are believed to be more reliable. Therefore, it is proposed that future researchers apply more advanced techniques, such as case study analysis and the analytical hierarchy process (AHP).

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APPENDIX 1

INTERVIEW QUESTIONS

a) General Question

- 1) Can you explain briefly the role of Micro Enterprises in the Afghan economy?
- 2) Why do you think that Micro Enterprises are important for the development of national economy of a country like Afghanistan particularly Kandahar?
- 3) How can Micro-enterprise development contribute to economic growth and employment generation in Kandahar?

b) Financing

- 1) Why do you think financing is vital for Micro Enterprises development in Kandahar?
- 2) What do you think the obstacles face by micro enterprises to access financing in Kandahar?

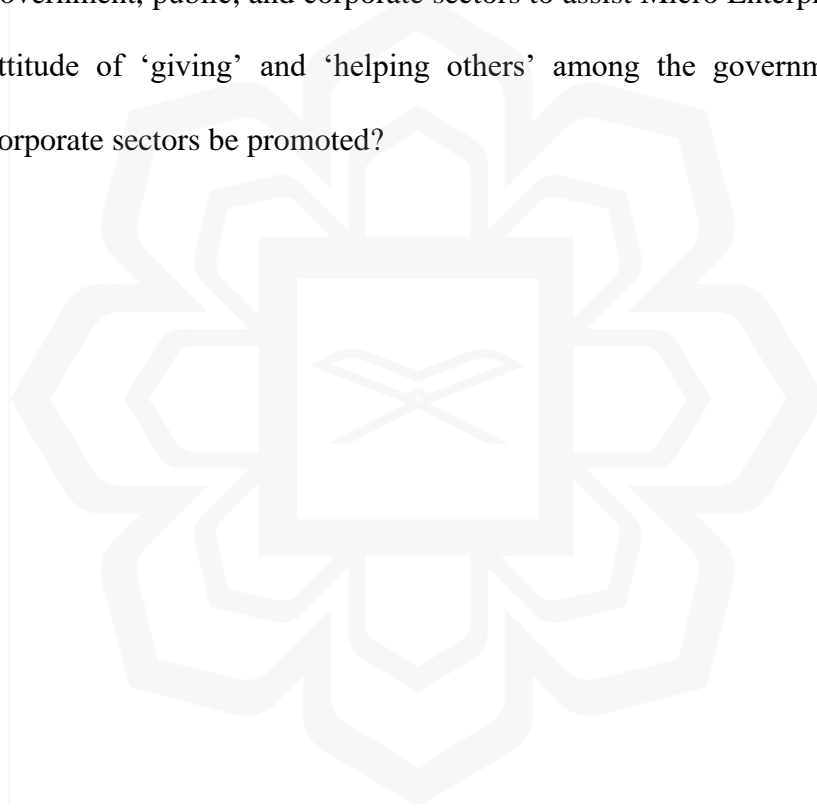
c) Human Capital Development

- 1) Why do you think human capital development is essential for Micro Enterprises development in Kandahar?
- 2) What do you think are the obstacles faced by micro enterprises to develop human capital in Kandahar?

d) IQEMD Model

- 1) Do you think Islamic donations and funds from Baitul Maal can be utilized to provide Qardhul Hasan to resolve the problem of accessing finance faced by Micro Enterprises and How?
- 2) Do you think Islamic donations and funds from Baitul Maal can be utilized to provide equity-based financing to resolve the problem of accessing finance faced by Micro Enterprises and How?
- 3) Do you think Islamic donations and funds from Baitul Maal can be utilized to resolve the problem of human capital development faced by Micro Enterprises and how?
- 4) Is the proposed Integrated Qardhul Hasan and Equity-based Micro Enterprise Development (IQEMD) Model practical for Micro Enterprises development and how?
- 5) Is the proposed Integrated Qardhul Hasan and Equity-based Micro Enterprise Development (IQEMD) Model acceptable for Micro Enterprises? (Please explain your views)
- 6) What is your view on the importance of the proposed Integrated Qardhul Hasan and Equity-based Micro Enterprise Development (IQEMD) Model for Micro Enterprises?
- 7) This model incorporates Musharakah Mutanaqisah Partnership (MMP). What is your view on this arrangement?
- 8) To operate this model, should this model involve Islamic Council's entity or corporate sector? Why?

- 9) What likely challenges may arise in materializing the Integrated Qardhul Hasan and Equity-based Micro Enterprise Development (IQEMD) Model?
- 10) From your perspective, what factors might contribute to the sustainability of adopting the Integrated Qardhul Hasan and Equity-based Micro Enterprise Development (IQEMD) Model?
- 11) Since Islamic donations and funds from Baitul Mall are collected from the government, public, and corporate sectors to assist Micro Enterprises, how can the attitude of 'giving' and 'helping others' among the government, public, and corporate sectors be promoted?



APPENDIX 2



Dear respondents,

I am Naqibullah Haqbin, PhD student of the Department of Economics, International Islamic University Malaysia. I am conducting a survey to examine the intention to use Integrated Qardhul Hasan and Equity-based Micro Enterprise Development (IQEMD) model among the micro entrepreneur in Kandahar, Afghanistan.

As you may be aware, there are problems of accessing finance and human capital development faced by micro enterprises in Kandahar, Afghanistan. As a viable solution for such problems, the Qardhul Hasan and Equity-based model has been proposed in this research. The name of the model is Integrated Qardhul Hasan and Equity-based Micro Enterprises Development (IQEMD) model, see Figure 1.

Figure 1
Conceptual Framework of IQEMD Model

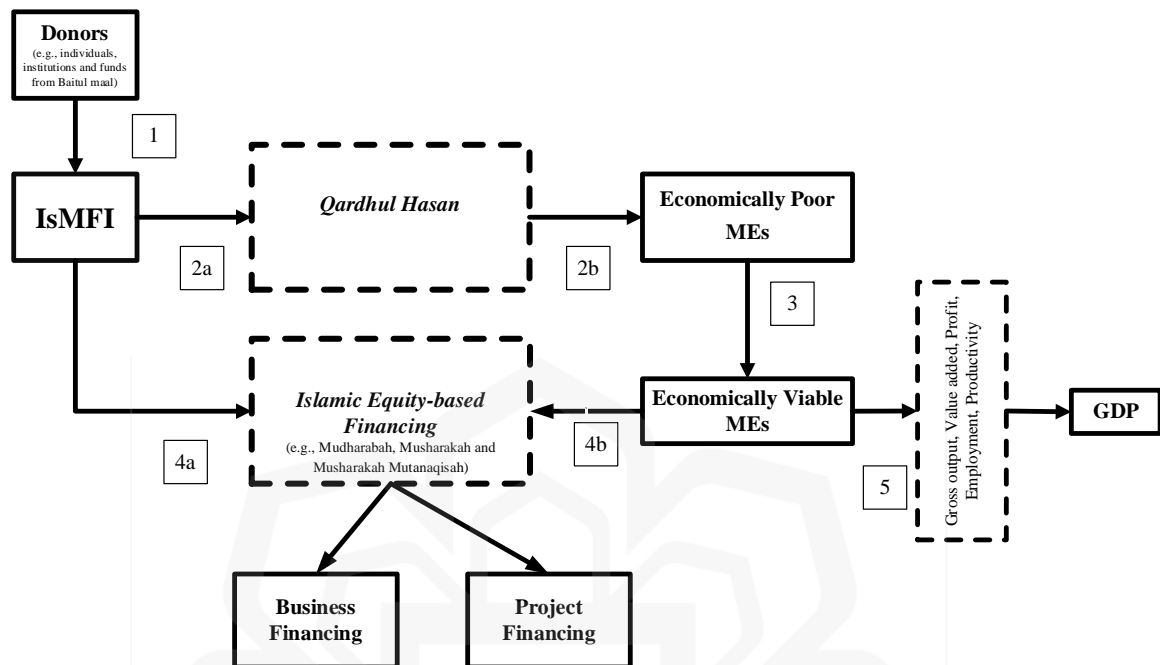


Figure 1 presents the conceptual framework of IQEMD model. The most important components of this model are the Donors, Islamic Microfinance Institutions (IsMFI), and Micro Enterprises.

- The donors (individual, institutional and fund from Baitul Maal) contribute cash as a donation to the Islamic Microfinance Institution (IsMFI) (1).
- IsMFI makes financing in the form of Qardhul Hasan and provides human capital development services to economically-poor micro enterprises (EPMEs) (2a and 2b). After they have been developed to the second stage called economically viable micro enterprises. At that place, the IsMFI is entitled to commence joint venture with them by offering equity-based financing such as Mudharabah, Musharakah Mutanaqisah and Musharakah (4a and 4b).
- After EPMEs avail financing services, they are supposed to develop from stage one to EVMEs (stage two) (3). It is a state where micro enterprises are positioned to enhance gross output, profit, employment and productivity - all of which later contribute to the national income or GDP (5).

Hence, the objective of my research is to examine your views and opinions regarding the proposed model with a view of measuring your level of intention to use. This research will be part of my PhD thesis which I am currently pursuing at UIAM under the supervision of Dr Mohamed Asmy Bin Mohd Thas Thaker and Prof. Dr Jarita Duasa.

I would be grateful if you could take the time to answer this questionnaire. Please feel free to tick the responses to each question in the boxes provided. If you do not have the exact answer to a question, please provide your best judgment. I will keep absolute confidentiality about your specific information.

I would like to thank you in advance for your time and participation in this research study.

Yours sincerely,

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Part A. Demography and Business Information

Instruction: Please tick (✓) the most appropriate answer

OWNER PROFILE	
1. Gender	<input type="checkbox"/> Male
	<input type="checkbox"/> Female
2. Age (years old)	(____) Years
3. Marital Status	<input type="checkbox"/> Single
	<input type="checkbox"/> Married
	<input type="checkbox"/> Divorce
4. Educational Level	<input type="checkbox"/> No Education
	<input type="checkbox"/> Secondary Education
	<input type="checkbox"/> Diploma
	<input type="checkbox"/> Bachelor Degree
	<input type="checkbox"/> Postgraduate (Master/PhD)
BUSINESS PROFILE	
5. Location (District)	(_____)
6. Business Activity	<input type="checkbox"/> Service
	<input type="checkbox"/> Construction
	<input type="checkbox"/> Manufacturing
	<input type="checkbox"/> Retailing
	<input type="checkbox"/> Agricultural
7. Number of Years in Business	(____) Years

8. Estimated Average Monthly income (in AFN thousand)	(_____) AFN
9. Number of Employees (including you)	(_____)

Part B. Financing Information

Instruction: Please tick (√) the most appropriate answer [Y] Yes [N] No

10. Which of the following source(s) of finance did you use when you first started business? (You may tick more than one, if applicable)	<input type="checkbox"/> [Y] <input type="checkbox"/> [N] Personal only <input type="checkbox"/> [Y] <input type="checkbox"/> [N] Relative/Friend <input type="checkbox"/> [Y] <input type="checkbox"/> [N] Commercial Bank <input type="checkbox"/> [Y] <input type="checkbox"/> [N] Government Loan <input type="checkbox"/> [Y] <input type="checkbox"/> [N] Microfinance <input type="checkbox"/> [Y] <input type="checkbox"/> [N] Hawala Dealer <input type="checkbox"/> [Y] <input type="checkbox"/> [N] NGOs <input type="checkbox"/> [Y] <input type="checkbox"/> [N] State Others (_____)
11. Did your enterprise apply for any new or additional external financing for business purposes in the last 6 months or 1 year? [External financing includes loans, personal loan, credit cards, Government grants or loans]	<input type="checkbox"/> [] Yes (Please proceed to Q12) <input type="checkbox"/> [] No (Please proceed to Q14)
12. What was the main purpose for your application for external finance? (You may tick more than one and proceed to Q13)	<input type="checkbox"/> [Y] <input type="checkbox"/> [N] Business Expansion <input type="checkbox"/> [Y] <input type="checkbox"/> [N] Capital purchases <input type="checkbox"/> [Y] <input type="checkbox"/> [N] Working capital <input type="checkbox"/> [Y] <input type="checkbox"/> [N] Relocation <input type="checkbox"/> [Y] <input type="checkbox"/> [N] State Others (_____)
13. When attempting to raise external finance, did you face any of the following difficulties? (You may tick more than one)	<input type="checkbox"/> [Y] <input type="checkbox"/> [N] High interest rate <input type="checkbox"/> [Y] <input type="checkbox"/> [N] Insufficient finance <input type="checkbox"/> [Y] <input type="checkbox"/> [N] Long loan durations <input type="checkbox"/> [Y] <input type="checkbox"/> [N] Strict collateral requirement <input type="checkbox"/> [Y] <input type="checkbox"/> [N] Strict documentation <input type="checkbox"/> [Y] <input type="checkbox"/> [N] Characteristic of business <input type="checkbox"/> [Y] <input type="checkbox"/> [N] State Others (_____)
14. If NO, please indicate the reason (You may tick more than one)	<input type="checkbox"/> [Y] <input type="checkbox"/> [N] Loan not required

	[Y] [N] High interest rate [Y] [N] Infant business [Y] [N] Poor credit history [Y] [N] Require strict documentation [Y] [N] Insufficient collateral [Y] [N] Insufficient documents [Y] [N] Long processing time [Y] [N] No proper business plan
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Part C. Human Capital Development Information

Instruction: Please tick (✓) the most appropriate answer [Y] Yes [N] No

15. Before starting this enterprise, did you have any experience in managing a business?	<input type="checkbox"/> Yes <input type="checkbox"/> No
16. Did you attend any program of training or training courses before starting the business?	<input type="checkbox"/> Yes <input type="checkbox"/> No
17. Are you AWARE of any support assistance provided by the Government or NGOs for human capital development?	<input type="checkbox"/> Yes (please proceed to Q18) <input type="checkbox"/> No (please proceed to Q19)
18. If you are AWARE of the types of assistance offered by Government Ministries and NGOs, what are the reasons for not participating? (You may tick more than one)	<input type="checkbox"/> [Y] [N] Do not meet business needs <input type="checkbox"/> [Y] [N] High cost or fees <input type="checkbox"/> [Y] [N] Many terms and conditions <input type="checkbox"/> [Y] [N] Not required at the moment <input type="checkbox"/> [Y] [N] State Others (_____)
19. If NO, please tick the REASONS why you are NOT AWARE of the types of assistance offered by Government Ministries and Agencies. (You may tick more than one)	<input type="checkbox"/> [Y] [N] Not important to know <input type="checkbox"/> [Y] [N] Less information provided <input type="checkbox"/> [Y] [N] Less promotion <input type="checkbox"/> [Y] [N] State Others (_____)
20. Do you have any of the following skills that influence your human capital development?	<input type="checkbox"/> [Y] [N] Technical/practical <input type="checkbox"/> [Y] [N] Marketing & management <input type="checkbox"/> [Y] [N] Business planning <input type="checkbox"/> [Y] [N] Labor management

	[Y] [N] Financial management [Y] [N] Information & Technology
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Part D. Qardhul Hasan and Islamic Equity-based Financing Information

Instruction: Please tick (✓) the most appropriate answer [Y] Yes [N] No

21. Are you aware of Qardhul Hasan financing?	[] Yes [] No
22. Are you aware of Islamic Equity-based (Musharakah and Mudarabah) financing?	[] Yes [] No
23. Do you know how Qardhul Hasan financing works?	[] Yes [] No
24. Do you know how Islamic Equity-based (Musharakah, Mudarabah and Musharakah Mutanaqisah) financing works?	[] Yes [] No
25. Would you be willing to use IQEMD model in your business if it is available and used to assist your business in terms of providing financing?	[] Yes [] No
26. Would you be willing to use IQEMD model in your business if it is available and used to assist your business in terms of human capital development?	[] Yes [] No

Part E. Theory of Reasoned Action

Instructions: Please use the following scale to state how much you agree or disagree with the following statements and put (✓) marks in the appropriate response that best describes your belief and opinion.

Scale of Measurement

1	2	3	4	5	6	7
Strongly Disagree (SDA)	Disagree (DA)	Somewhat Disagree (SWDA)	Neutral (N)	Somewhat Agree (SWA)	Agree (A)	Strongly Agree (SA)

No	Elements	SDA	DA	SWDA	N	SWA	A	SA
	Behavioral Belief							
1	By involving in IQEMD model if offered, it will raise my capital	1	2	3	4	5	6	7
2	By involving in IQEMD model if offered, it will expand my business	1	2	3	4	5	6	7
3	By involving in IQEMD model if offered, it will help me to practice a true spirit of Islam	1	2	3	4	5	6	7
4	By involving in IQEMD model if offered, it will enhance my productivity	1	2	3	4	5	6	7
5	By involving in IQEMD model if offered, it will help me find an alternative model of financing.	1	2	3	4	5	6	7
6	By involving in IQEMD model if offered, it will enhance my skills	1	2	3	4	5	6	7
7	By involving in IQEMD model if offered, it will assist me to be well-trained	1	2	3	4	5	6	7
	Outcome Evaluation							
8	For me, IQEMD model is to raise the capital	1	2	3	4	5	6	7
9	For me, IQEMD model can be used to expand my business	1	2	3	4	5	6	7
10	For me, the use of IQEMD model can bring me to practice a true spirit of Islam	1	2	3	4	5	6	7
11	For me, IQEMD model can help to enhance my productivity	1	2	3	4	5	6	7
12	For me, IQEMD model can help me to find alternative mode of financing for my businesses rather than conventional loan/financing	1	2	3	4	5	6	7
13	For me, IQEMD model can improve my skills that are relevant to my business	1	2	3	4	5	6	7
14	For me, IQEMD model can assist me to be well- trained	1	2	3	4	5	6	7
	Attitude							
15	Engaging in IQEMD model is fair	1	2	3	4	5	6	7
16	Engaging in IQEMD model is valuable	1	2	3	4	5	6	7

17	Engaging in IQEMD model is suitable	1	2	3	4	5	6	7
18	Engaging in IQEMD model is impossible	1	2	3	4	5	6	7
19	Engaging in IQEMD model is burdensome	1	2	3	4	5	6	7
20	Engaging in IQEMD model is fulfilling Shariah principles	1	2	3	4	5	6	7
21	Engaging in IQEMD model is in line with my social values	1	2	3	4	5	6	7
22	Engaging in IQEMD model is in line with my religious values	1	2	3	4	5	6	7
	Normative Belief							
23	My religious teachers think that I should use IQEMD Model if offered	1	2	3	4	5	6	7
24	My parents expect me to use IQEMD model if offered	1	2	3	4	5	6	7
25	My siblings think that I should use IQEMD model if offered	1	2	3	4	5	6	7
26	My friends expect me to use IQEMD model if offered	1	2	3	4	5	6	7
27	My relatives expect me to use IQEMD model if offered	1	2	3	4	5	6	7
28	My neighbors think that I should use IQEMD model if offered	1	2	3	4	5	6	7
	Motivation to Comply							
29	In General, I care about what my religion think I should do	1	2	3	4	5	6	7
30	Generally speaking, I care about what my parents think I should do	1	2	3	4	5	6	7
31	In General, I care about what my siblings think I should do	1	2	3	4	5	6	7
32	Generally speaking, I care about what my relatives think I should do	1	2	3	4	5	6	7
33	Generally speaking, I care about what my friends think I should do	1	2	3	4	5	6	7
34	Generally speaking, I care about what my neighbors think I should do	1	2	3	4	5	6	7
	Subjective Norms							
35	Most people who are important to me think that I should use this IQEMD model for financing purposes	1	2	3	4	5	6	7
36	Most people who are important to me think that I should use this IQEMD model for enhancing my skills	1	2	3	4	5	6	7

37	Most people whose opinion I value would approve my action to use this IQEMD model for financing purposes	1	2	3	4	5	6	7
38	Most people whose opinion I value would approve my action to use this IQEMD model for enhancing my skills	1	2	3	4	5	6	7
39	It is expected of me that I should use IQEMD model for financing purposes	1	2	3	4	5	6	7
40	It is expected of me that I should use IQEMD model for enhancing my skills	1	2	3	4	5	6	7
	Behavior Intention							
41	I intend to use IQEMD model if it is offered	1	2	3	4	5	6	7
42	I will frequently use IQEMD model if it is offered	1	2	3	4	5	6	7
43	It is important for me to use IQEMD model if it is offered	1	2	3	4	5	6	7
44	I have strong intention to use IQEMD model if it is offered	1	2	3	4	5	6	7
45	I will strongly recommend IQEMD model to others	1	2	3	4	5	6	7
46	I will definitely opt for IQEMD model in the future	1	2	3	4	5	6	7
47	IQEMD model is necessity at the present situation	1	2	3	4	5	6	7

Thanks a lot for your participation