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Social Performance Determinants of Global Islamic and Conventional Microfinance Organizations and Human Happiness

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Abstract

Human happiness is a rising issue in the twenty-first century, with mental health gaining relevance alongside physical health and socioeconomic issues. Thus, this study aimed to investigate and evaluate the social performance of worldwide Islamic and conventional microfinance organizations in achieving human satisfaction using non-traditional indices. Furthermore, the study examined the moderating influence of institution size in this context. The findings suggest that the social performance of both Islamic and conventional microfinance organizations is critical to obtaining human satisfaction. Because of the prospect of commercialization, institutional size has a detrimental impact on the social performance of traditional microfinance organizations in achieving sustainable development. Regarding policy suggestions, the findings of this study provide numerous policy directions for Islamic and conventional organization managers in both developed and developing nations. Both Islamic and traditional MFO managers should prioritise social performance, particularly outreach to underprivileged women, to promote human satisfaction. Managers should recognize that expanding the size of the institution can lead to higher social performance. This study also advises the government, central bodies, and other regulatory authorities on how to design laws that will improve the social performance of both Islamic and conventional microfinance organizations to achieve happiness. To assess development and progress, central bodies must shift away from obsolete measures used in the MF industry for governance, auditing, and client protection and towards

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metrics that focus on happiness and well-being. This study used several markers of social performance that are extensively explored in MIX reports. Future research may include financial performance measures.

Keywords: *Social Performance, Islamic Microfinance, Microfinance, Human Happiness, Human Happiness Index*

JEL Classification: C1, D6, D9.

1. Introduction

1.1. Happiness and Its Importance

It can be difficult to define happiness in a formal sense. People frequently use the term to characterize a variety of happy feelings, such as laughter, pride, happiness, and joy. However, researchers must first define happiness to comprehend its sources and effects. Happiness is often used interchangeably with "subjective well-being" for most people. This is determined by asking people to rate their level of life satisfaction (evaluative), their tendency towards positive and negative emotions, and their sense of meaning and purpose. According to positive psychology researcher Sonja Lyubomirsky, happiness is defined as "the experience of joy, contentment, or positive well-being, combined with a sense that one's life is good, meaningful, and worthwhile".¹

Happiness is not a soft and lofty aim, but rather a technique for achieving long-term development. Human happiness is important to identify solutions that benefit people and the environment, hasten sustainable development, and improve human well-being. This paradigm is adopted by certain nations. For instance, the "Well-being Budget" of New Zealand places a higher priority on expenditure to improve social happiness. A happiness index metric that redefines value is used in the Well-Being Budget. To rank among the world's five happiest nations, the United Arab Emirates introduced the National Program for Happiness and Wellbeing in 2016. Bhutan uses the Gross National Satisfaction Scale to gauge its citizens' level of satisfaction. The 4th King of Bhutan first used the term "gross national happiness" in 1972 when he said, "Gross national happiness is more important

than GDP".² Happiness economics is the study of how economic activity and human happiness are related. Happiness economics is the official term for the academic study of the relationship between an individual's level of satisfaction and material factors like wealth and employment. To increase the size of happiness indices by lowering obstacles to social, economic, and psychological sustainability in both developed and emerging nations, research on human happiness and human economics is required.

1.2. Microfinance and Human Happiness

Human happiness covers social support, freedom to make your own choices, the generosity of the general population, gross domestic product per capita, health life expectancy, and perceptions of internal and external corruption levels. Microfinance organizations' financial and social performance claims to play a huge role in improving well-being which also includes achieving human happiness and life satisfaction. Therefore, it is important to investigate the significance of microfinance organizations' performances in achieving human happiness.³

When making critical policy decisions, countries are being urged by several intergovernmental organizations (such as the United Nations, the World Health Organization, and the Organization for Economic Co-operation and Development) to consider well-being indicators (such as life satisfaction) in addition to traditional economic indicators. The need to keep assessing the health and well-being results seen from policies meant to increase life satisfaction expands along with the number of governments adopting this new strategy, the role of MFOs in human happiness research is needed.

1.3. Human Happiness in Islamic Perspective

Achieving a balance between the material and spiritual parts of life is necessary to attain true happiness and contentment, which is a multifaceted outcome. Illness of the soul is a frequent spiritual sickness that arises when we ignore the spiritual side of life. The remedy is to simply accept the faith that God Almighty has approved for humanity and to have faith in Him. If this spiritual illness is not treated, there will be terrible outcomes. Islamic

theology holds that achieving permanent happiness, contentment in this life, peace of mind, tranquility of heart, and everlasting bliss in the Hereafter is a lifetime process. It is more than just a transient state of happiness and contentment.⁴

1.4. World Human Happiness Indexes

The World Happiness Report is a periodical that features articles and rankings on national happiness, based on respondents' evaluations of their own lives. Additionally, it establishes correlations between these ranks and several other aspects of (quality of) life. As of March 2023, Finland has been ranked as the happiest country in the world six times in a row. The worldwide happiness assessment research, which provided the foundation for the rankings of nation-state happiness, was carried out by the polling company Gallup, Inc. Respondents selected from nationally representative samples are asked to picture their ideal life as a 10 on a ladder, and their worst life as a 0 on the ladder. On a scale of 0 to 10, individuals are then asked to rate their current lives. The study links the outcomes of the life assessment to several distinct aspects of life.⁵ Therefore, this study has used the World Human Happiness Index as the dependent variable to examine the role of MFOs on human happiness.

1.5. Social Performance Determinants of Islamic and Conventional MFOs

The provision of financial services to low-income individuals and groups is referred to as "microfinance". Credit unions, government banks, savings cooperatives, nonbanking financial organizations, credit unions, and rural banks are examples of microfinance organizations

Islamic Microfinance Islamic microfinance is the result of the merger of two quickly expanding sectors: microfinance and Islamic finance. According to Shariah principles, Islamic microfinance offers low-income individuals financial services. The financing methods are the primary distinction between Islamic and Conventional Microfinance. Social Performance includes accessibility of providing financial services to low-income people. Social performance determinants are segmented into the number of active debtors,

percentage of female debtors in active debtors, gross loan portfolio, social goals, governance and HR, products and services, client protection, environmental policies and initiatives, auditing, and rating.⁶

1.6. Objective, Rationale, and Novelty of the Study

There are three categories of human subjective well-being and happiness which are hedonic, evaluative, and eudaimonic well-being. Hedonic well-being is related to temporary happy and sad feelings; evaluative well-being is judgment about living standards, while eudaimonic is related to the meaning and purpose of life.⁷ This study will cover hedonic and eudaimonic happiness. The primary goal of the research is to investigate and evaluate the influence of Islamic and conventional microfinance organizations' social performance on human satisfaction. This study also examined the moderating effect of firm size on the role of Islamic and conventional microfinance organizations' social performance in achieving human satisfaction. The study is unique in that it links both conventional and Islamic microfinance organizations to the human satisfaction index and compares their roles.

2. Theoretical Background and Literature Related to the Research

2.1. Theoretical Framework

This study has connections to welfare hedonism, utilitarian philosophy, and Maqasid Al Shariah. The utilitarian view of morality holds that one should oppose actions that bring others unhappiness and support those that bring them happiness. The definition of utilitarianism is "the greatest amount of good for the greatest number of people." In a similar vein, the welfare hedonistic philosophical theory holds that a person's welfare is only based on how much pleasure and how little pain they experience. Conventional and Islamic microfinance institutions have connected welfare hedonism and utilitarianism theories to human happiness because they use financial services to help the public that lacks access to basic financial resources to alleviate the suffering of the poor, such as health, education, food, and water problems. While Maqasid Al Shariah means fulfilling the

objectives of Shariah. Shariah is an Arabic word that means "a path to water," or "a path to be followed." The legal system known as Shariah is based on the precepts of the Prophet Muhammad, also known as the Sunah, and the Quran. One element of Maqasid Al Shariah that is related to Islamic microfinance is public interest (Al Maslahah). Al Maslahah is further divided into three levels which are Maslahah Dharuriyah, Maslahah Hajjiyyah, and Mashlahah Tahsiniyah. The first one is basic needs fulfillment, the second one is related to making lives easy and the third one is living luxury lives.⁸ According to the Quran and Sunah, these levels of human satisfaction should be in the direction of Shariah. Islamic microfinance has linked Maslahah with human happiness as Islamic microfinance organization's main objective is to help needy poor people improve their standard of living for life satisfaction.

2.2. Literature on HHI and Social Performance

Microfinance organizations often assert that their influence extends beyond financial gain, as rescuing marginalized and impoverished debtors from isolation has a substantial positive impact on their dignity, self-worth, social acceptance, and their quality of life. This study attempts to support this claim by assessing whether having access to microloans has a significant influence on life satisfaction. After correcting for survivorship bias, the empirical findings on a sample of low-income debtors in the suburbs of Buenos Aires show that the number of loan cycles has a favorable and significant impact on life satisfaction.⁹ This study looks into whether or not West Bengali villagers' access to micro-loans and jobs under the National Rural Employment Guarantee Scheme (NREGS) significantly affects their level of pleasure and life satisfaction, two key indicators of their well-being. In this case, the micro-lending system is examined under separate loan contracts for individual and joint liability. This study demonstrates that increased microfinance program participation, microcredit size, and the number of man-days gained through employment under the NREGS increase rural residents' contentment. Additionally, studies reveal that individuals participating in the Self-Help Group under the SGSY scheme reflect happier

lives than those in the VSSU microfinance system, which is based on individual liability loan contracts. This is because the majority of SGSY scheme members are women, whereas VSSU members are men. Additionally, participants of the SGSY scheme Self-Help Group have gained a great deal of empowerment by joining the microfinance program and creating the Self-Help Group. (Kundu, 2010).

The elimination of sickness, crime, poverty, and conflict is the main area of concern for the majority of social, political, health, and policy studies. Is measuring and creating happiness an undeserved luxury in a world where there is still so much pain left? Even though there are still many diverse kinds of evil in the world, there is a growing body of data to support the idea that happiness offers a greater range of potential solutions for constructing a better society, such as more potent remedies for poverty, disease, and conflict. Some people believe that happiness research has a "giggle factor" and is too trivial for meaningful investigation. It took a long time to measure and maintaining good states of mind can offer new pathways to longer and better lives outside traditional medical care.¹⁰

The underprivileged and oppressed have benefited from microfinance services. It has demonstrated its beneficial effects on the poor's standard of living, which is one of the main determinants of the Gross National Happiness (GNH) Index. This study looks at how microfinance affects the living conditions of the impoverished to determine its true effect on the acceleration of the GNH Index. Additionally, the study looks into how fighting weapon microfinance helps the impoverished build their micro capabilities to achieve pleasure on an individual basis¹¹

Sameer et al., (2021) examined the association between human happiness and sustainability by using data from 152 countries. Sustainability measures responsible consumption which is the extension of UN sustainable development goals.¹² The findings highlight the complementarity between a happy and good life and help to clarify the roles that hedonism and happiness play in sustainability. Happiness has been linked to increased consumption, but it can also result in more conscientious behavior and a greater commitment to

sustainability principles. Happier countries therefore are more responsible for society and the environment, even though they may consume more. The findings cast doubt on the conventional wisdom that happiness and sustainability are mutually exclusive. These results highlight several possible social and political ramifications, one of which is the significance of happiness in responsible behavior.

According to the Microcredit Summit, microfinance has reached over 175 million disadvantaged people globally, providing underbanked communities with access to financial tools. Microfinance offers consumers the chance to better their financial situation through this access to financing, but its effects frequently go beyond a client's checkbook. The impact of financial accessibility on mental health metrics, such as life satisfaction, stress, sadness, and optimism, is examined in this study. The utilization of different financial products by households, including savings accounts, insurance, and loans, as well as how these products are provided—for example, individual vs. collective liability lending—are indicators of financial access. Between 2002 and 2009, information was gathered in the destitute Udaipur district of Rajasthan, India. Both individual and household data are included in the set. The panel data set is made up of surveys that were given to households and individuals in two different waves. The results, which were obtained using fixed-effects OLS regressions, demonstrate that stress and life satisfaction are negatively correlated when a person has an outstanding debt. Revolving credit is the sole indicator of financial accessibility that influences mental health. Financial availability does not seem to have an impact on mental health markers of optimism and depressive symptoms. The findings suggest that the emotional well-being and status of microfinance clients are not significantly impacted by financial access.¹³ Speaking, microfinance and women's economic empowerment are related. The conclusions drawn from research on the empowerment concept differ widely. With an emphasis on women specifically, this study examines the connection between several types of rural funding and gendered social exchanges. Women who work in rural finance typically benefit emotionally from it, even

though there are hazards involved. In Pakistan, women are heavily involved in all significant life events, including marriage, childbirth, and death. They receive cash through microfinance and rotating savings and credit associations to address their needs in these circumstances. This paper aims to investigate, using the prism of feminist perspectives, how rural funding affects women's empowerment. In Pakistan, women participate actively in all significant life events, including marriage, childbirth, and death. They receive cash through microfinance and rotating savings and credit associations to address their needs in these circumstances. This paper aims to investigate, using the prism of feminist perspectives, how rural funding affects women's empowerment. The study design utilized in this study was descriptive ethnography, and the data was obtained by doing interviews with the fifty debtors in the Nara Mughlan village located in District Chakwal. The money was only employed by a small number of women who managed small-scale companies such as sewing and stitching, grocery stores, and the care of poultry and livestock. But, in the event of rotating, they obtain a variety of psychological and emotional benefits by ceding their turn to other women.¹⁴

Microfinance Organizations (MFOs) are businesses that provide low-income people and communities with access to financial services and goods that they often cannot obtain through regular banking, such as small loans, deposit accounts, and insurance coverage. MFOs can connect with and assist a larger number of prospective clients when they have strong social networks and relationships. Mental resources are especially important in the context of MFOs for staff members who oversee daily operations and deal with customers. The influence of social and mental capacities is considered to be one of the newest development strategies. In MFOs, social intermediation is regarded as one of the most important steps in the process of replacing mental assets. This study examines the relationship between social and mental resources and MFO efficacy using empirical data, and it tries to measure the impact of MFOs on women's social empowerment. The raw data for the study were selected through a random sampling technique from 128 women who

belonged to Self Help Groups (SHGs) created in Karnataka by a major Indian production business as part of its corporate social responsibility initiative. Only the quantity of outstanding debt affects mental assets. The effectiveness of MFOs is significantly positively correlated with mental and social resources. SHG members' opinions of the changes the MFOs have brought about in their lives are evaluated using a Likert scale that covers 15 factors related to capacity development, active and joint involvement in social as well as mental life, and knowledge growth to bring about desired alterations. Additionally, the study demonstrates the negligible impact that financial access has on microfinance customers' financial situation and mental well-being. The report concludes that the MFOs of the organization have produced mental and social resources that enable SHG members. The study finds that social resource formation is not a spontaneous process; rather, businesses must actively foster it by implementing several rules, such as capacity expansion, decision-making skills development, etc. (Jain and Bhowmik, 2023). Some other studies find the negative impact of microfinance on human happiness. This study by Ashta et al., (2011)¹⁵ provides a preliminary investigation into the relationship between microfinance and suicides at a time when discussions of Andhra Pradesh's microfinance debtors' suicides are prevalent. Does MF make suicides go up or down? Methodological restrictions and tentative findings are implied by data limitations. The literature review of research on suicide highlights the significance of psychological issues, divorce, and unemployment, beginning with Emile Durkheim. We examine time series data on suicides in India and discover a marginally significant positive link with male suicide rates and a slightly negative (not significant) correlation with female suicide rates, but no relationship between microfinance and the total number of suicides. The amount of SHG loans that are outstanding to banks and the total number of suicides are positively correlated, according to cross-sectional data from Indian states. The association between the two is only weak. Beyond India, global country-wise research shows no association between microfinance

and suicides by adults; nevertheless, a (weak) regression analysis of 31 nations suggests that the rise in suicides is caused by the poor's access to microfinance.

2.3. Literature on Moderator and Control Determinants

Advocates of gathering and utilizing subjective well-being data, frequently point out that these kinds of data are necessary to counterbalance the focus that is currently almost entirely directed towards economic activity indicators, like the GDP, as benchmarks for measuring the advancement or development of a country (Hall and Helliwell, 2017). Inflation and unemployment both reduce well-being. The misery index, which is the total of the rates of both inflation and unemployment, was used by macroeconomist Arthur Okun to describe the detrimental impacts of both. This work estimates happiness equations using a large European data set spanning the years 1975–2013. The measure of an individual's subjective life satisfaction is regressed against the rate of inflation and unemployment while accounting for fixed effects related to year, country, and personal characteristics. Conventionally speaking, the researcher found that well-being is lowered by both increased unemployment and higher inflation.¹⁶

DiMaria et al., (2020)¹⁷ use a matched dataset from surveys and official statistics to examine the relationship between overall productivity and subjective well-being. Life satisfaction and total factor productivity are the metrics used to quantify productivity and well-being, respectively. Using a production framework and non-parametric frontier methodologies, the analysis reveals that in a sample of 20 European countries, life happiness leads to notable increases in productivity. These findings support the hypothesis that enhancing subjective well-being is not only desirable in and of itself but also positively correlated with increased productivity and better economic performance in nations. They also corroborate the evidence of a positive association between the determinants of interest found at the individual and firm levels.

The relationship between GDP and subjective well-being—expressed as personal life satisfaction—is examined in the study by Degutis et al. (2010).¹⁸ Easterlin's paradox and

data from the European Union from 2000 to 2009 are used to examine the hypothesis that life satisfaction remains constant despite global economic growth. GDP per capita and aggregated life satisfaction statistics at the national level from a Standard Eurobarometer survey are used to conduct the test. The regression studies of the within-country trends and the cross-country correlation demonstrate a positive relationship between the GDP level and life satisfaction. Even while the relationship is more pronounced in Eastern European nations, it is nevertheless positive in many of the wealthier EU nations.

People desire to live in prosperous and happy states, but happiness is crucial for society's well-being as well as for the well-being of individual people. It is vital to consider factors other than money to maximize pleasure. Having the right definition of happiness at the individual, familial, social, and natural levels is one of these variables. This research focuses on the independent, dependent, control, and moderating determinants to investigate the causal linkages between the variables under investigation. It also provides an agenda for future research, summarises the mechanisms based on empirical articles, informs policymakers about actions that impact the degree of human happiness through rules and regulations, and synthesizes the findings of the literature into major topics and sub-themes. According to the findings, the conception of happiness should be given priority when determining an individual's or a group's degree of happiness. In addition, the study suggests that governments create the frameworks necessary for people to express their level of happiness without being influenced by political pressure to provide answers that will strategically yield high macroeconomic happiness levels.¹⁹

The effect of asset size on outreach and financial performance is the main topic of this study by Kendo and Tchakounte, 2022²⁰. More precisely, researchers ascertain if microfinance organizations with deficient performance are more affected by an increase in asset size than those with robust performance. They used a panel quantile technique with

non-additive fixed effects to accomplish this, which enables us to divide our microfinance sample into smaller groups based on comparable performance levels.

According to the findings, microfinance organizations with low or poor profitability levels are more affected by a rise in asset size than those with excellent profitability levels. In terms of outreach, they discovered that increasing firm size reduces the proportion of women debtors in the customer portfolio but increases the average loan and the number of active debtors. For MFOs that target fewer women, increasing asset size reduces the proportion of women debtors. On the other hand, increasing business size reduces the percentage of female debtors in MFOs that already have a high number of women debtors. To put it another way, larger firm size has a greater impact on moving women creditors away from the client portfolio, particularly for MFOs that target a smaller share of women debtors.

The literature given above suggests that we should investigate the impact of social performance in obtaining human happiness for both IMFOs and CMFOs by utilizing multiple determinants. Furthermore, the study investigated the moderating influence of firms in this association. Based on the aforementioned problem, the following hypotheses are proposed.

Hypothesis-1(H_{A1}): Islamic microfinance organizations' social performance has a significant effect on human happiness.

Hypothesis-2(H_{A2}): Conventional microfinance organizations' social performance has a significant effect on human happiness.

Hypothesis-3(H_{A3}): The moderating effect of firm size impacts the social performance of Islamic microfinance organizations in achieving human happiness.

Hypothesis-4(H_{A4}): The moderating effect of firm size impacts the social performance of traditional microfinance organizations in achieving human happiness.

2.4. Research Model

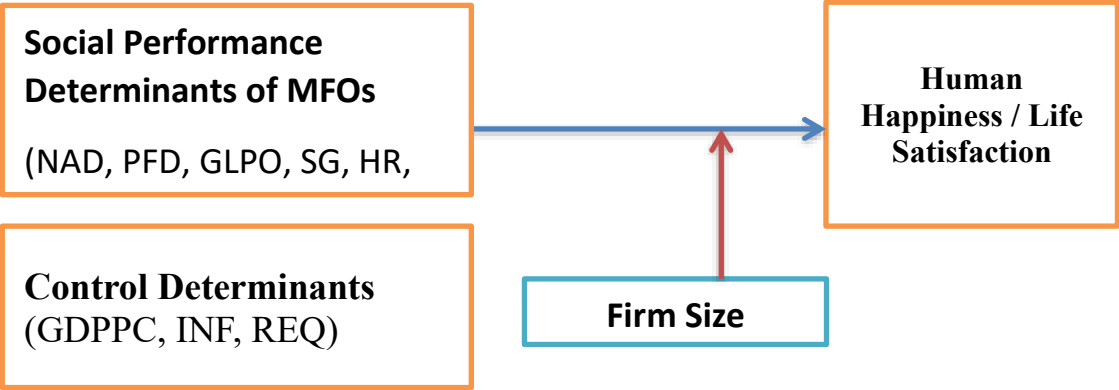


Figure 1.

3. Research Methodology

This study applied the fixed effect model on unbalanced data from one hundred global microfinance organizations (including 80 CMFOs and 20 IMFOs) from 2013 to 2017. As this study dealt with panel data, the most appropriate technique for panel data is panel regression using fixed and random effect models, particularly when the panel data is unbalanced.²¹ Ahmad et al. (2020)²² employed a similar model. The Human Happiness Index (HHI) represents the dependent variable for human happiness. Social performance was measured through Number of Active Debtors (NAD), %age of Female Debtors (PFD), Gross Loan Portfolio (GLPO), Social Goals (SG), Governance and HR (HR), Products and Services (PS), Environmental Policies and Initiative (EPI), Clients Protection (CP), and Audit and Rating (AR) as independent determinants. Control variables such as Gross Domestic Product (GDP) and inflation (INF) data were collected from World Bank databases while REQ was collected from the World Governance Indicator database. Social

performance data is collected from World Bank Microfinance Information Exchange Reports (MIX). Human happiness index data is collected from World Happiness Reports.

Table # 1

Detail of Determinants

Independent Determinants				
Determinants		Abbreviation	Description	Data Source
Social Performance	Number of Active Debtors	NAD	Active debt clients of microfinance organizations	World Bank MIX Report
	%age of Female Debtors	PFD	Female debtors / Total Debtors	
	Gross Loan Portfolio	GLPO	It includes all unsettled and unpaid amounts from the clients’ loans	
	Social Goals	SG	Number of social goals targeted by microfinance institution	
	Governance and HR	GHR	Average Score of Governance and Human Resource	
	Products and Services	PS	Average Score of Products and Services	
	Clients Protection	CP	Average Score of Client Protection Clauses	
	Environmental Policies and Initiative	EPI	Average Score of Environmental Policies and Initiative	
	Audit and Rating	AR	Average Score of Audit and Rating	
Dependent Variable				

Human Happiness	Human Happiness Index	HHI	Populated average score of healthy life and well-being	World Happiness Report-WER
Moderator				
Firm Size	Log of Assets	F.Sz.	The firm size is defined as the natural logarithm of total assets at the end of the specified period	MIX Report
Control Variable				
GDPPC	Gross Domestic Product Per Capita	GDPPC	Gross Domestic Product/ Population of the Country	World Bank Database
Inflation	Consumer Price Index	Inf	Increase in price of products and services of a country	
Institutional Quality	Regulatory Quality	REQ	Rules and Regulations implementation score of a country	World Governance Indicator Database

3.1. Empirical Equations

$$HHI_{it} = \alpha_0 + \beta_1 SP_{it} + \beta_2 CVS_{it} + \beta_3 I.T_{it} + \epsilon_{it} \quad (a)$$

In Equation a, HHI_{it} indicates the human happiness index as a dependent variable while “it” shows organizations and periods for panel data. SP_{it} specifies social performance determinants including the Number of Active Debtors (NAD), % age of Female Debtors (PFD), Gross Loan Portfolio (GLPO), Social Goals (SG), Governance and HR (HR), Products and Services (PS), Environmental Policies and Initiative (EPI), Clients Protection (CP), and Audit and Rating (AR). CVS_{it} measures the control variables GDP per capita, consumer price index (INF), and regulatory quality (REQ). I.T is a dummy variable, with "0" for Islamic microfinance organizations and "1" for conventional microfinance organizations.

$$HHI_{it} = \alpha_0 + \beta_1 SP_{it} + \beta_2 F.Sz_{it} + \beta_3 F.Sz_{it} * SP_{it} + \beta_4 X_{it} + \beta_5 I.T_{it} + \epsilon_{it} \quad (b)$$

In Equation b HHI_{it} indicates the human happiness index as the dependent variable. SP designates social performance determinants including the Number of Active Debtors (NAD), % age of Female Debtors (PFD), Gross Loan Portfolio (GLPO), Social Goals (SG),

Governance and HR (HR), Products and Services (PS), Environmental Policies and Initiative (EPI), Clients Protection (CP), and Audit and Rating (AR). $F.Sz_{it}$ indicates the moderating variable. $F.Sz_{it} * SP_{it}$ indicates log asset multiplication with social performance determinants Return on Asset (ROA) and Portfolio Yield (PFY). CVS_{it} measures the control variables GDP per capita, consumer price index (INF), and regulatory quality (REQ). I.T is a dummy variable, with "0" for Islamic microfinance organizations and "1" for conventional microfinance organizations. Because the model specification is linear, the specified determinants are translated into natural logarithms to obtain robust and comparative estimates.²³ Now the equations can be written as:

$$LHHI_{it} = \alpha_0 + \beta_1 LSP_{it} + \beta_2 LCVS_{it} + \beta_3 I.T_{it} + \epsilon_{it} \quad (c)$$

$$LHHI_{it} = \alpha_0 + \beta_1 LSP_{it} + \beta_2 LF.Sz_{it} + \beta_3 LF.Sz_{it} * LSP_{it} + \beta_4 LX_{it} + \beta_5 I.T_{it} + \epsilon_{it} \quad (d)$$

4. Data Analysis

4.1. Descriptive Evaluation

Table 2 shows data for all determinants, including the number of observations, mean, standard deviation, lowest, and maximum values.

Table # 2

Descriptive Statistics

Determinants	HHI	NABO	PFEB	GLPO	SG	GHR	PS	CP	EPI	GDP PC	INF	REQ
<i>Islamic microfinance organizations</i>												
Obs	80	80	80	80	80	80	80	80	80	80	80	80
Mean	0.49	13258	2.90	1.25	3.34	9.17	1.61	.66	.30	.24	2.98	1.7
Std. Dev	4.00	3.34	.6121	1.15	.87	.21	.81	.11	.61	.003	-.422	.09
Min	3.59	1.01	.89	6.34	1.01	.059	.33	.56	.24	.26	.34	.50
Max	7.50	5.24	.96	.737	1.4	.124	.78	.75	.35	.85	1.97	.63
<i>Conventional Microfinance Organizations</i>												

Obs	370	370	370	370	370	370	370	370	370	370	370	370
Mean	415	398.8	3.72	2.46	1.39	2.22	1.65	2.9	4.23	.38	.226	.92
Std. Dev	4.00	3.00	1.61	.300	.02	2.98	1.7	0.6	0.51	0.70	.024	1.4
Min	.11	.14	.18	.08	.13	.36	1.19	.07	.25	-1.13	-4.6	.05
Max	9.90	6.8	.40	.9	.17	.50	1.168	.6	.36	.152	.51	.68

In Table #2, microfinance organizations' HHI middle value $(7.50-3.59)/2 = 1.955$ is more than the mean value of 0.49, indicating that the distribution is skewed to the left. Most determinants' standard deviations exceed their mean values, indicating that the data is homogeneous.

Table # 3

Correlation Matrix for Explanatory Determinants

<i>IMFOs</i>	HHI	NABO	PFEB	GLPO	SG	GHR	PS	CP	EPI	GDP PC	INF	REQ
HHI	1.00											
NABO	.60	1.00										
PFEB	.39	.68	1.00									
GLPO	.38	.58	.57	1.00								
SG	.07	.39	.51	.47	1.0							
GHR	.031	.25	.27	.10	.64	1.00						
PS	.29	.60	.39	.44	.48	.30	1.00					
CP	.21	.71	.37	.26	.68	.74	.38	1.00				
EPI	.56	.63	.40	.71	.64	.41	.56	.51	1.00			
GDPPC	.06	.35	.42	.35	.78	.32	.67	.21	.35	1.00		
INF	-.67	.04	.28	.60	.20	.48	.09	.15	.10	.71	1.00	
REQ	.17	.49	.49	.58	.28	.21	.17	.28	.66	.65	-.55	1.00
<i>CMFOs</i>	HHI	NABO	PFEB	GLPO	SG	GHR	PS	CP	EPI	GDP PC	INF	REQ
HHI	1.00											
NABO	.071	1.00										
PFEB	.035	.32	1.00									
GLPO	.26	.47	.37	1.00								
SG	.67	.32	.32	.65	1.0							

GHR	.75	.38	.63	.35	.49	1.00						
PS	.46	.39	.74	.64	.48	.30	1.00					
CP	.63	.53	.36	.57	.46	.14	.23	1.00				
EPI	.68	.79	.70	.52	.47	.015	.10	.32	1.00			
GDPPC	.30	.57	.43	.73	.67	.44	.27	.60	.46	1.00		
INF	.59	.30	.52	.49	.66	.67	.61	.68	.63	.35	1.00	
REQ	.42	.73	.54	.32	.46	.26	.76	.24	.89	.72	.61	1.00

The correlation matrix reflects the degree of connection between two determinants, regardless of independent or dependent roles. Every variable has a perfect connection with itself, which equals 1. A value between two variables close to one shows a strong association and is termed multicollinear, whereas a value close to zero suggests a weak relationship or the absence of multicollinearity. Positive values imply a relationship in the same direction, but negative values suggest an opposite-direction association. Multicollinearity is defined as coefficient values of 0.8 or more.²⁴ All of the coefficients in Table # 3 are less than 0.8, indicating that there is no multicollinearity amongst determinants.

Table # 4

Fixed Effect Method Results

D.V. -HHI	Islamic MFOs	Conventional MFOs
/NABO	.8834 (0.011)***	4.4307 (0.017)**
/PFEB	1.03267 (0.01)***	1.8409 (0.003)***
/GLPO	-0.75541 (0.09)*	-1.9109 (0.004)***
/SG	.8502 (0.006)***	6.9109 (0.045)**
/GHR	.4404 (0.045)**	5.1807 (0.035)**
/PS	1.9135 (0.0135)***	.27789 (0.0021)***

/CP	3.2927 (0.067)*	.656945 (0.04)**
/EPI	2.3009 (0.084)*	0.37216 (0.03)
/GDPPC	.1898 (0.071)*	-.2.2907 (0.04)**
/INF	-0.0054 (0.001)***	-.21454 (0.028)**
/REQ	6.5010 (0.004)***	.098021 (0.090)***
Constant	.73480 (0.000)	78.02 (0.000)
Hausman Test	0.000	0.000
F- Test	0.000	0.000

* Denote significance at 10%, **Denote significance at 5%, ***Denote significance at 1%.

The association between independent social performance factors and the human happiness index—the dependent variable used to measure both human happiness and life satisfaction—is shown in Table # 4 by the model findings. Here, the independent determinants of social performance (NAD, PFD, SG, HR, PS, EPI, CP, and AR) and the control variable (REQ) exhibit a positive and significant connection with HHI. According to this, there will be an 88.34 percent rise in HHI for every 1% increase in the number of active IMFO debtors and a 44.30% increase in HHI for every 1% increase in the number of active CMFO debtors. These findings align with the research conducted by Becchetti and Conzo (2010), Ahmed and Malik (2023), and Jain and Bhowmik (2023). For both kinds of organizations, the association between HHI and GLPO, GDPPC, and INF is negative. There is a chance that in the event of a high GDPPC, MFO consumers will shift to traditional banking and their inclusion in the banking sector will decrease as a result of high inflation. REQ shows a favorable connection with both IMFOs and CMFOs. This suggests that regulations benefit both sorts of organizations.

4.1. Diagnostic Tests

The Durbin-Wu-Hausman test is used to determine which fixed or random effect model is the best fit for the given set of data. According to Dougherty (2011)²⁵ when P- the value is < 0.05 , the fixed effect method will apply. Since the Hausman test's P-value is < 0.05 in this case less, so null hypothesis should be rejected and the fixed effect method should be applied. The more than thirty observations criterion is used when the data have a normal distribution. Since there are more than 30 observations in this instance, as per Plane and Gordon (1982),²⁶ it is assumed that the data is distributed regularly.

Table # 5

Fixed Effect Method with Moderator Effect Results

D.V.-HHI	Islamic MFOs	Conventional MFOs
/NABO	.7476 (0.001)***	3.7806 (0.043)***
/PFEB	.1281 (0.003)***	7.3458 (0.02)**
/GLPO	-.5097 (0.001)***	-3.9603 (0.043)**
/SG	.4916 (0.003)***	0.44351 (0.043)**
/GHR	.4346 (0.004)***	2.1306 (0.02)**
/PS	.1289 (0.009)***	9.8425 (0.014)**
/CP	.1548 (0.043)**	3.0547 (0.001)***
/EPI	.6971 (0.009)***	5.02165 (0.043)**
/F.Sz.	.2442 (0.05)*	-5.36068 (0.181)
/F.Sz.* /NABO	.82881 (0.02)**	.213562 (0.014)**
/F.Sz.* /PFEB	.31172 (0.001)***	.185106 (0.050)*

<i>/F.Sz.* /GLPO</i>	.02748 (0.050)*	.188148 (0.02)**
<i>/F.Sz.* /SG</i>	.246410 (0.014)**	.410271 (0.001)***
<i>/F.Sz.* /GHR</i>	.03680 (0.050)**	.755287 (0.043)***
<i>/F.Sz.* /PS</i>	.94328 (0.014)**	.782974 (0.02)**
<i>/F.Sz.* /CP</i>	.78306 (0.02)**	.410909 (0.014)**
<i>/F.Sz.* /EPI</i>	.62543 (0.050)**	.755215 (0.001)***
<i>/GDPPC</i>	-.94625 (0.043)**	.782581 (0.050)*
<i>/INF</i>	-2.51608 (0.02)**	-.43086 (0.014)**
<i>/REQ</i>	.391006 (0.050)*	-.534526 (0.043)**
Constant	.181416 (0.00)	.700823 (0.000)
Hausman Test	0.000	0.000
F-Test	0.000	0.000

* Denote significance at 10% ,**Denote significance at 5% ,***Denote significance at 1%.

According to Table # 5's findings, there is a negative correlation between the human happiness index and the institution size of CMFOs as an independent variable. To achieve human happiness, regulating firm size also positively affects the human happiness index. An increase in business size signifies a financial institution's expansion. These findings align with the findings of Hall and Helliwell (2014).²⁷ This also shows that CMIFs are approaching maturity, whereas firm size as an independent variable for IMFOs has a positive connection with HHI. F.Sz., as a moderator between NAD, PFD, SG, HR, PS, EPI, CP, AR, and HHI, shows a positive association, whilst Kendo and Tchakounte (2022)²⁸ show the opposite results. This suggests that the expansion of IMFOs increases social performance, resulting in the accomplishment of HH. The findings are consistent with the

utilitarianism theory, which states that both Islamic and conventional microfinance organizations' social performance leads to human happiness.

5. Conclusion

This is a pioneering study that investigates the influence of both Islamic and mainstream microfinance organizations in promoting human happiness. Achievement in human development is critical for emerging countries' social and economic success. This study linked a Human Happiness index with HH. The findings showed that NABO, PFEB, GLPO, SG, HR, PS, EPI, CP, and AR of Islamic and conventional MFOs have a favorable connection with HH. GDPPC and INF as control determinants have a negative connection with HHI in both organizations. There is a potential that if GDPPC rises, MFO consumers may shift to regular banking, and their participation in the banking industry will decline due to rising inflation. REQ shows a favorable association with IMFOs and CMFOs. This suggests that rules and regulations are being developed and implemented. This means that both IMFOs and CMFOs must develop and implement rules and regulations. Firm size of CMFOs, as an independent variable, exhibits a negative connection with the human satisfaction index. As a moderator, firm size improves the social performance of IMFOs with HHI. The increase in business size signifies the growth of the financial organization. Commercialization in CMFOs is possible if the firm's size increases. Due to the excessive cost of delivering services, CMFOs may choose to focus on serving a select group of customers with large loans while ignoring the poorest ones to profit from the reinvestment. This also shows that CMIFs are approaching maturity, whereas firm size as an independent variable for IMFOs has a positive connection with HHI. F.Sz. as a moderator between NAD, PFD, GLPO, SG, HR, PS, EPI, CP, AR, and HHI demonstrates a favorable association. This suggests that the expansion of IMFOs increases social performance, resulting in the accomplishment of HH. The findings are consistent with the utilitarianism theory, which states that both Islamic and conventional microfinance organizations' social performance leads to human satisfaction. To address variability and autocorrelation in

diagnostic testing, a robust fixed technique is applied to sample sets. Additional before and posttests included descriptive analysis, the Hausman test, and vif analysis. The findings show that achieving human happiness depends on the social performance of both IMFOs and CMIFs. The relationship between the social performance of conventional and Islamic microfinance organizations in achieving human satisfaction is greatly impacted by the moderating effect of business size. In terms of attaining human happiness, there is no discernible difference between the social performance of conventional and Islamic microfinance organizations; instead, rules need to be improved to support the expansion of IMFOs.

5.1. Policy Implications, Future Research Directions and Limitations

The study's findings offer several policy recommendations to managers of conventional and Islamic organizations around the world. The findings have relevance for regional establishments, as management of Islamic and conventional microfinance organizations ought to prioritise social performance, particularly outreach to impoverished women, to attain satisfaction for all. The administrators must understand that social performance can be enhanced by increasing the institution's size. For Islamic microfinance organizations to explicitly attain human happiness, this study also guides the government, central authorities, and other regulatory authorities on how to design policies for enhancing social performance, i.e., outreach and target market. Central bodies must switch from using outdated metrics used in the MF industry related to governance, auditing, and client protection to gauge development and progress to metrics that focus on happiness and well-being. This study used several markers of social performance that are extensively explored in MIX reports. Future research may include financial performance measures.

Authors Contribution

Amatul Mateen: introduction, data collection, methodology, data analysis and interpretation, drafting.

Mohammad Ayaz: discussion, recommendations, revision, proofreading

Conflict of Interests/Disclosures

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