



KARJIEF

KARATAY JOURNAL OF ISLAMIC ECONOMICS AND FINANCE

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**Microfinance Development in Türkiye and the Prospect of
Islamic Microfinancing**

ABSTRACT

This study aims to examine the development of research on the topic of “Microfinance in Turkey” and research plans that can be carried out based on journals published on this theme. This study uses a qualitative method with a bibliometric analysis approach. The data used is secondary data on the theme of “Microfinance in Turkey” from the Dimension database, with a total of 28 journal articles. The data was then processed and analyzed using the VosViewer application to determine the bibliometric map of research development on “Microfinance in Turkey” worldwide. The findings reveal four dominant research clusters: (1) Microfinance and Women’s Employment in Türkiye, (2) Islamic Banking and Microfinance Financing Risk in Türkiye, (3) Islamic Financial Literacy and Microfinance Intention in Türkiye, and (4) Determinants of Microfinance in the Turkish Economy. The most frequent keywords include Türkiye, finance, financing, Islamic bank, bank, evidence, economics, and unemployment. Overall, the study highlights that research on Islamic microfinance in Türkiye remains limited but growing, offering significant opportunities for future inquiry. The novelty of this study lies in its systematic bibliometric mapping that provides a comprehensive understanding of Türkiye’s microfinance scholarship studies and identifies potential pathways for advancing Islamic microfinance research and policy.

Keywords: Microfinance in Turkey, Islamic Microfinance, Research Map, Bibliometric, VosViewer.

JEL Codes: G41, Z12, D91

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INTRODUCTION

Microfinance is defined as the provision of financial services to low-income individuals or disadvantaged groups who generally do not have access to conventional banking. In a broader sense, microfinance institutions serve customers who are typically marginalized from the formal financial system by offering small-scale financial products with a social mission, such as reducing poverty and empowering women by facilitating access to credit, savings, and other financial products that support entrepreneurial activities and improve decision-making and household control over resources (Weiss & Montgomery, 2005; Dhungana et al., 2023; Devaraju et al., 2024).

This service includes microcredit, savings, insurance, and payment services aimed at empowering economically and socially vulnerable communities. More than just financial intermediation, microfinance often involves social intermediation such as group formation, building self-confidence, and financial literacy training to improve customer capabilities. Thus, microfinance is not just banking; it is a development tool designed to promote poverty alleviation, economic empowerment, and financial inclusion, especially among women and marginalized groups (Mayianda, 2019; Devaraju et al., 2024).

The concept and strategic role of microfinance is also reflected in the context of the financial industry in Turkey, where microfinance services have developed with their own characteristics and dynamics. The development of microfinance in Turkey has followed a path that integrates conventional and Islamic microfinance approaches aimed at socio-economic development, poverty alleviation, and women's empowerment. One significant development is the introduction and growth of Islamic microfinance programs such as the IKSAR Qard al-Hasan Program, which provides interest-free loans to poor households (Ülev et al., 2023). Research by Ülev et al., (2023) shows that the program has had a positive impact on household income and monthly expenses, demonstrating its role in poverty alleviation and socio-economic improvement in Turkey. The focus on Islamic financing methods, including profit-sharing agreements (Musharakah, Mudarabah) in addition to charity-based methods (Zakat, Sadaqah, Qard al-Hasan), positions Turkey's microfinance sector as an institution that supports financial inclusion and compliance with Islamic ethical principles (Ülev et al., 2023; Saad et al., 2025).

Türkiye represents a particularly interesting case for studying microfinance because of its dual financial system—where conventional and participation (Islamic) banks coexist under a unified regulatory framework—making it a unique laboratory for inclusive finance innovation. Furthermore, Türkiye's ambition to become a regional hub for Islamic finance in Eurasia provides a fertile ground for integrating Sharia-compliant principles into microfinance practices and assessing their socio-economic impact. In addition, microfinance in Turkey has been recognized as a key tool in addressing the feminization of poverty by promoting women's entrepreneurship and economic empowerment, particularly through programs such as the Turkish Grameen Microfinance Program (TGMP) (Adaçay & Yildiz, 2023). These initiatives provide microcredit that enables women to engage in income-generating activities, leading to improved socioeconomic well-being and empowerment within households. The role of microfinance in Turkey goes beyond the provision of finance, as these institutions also contribute to social change and sustainable development goals by enabling marginalized groups to participate in economic activities (Adaçay & Yildiz, 2023).

Further literature from Bayram et al., (2022) highlights that Turkey has made significant strides in financial inclusion by leveraging fintech and microfinance services, utilizing digital platforms to improve access for the unbanked population and SMEs. Dinçer et al., (2022) examines how to improve the effectiveness of the microfinance system in Turkey. Yener et al., (2023) analyzed how microcredit helps women's entrepreneurship in economic development and growth in Turkey. Sahbazoglu & Alkan (2023), who examined the role and effectiveness

of microcredit practices in empowering women and increasing their participation in the workforce in the province of Samsun.

However, despite the growing body of literature, research that systematically maps the evolution of microfinance, particularly Islamic microfinance in Türkiye remains limited at the global level. Most existing studies focus on specific case studies or program evaluations rather than providing a comprehensive research landscape that captures thematic evolution, collaboration patterns, and research frontiers. This study addresses that gap by conducting a bibliometric mapping using VosViewer to systematically identify the structure and dynamics of research on “Microfinance in Türkiye.” To provide a quantitative overview, this study uses secondary data collected from the Dimensions database, covering publications from 2010 to 2024. This method is capable of creating and displaying author journal maps and research paths based on co-citation data or keyword maps based on co-occurrence data. Therefore, the novelty of this study lies in its systematic bibliometric analysis that provides a comprehensive overview of Islamic and conventional microfinance research in Türkiye, identifying the main thematic clusters and highlighting emerging research opportunities.

LITERATURE REVIEW

Microfinance is the provision of financial services, primarily credit and savings, to low-income individuals, especially those who do not have access to traditional banking systems. Microfinance emerged as a formal effort in the early 1980s to serve poor communities that previously had no access to formal financial services, with the aim of supporting microenterprises and alleviating poverty (Brau & Woller, 2004). These financial services often target small entrepreneurs such as traders, small farmers, and artisans, helping them develop their businesses and achieve economic stability (Arsyad, 2006). Microfinance can include a variety of services, such as savings, loans, payment services, money transfers, and insurance, which aim not only at financial inclusion but also at empowering marginalized groups, especially women (Asian Development Bank, 2000; Putri, 2024).

The fundamental rationale behind microfinance is that access to credit and other financial services is a critical barrier that hinders the development of micro and small enterprises. By removing these barriers, microfinance initiatives encourage entrepreneurial activity, job creation, and poverty reduction in developing countries (Molenaar, 2009). Microfinance has grown into a global industry that challenges stereotypes of the poor as having no access to banking, demonstrating that small loans can be disbursed cost-effectively with significant social impact (Brau & Woller, 2004). However, microfinance also faces challenges such as sustainability, high interest rates, and the risk of over-indebtedness among borrowers.

Emerging forms of microfinance include innovative approaches such as micro-equity, which links repayment to company performance, effectively combining credit with implicit insurance benefits. This flexibility can be particularly beneficial for populations such as the unbanked Muslim poor, who are often unsuitable for traditional debt contracts (Meki & Quinn, 2024). Overall, microfinance plays a strategic role in promoting entrepreneurship, economic empowerment, and inclusive growth, while requiring attention to institutional strengthening and financial education to maximize its impact in a sustainable manner (Putri, 2024; Judijanto, 2025).

Islamic microfinance applies Sharia-compliant principles to financial inclusion, emphasizing justice, risk-sharing, and social solidarity. Unlike conventional microfinance, which often relies on interest-based lending, Islamic microfinance offers ethical alternatives through instruments such as *Qard al-Hasan* (benevolent loans), *Mudarabah* (profit-sharing), *Musharakah* (joint partnership), *Murabahah* (cost-plus financing), and *Ijarah* (leasing). These contracts promote socio-economic equity and align with the objectives of *Maqasid al-Shariah*,

particularly in protecting wealth (*hifz al-mal*) and promoting welfare (*maslahah*) (Saad et al., 2025).

The global growth of Islamic microfinance demonstrates its potential as a dual-function mechanism, both financial and moral. It supports the same goals as conventional microfinance, poverty alleviation and entrepreneurship, but does so within a framework that prohibits *riba* (interest) and speculative elements (*gharar*), while encouraging social redistribution through *zakat* and *sadaqah*. This ethical foundation makes Islamic microfinance a significant pillar of sustainable finance, consistent with the United Nations Sustainable Development Goals (SDGs) (Meki & Quinn, 2024).

In Türkiye, the integration of Islamic microfinance is still relatively new compared to the broader Islamic banking sector. The establishment of institutions such as the IKSAR Association (İKSAR Derneği) in 2018 marked a milestone in providing *Sharia-compliant microfinance* for low-income groups. Ülev et al. (2023) found that the IKSAR *Qard al-Hasan* program successfully increased beneficiary household income by 35%, demonstrating the direct economic and social benefits of this model. However, compared to Malaysia, Indonesia, and Bangladesh, the literature on Islamic microfinance in Türkiye remains limited, indicating a promising research frontier that combines Islamic ethics, development policy, and financial inclusion.

The literature on microfinance in Türkiye has evolved considerably, encompassing both conventional and Islamic perspectives. Early works such as Bayram et al., (2022) highlights that Turkey has made significant strides in financial inclusion by leveraging fintech and microfinance services, utilizing digital platforms to improve access for the unbanked population and SMEs. These developments reflect Turkey's broader sustainable finance strategy, which aims to promote responsible consumption and financial access through innovation and regulatory support.

Furthermore, research by Dinçer et al., (2022) examines how to improve the effectiveness of the microfinance system in Turkey. It was identified that legal infrastructure and credit unions play the most important role in the process of improving the effectiveness of the microfinance system. Therefore, there is an urgent need to strengthen the legal infrastructure for the development of the microfinance system in Turkey. In this context, the drafting of detailed laws and regulations related to this subject will increase investor confidence in this issue. On the other hand, with the establishment of credit unions, customer selection will be more effective. Within this framework, the risk of selecting the wrong customers to lend to can be minimized. This will contribute to the development of microfinance systems in Turkey.

Yener et al., (2023) analyzed how microcredit helps women's entrepreneurship in economic development and growth in Turkey. The results of the study show that the use of microcredit significantly triggers an increase in women's entrepreneurship and supports Turkey's economic growth, contrary to several previous studies that doubted the effectiveness of microcredit on economic development. A similar study was conducted by Sahbazoglu & Alkan (2023), who examined the role and effectiveness of microcredit practices in empowering women and increasing their participation in the workforce in the province of Samsun. The results found that the majority of respondents successfully entered the workforce thanks to access to microcredit. In addition, household income increased and women's self-confidence grew.

Saad et al., (2025) examined the impact of Islamic microfinance through its Islamic, social, and ethical objectives, the study found that profit-sharing (PLS) models of Islamic microfinance promote SDGs, while other models such as non-PLS and charity-based financing show limited contributions due to operational inefficiencies and short-term focus. The impact

on households, business development, and program practices highlights the need for measurable and systemic interventions, as current implementation has not consistently resulted in broader SDG achievement. Iskender et al., (2023) examined the role of women's cooperatives in employment in Turkey. The results of this study concluded that the Kadama Women's Cooperative conducted many studies on women's employment, nearly 1,000 women took courses at the cooperative, products made by women in their homes or at the cooperative were sold and marketed through the cooperative, and social and psychological support was provided to women within the cooperative.

Although microfinance in Turkey is growing rapidly, there are still several research gaps. The impact of digital microfinance services on MSMEs and households has not been explored empirically. Furthermore, the empowerment of women through microcredit is rarely evaluated from a long-term and sustainability perspective. The influence of regulations on the effectiveness of microfinance institutions and investor confidence has also not been clearly measured. The synergy between various microfinance models, as well as the operational efficiency of all these models, requires further research.

METHODOLOGY

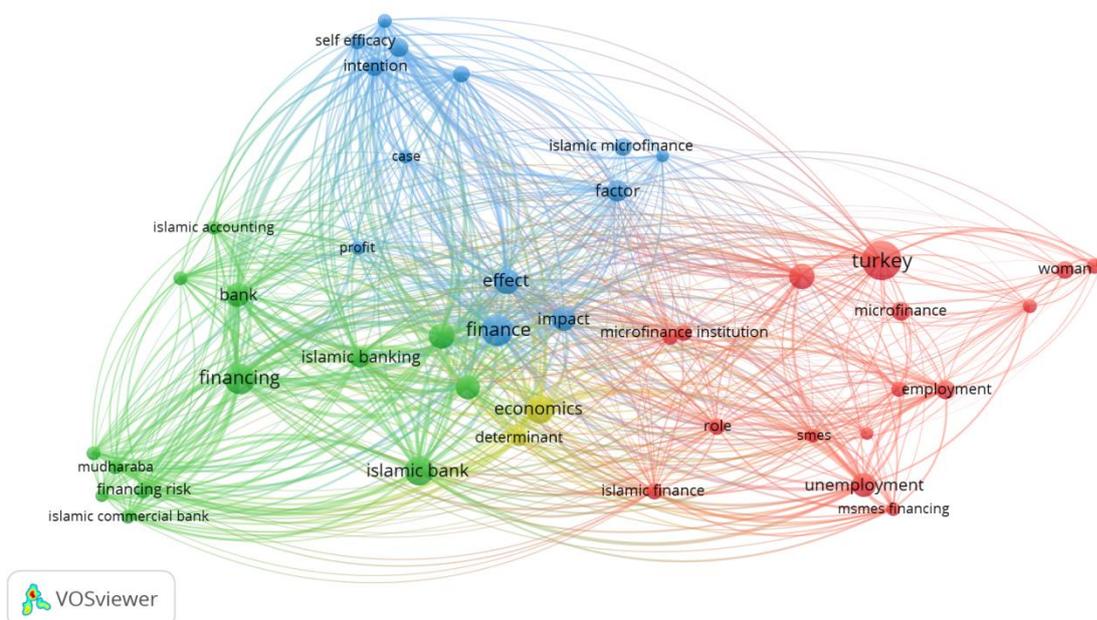
In this study, various scientific journal publications related to the theme of “Microfinance in Turkey” around the world were used as data sources. Data was collected by searching for journal publications indexed in the Dimension database using the keywords “Microfinance in Turkey.” After that, articles or scientific journals relevant to the research theme were selected based on the publication data that had been collected. Journals equipped with a DOI became the criteria in the data filtering and processing process using software. There were 28 journal articles published on the research theme “Microfinance in Turkey.” The development of publication trends related to the research topic was analyzed using VOSviewer software, which can generate bibliometric maps and enable more detailed analysis.

In order to construct maps, VOSviewer uses the abbreviation VOS, which refers to Visualizing Similarity. In previous studies, the VOS mapping technique has been used to obtain bibliometric visualizations for subsequent analysis. Furthermore, VOSviewer is capable of creating and displaying author journal maps based on co-citation data or keyword maps based on co-occurrence data. Therefore, this study will analyze journal maps related to “Microfinance in Turkey,” including author maps and keywords, which will then be analyzed for future research paths through clusters in keyword mapping.

This study uses a descriptive qualitative approach with meta-analysis and descriptive statistical literature study based on 28 journal publications discussing the theme of “Microfinance in Turkey”. Meta-analysis is a method that integrates previous studies related to a particular topic to evaluate the results of existing studies. Furthermore, the qualitative method used in this study is also referred to as the constructive method, in which the data collected in the research process will be constructed into themes that are easier to understand and meaningful (Rusydiana & Alparisi, 2016). The sampling technique used in this study is the purposive non-probability sampling method, which aims to fulfill certain information in accordance with the desired research objectives.

RESULT AND DISCUSSION

The image below describes the keyword trends that emerged in the research on the theme of “Microfinance in Turkey,” with the larger font indicating the most frequently used words in journal publications on the theme of “Microfinance in Turkey.”



In the mapping, the keywords that appeared most frequently in the publication “Microfinance in Turkey” included turkey, finance, financing, Islamic bank, bank, evidence, economics, and unemployment, which were then divided into four clusters, as follows:

Cluster 1: Microfinance and Women’s Employment in Turkey

This cluster includes 17 keywords, namely contribution, development, employment, importance, Islamic finance, microfinance, microfinance institutions, MSME financing, opportunities, relationships, roles, MSMEs, sustainable development, Turkey, unemployment, women, and women's employment. The research topic in this cluster discusses the role of microfinance institutions in improving women's access to small and medium enterprise financing, as well as their contribution to job creation and women's economic empowerment in Turkey. The focus of this study is how microfinance can be an instrument of financial inclusion that supports women's independence, reduces unemployment rates, and promotes sustainable development by increasing women's participation in productive economic activities.

Microfinance in Turkey has been recognized as a vital tool for supporting women's employment and entrepreneurship, especially for those from low-income backgrounds. Microcredit schemes, such as those implemented by the Turkish Grameen Microfinance Program, are designed to empower women by providing financial resources to start and maintain small-scale businesses. These initiatives aim to increase income and reduce unemployment among women, thereby supporting their economic empowerment and social inclusion. This is also evidenced by İyidoğan's (2019) research, which evaluated the efficiency of microcredit programs in increasing employment opportunities for women in Turkey.

Another study by Altay (2007) examined solutions to female poverty in Turkey through microfinance. This study confirms that the arguments for equality and efficiency in targeting credit to women remain strong, as entire families are more likely to benefit from credit targeted

at women than when targeted at men. In addition, it explains that Turkey has not yet entered the microfinance revolution and that commercial microfinance is still inadequate, with programs still heavily dependent on a few NGOs and external funding. Gender mainstreaming and women's empowerment in microfinance require concrete steps in terms of integrating the vision, mission, goals, and objectives of microfinance policies and programs; raising awareness and building capacity, with a particular focus on government financial institutions in Turkey.

Çak & Degermen (2015) examined women's entrepreneurship and microfinance in Turkey. The results of this study show that credit borrowers have a much better economic status than those who do not use it. Customers can contribute to family expenses, are more integrated with society in social and economic aspects, and have more hope for the future. Adaçay & Yildiz (2023) evaluated the impact of microcredit provided by the Turkish Grameen Microfinance Program (TGMP) on women's empowerment in their efforts to combat poverty, particularly in relation to women's entrepreneurship and their socio-economic well-being. This study found that the impact of microcredit on women's entrepreneurship and socioeconomic status after microcredit utilization differs based on factors such as women's educational attainment, type of business established, income growth rate, loan amount, and frequency of loan utilization. Conversely, every participant expressed support for microcredit; the majority considered it beneficial and motivating.

Abaci et al., (2015) revealed the current status of women microcredit users, their level of awareness, their need for information related to microcredit, and determined the factors that influence the use of microcredit by women in Samsun Province, Turkey. The results of this study found that women's positive thoughts about the use of microcredit had no effect, but flexibility in the use of microcredit and the friendliness of microcredit company employees had a significant impact.

Yaprak (2017) explains the microcredit system to increase women's labor participation and entrepreneurship in Turkey. This study shows that the level of female labor participation in Turkey is still relatively low. Although the government has issued various incentive policies, the expected results have not been optimally achieved. Microcredit schemes that provide small loans to women to start their first business developed worldwide in the 1980s and began to be implemented in Turkey in the early 2000s. To date, this scheme has helped nearly 200,000 women start businesses with small capital that they have successfully repaid in full. Through this program, success has been seen in various provinces in Turkey, particularly in encouraging women to participate more in the world of work and business life. This study discusses the application of the micro-credit system in increasing women's participation in the labor market and business activities in Turkey.

Cluster 2 : Islamic Banking and Microfinance Financing Risk in Turkey

This cluster contains 13 keyword items, namely bank, business, business cycle, business research, evidence, financial performance, financing, financing risk, Islamic accounting, Islamic bank, Islamic banking, Islamic commercial bank, and mudharaba. The research topic in this cluster discusses how Islamic banks play a role in microfinance distribution and the risks that arise in this practice, both in terms of business sustainability, customer repayment ability, and compliance with sharia principles. The focus of this study is to identify the types of microfinance risks faced by Islamic financial institutions, such as moral hazard risk, operational risk, and liquidity risk, while assessing mitigation strategies that can be applied so that microfinance remains an effective instrument for financial inclusion and economic empowerment of low-income communities in Turkey.

Research on this topic is still quite limited, and a number of studies relevant to this research topic include Ozdemir et al., (2023), who provide a microfinance model specifically

designed for Participation Banks (PB) in Turkey. The results of the study conclude that PBs have significant potential in terms of funding sources, financing instruments, and risk management tools. There is broad consensus among stakeholders that if PBs want to play their developmental role, they must integrate microfinance into their activities.

Ülev et al., (2023) investigated the impact of Islamic microfinance on poor households through the case of the IKSAR Qard al-Hasan Program in Turkey. The results of the study explain that based on the results of pre- and post-survey analyses, there was a statistically significant increase of 35% in monthly household income after receiving qard al-hasan loans compared to before. Similarly, a statistically significant increase was found in the monthly expenses of 23 out of 30 households after receiving qard al-hasan.

Cluster 3 : Islamic Financial Literacy and Microfinance Intention in Turkey

This cluster contains 13 keyword items, namely attitude, case, effect, factor, finance, impact, influence, intention, Islamic financial literacy, Islamic microfinance, profit, self-efficacy, and social influence. This research topic discusses the relationship between the level of Islamic financial literacy among the public and their intention to use Sharia-based microfinance services in Turkey. This study highlights how understanding Islamic financial principles, such as the prohibition of usury, the concept of profit sharing, and the social objectives of Sharia financing, can influence individuals' attitudes, perceptions, and decisions in using microfinance products. In addition, this topic also emphasizes the importance of improving Islamic financial literacy as a strategy to expand financial inclusion and support community economic empowerment, especially for low-income groups and women.

Research specifically addressing Islamic financial literacy and microfinance intentions in Turkey is still very limited. However, relevant research on this topic includes Pala et al (2024), who explored the level of Islamic financial literacy among customers in the context of Islamic banking and examined the factors determining the adoption of Islamic banking by customers in Turkey. The results of the descriptive assessment show that Islamic banking customers in Turkey have adequate literacy about Islamic banking. Furthermore, SEM results show that the adoption of Islamic banking by customers is significantly predicted by the role of Sharia Board management, Islamic banking and financial institution objectives, religious factors, and the legitimacy of the Islamic financial system.

Durak et al., (2020) analyzed Islamic financial literacy and found its relationship with entrepreneurship among students in Turkey. The results of the study show that the level of knowledge and Islamic financial literacy among students is still relatively low. Students who take Islamic finance courses have a higher level of literacy than those who do not. In addition, there are significant differences in Islamic financial literacy based on faculty, gender, and family income level. The study also found a significant relationship between Islamic financial literacy and entrepreneurial tendencies, although it was not influenced by entrepreneurial attractiveness factors.

Cluster 4 : Determinants of Microfinance in Turkish Economy

This cluster contains two keywords: determinants and economics. This topic discusses the factors that influence the development, effectiveness, and sustainability of microfinance in the Turkish economy. This study focuses on the economic, social, and institutional aspects that determine the extent to which microfinance can contribute to financial inclusion, poverty alleviation, and the empowerment of vulnerable groups. In addition, this study also highlights the role of regulation, government support, the capacity of microfinance institutions, and macroeconomic conditions as the main determinants that influence the successful implementation of microfinance in Turkey. Research specifically examining this topic is still

very limited. One relevant study, by Duman (2009), examines the factors that determine access to credit for microenterprises in Turkey. The results show that formal enterprises have better access to formal credit markets than informal enterprises, and this has an impact on higher capital productivity. Formal and informal microenterprises in Turkey have been found to have different characteristics and operating environments.

Analysis

Based on the research cluster, there is one interesting topic that has also developed rapidly in the microfinance ecosystem in Turkey, namely Islamic microfinance. This development began with the establishment of the first Islamic microfinance institution (LKMI) in 2018, known as the IKSAR Association (İKSAR Derneği). This marked the official start of organized Islamic microfinance, which aims to provide Sharia-compliant financial services specifically designed for underserved populations, including micro and small entrepreneurs (Ülev et al., 2023). Prior to this formation, the Islamic finance system in Turkey focused more on the broader Islamic banking sector and Islamic financial products for small and medium-sized enterprises (SMEs) than on microfinance itself. Benbekhti et al., (2021) also emphasize that Islamic finance in Turkey has shown potential as a source of finance for SMEs by offering an alternative to conventional finance, which typically charges interest.

Although Türkiye has a Muslim-majority population and a dual banking system that combines conventional and participation banks under the same regulatory framework, its Islamic microfinance ecosystem remains at a relatively early stage of institutional development. Ozdemir et al., (2023) notes that Türkiye lags behind global standards in both the practical implementation and academic exploration of Islamic microfinance, revealing that interest in this field, while growing, remains fragmented. This finding aligns with Benbekhti et al., (2021), who emphasize that Islamic finance in Türkiye has shown potential as an alternative source of funding for SMEs but has yet to fully penetrate the microfinance segment.

Unlike Malaysia, where Islamic microfinance has evolved under a strong, state-supported framework that integrates zakat, waqf, and micro-takaful under the coordination of Bank Negara Malaysia and national poverty eradication agencies, or Indonesia, where Baitul Maal wat Tamwil (BMTs) operate as community-based cooperatives under the supervision of the Ministry of Cooperatives and SMEs, Türkiye's Islamic microfinance sector remains largely NGO-led and decentralized. This structure has important implications for financial sustainability and institutional coherence. Malaysia's top-down model demonstrates the effectiveness of integrated regulation, whereas Indonesia's bottom-up, cooperative model shows how local participation ensures accountability and resilience. In contrast, Türkiye's system can be described as hybrid, where participation banks operate in parallel with NGO-based microfinance programs such as the Turkish Grameen Microfinance Program (TGMP), but with limited coordination between the formal and informal sectors (Adaçay & Yildiz, 2023; Yener et al., 2023; Ülev et al., 2023).

Several institutional and regulatory barriers continue to limit the potential of Islamic microfinance in Türkiye. The first major challenge lies in regulatory capacity and fragmentation. While the Banking Regulation and Supervision Agency (BDDK) oversees participation banks, there is no specific, unified legal framework governing microfinance operations or the activities of Islamic microfinance institutions. This regulatory vacuum leads to inconsistencies in oversight, particularly for NGO-led institutions that fall outside the scope of formal financial regulation. As a result, participation banks are often reluctant to participate directly in microfinance due to perceived operational and compliance risks. According to Dinçer et al., (2022), strengthening the legal infrastructure for microfinance is crucial for building investor confidence and minimizing the risk of misallocating funds, suggesting that

the absence of such regulation has slowed the institutionalization of Islamic microfinance practices in Türkiye.

The second major barrier concerns funding sources and financial sustainability. Most Islamic microfinance initiatives depend heavily on donations, philanthropic resources, or international development funds rather than stable, diversified domestic financing. The *Qard al-Hasan* schemes run by IKSAR, for example, are supported largely through voluntary social capital rather than long-term investment or profit-sharing funds (Ülev et al., 2023). This overreliance on external sources restricts scalability and sustainability, particularly in the absence of formal integration with participation banks. By comparison, Malaysia's microfinance ecosystem benefits from institutionalized funding mechanisms through Islamic banks' social finance windows and zakat-linked redistribution systems (Saad et al., 2025), while Indonesia's BMTs mobilize community savings to fund local entrepreneurial projects. Türkiye's microfinance institutions, however, still face liquidity and funding constraints that limit their ability to achieve broad and sustainable outreach.

Another important challenge is institutional coordination. Türkiye's dual financial system creates both opportunities and difficulties in integrating Islamic microfinance into broader financial inclusion and development policies. Although the government has demonstrated increasing interest in the growth of Islamic finance (Karagül & Selimoğlu, 2025), there remains no comprehensive national policy framework or blueprint specifically designed for Islamic microfinance. In contrast to Malaysia's Microfinance Blueprint (2011–2020), Türkiye lacks a long-term strategy that aligns microfinance operations with national goals such as poverty reduction, women's empowerment, and the Sustainable Development Goals (SDGs). This results in program duplication, limited data harmonization, and inconsistent performance measurement among implementing organizations.

A further barrier lies in human capital and technical expertise. Many microfinance NGOs and participation banks lack staff with adequate training in Shariah-compliant financial product design and risk management. Studies by Durak et al. (2020) and Pala et al. (2024) also indicate that public understanding of Islamic finance principles remains limited, which affects the adoption and effective operation of Islamic financial products. The shortage of specialized knowledge reduces innovation in designing profit-and-loss sharing (PLS) instruments, waqf-linked microcredit, or zakat-based financing, and undermines confidence among investors and regulators.

Comparatively, Malaysia's institutional model demonstrates how the synergy between regulators, Islamic banks, and social finance instruments can create a sustainable and well-regulated ecosystem. The Indonesian model, on the other hand, highlights the power of cooperative-based microfinance to promote grassroots empowerment and local ownership. In this comparative context, Türkiye's Islamic microfinance ecosystem remains at a transitional stage, it has the regulatory infrastructure of a dual banking system but lacks sufficient institutional integration, coordination, and funding diversification. This structural gap limits its capacity to achieve the same scale and depth as its Southeast Asian counterparts.

Empirical evidence supports the need for institutional strengthening in Türkiye's microfinance sector. For instance, Ülev et al., (2023) demonstrated that the IKSAR *Qard al-Hasan* program increased household income by 35% and improved household expenditure among beneficiaries, proving the potential socio-economic benefits of Islamic microfinance. However, scaling such success stories requires systemic regulatory support, access to sustainable funding, and the development of professional capacity across financial and social sectors. Saad et al., (2025) further emphasize that Islamic microfinance programs can meaningfully contribute to SDGs when profit-sharing and ethical objectives are embedded within structured financial institutions rather than ad-hoc NGO initiatives.

To move forward, Türkiye's policymakers and regulators, particularly the BDDK and the Participation Banks Association of Türkiye (TKBB), need to develop a dedicated regulatory framework for Islamic microfinance, including standardized Shariah governance mechanisms and reporting requirements. Participation banks could be encouraged to allocate a portion of their corporate social responsibility (CSR) funds and zakat obligations to microfinance initiatives, thereby ensuring long-term liquidity and institutional sustainability. Moreover, collaboration between universities, participation banks, and NGOs could help enhance technical expertise and promote innovation in product design.

In summary, while Türkiye has made significant progress in expanding access to microfinance, the Islamic microfinance segment remains constrained by institutional and regulatory challenges. The current NGO-led structure ensures outreach to marginalized populations but lacks the formal integration and policy support necessary for scalability. By learning from Malaysia's state-driven institutional model and Indonesia's cooperative-based approach, Türkiye can establish a balanced framework that aligns financial inclusion with Islamic ethical values and national development priorities. Strengthening regulatory coherence, diversifying funding, and developing human capital are therefore essential to transform Türkiye's Islamic microfinance sector into a sustainable and globally competitive model that supports the broader objectives of *Maqasid al-Shariah* and the Sustainable Development Goals (SDGs) (Saad et al., 2025; Benbekhti et al., 2021; Ozdemir et al., 2023).

CONCLUSION

This study aims to determine the extent of research development on the theme of "Microfinance in Turkey" in the world. The results of the study show that there are 28 journal articles indexed in Dimension related to "Microfinance in Turkey." Furthermore, based on bibliometric keyword mapping, the most frequently used keywords in research related to "Microfinance in Turkey" are Turkey, finance, financing, Islamic bank, bank, evidence, economics, and unemployment. Based on the frequently used keywords, they were then grouped into four research map clusters with topics discussing "Microfinance and Women's Employment in Turkey," "Islamic Banking and Microfinance Financing Risk in Turkey," "Islamic Financial Literacy and Microfinance Intention in Turkey," and "Determinants of Microfinance in the Turkish Economy."

The analysis shows that Islamic microfinance in Türkiye is still nascent and largely NGO-driven, led by programs such as the Turkish Grameen Microfinance Program (TGMP) and IKSAR's *Qard al-Hasan* scheme. Despite measurable social impacts, such as higher household income and women's participation, the sector faces institutional fragmentation, weak regulatory coordination, and limited funding diversity. Unlike Malaysia's state-supported framework and Indonesia's cooperative-based BMT model, Türkiye's hybrid system lacks a unified policy that integrates participation banks with community-based initiatives. To advance the sector, policymakers should develop a dedicated Islamic microfinance framework under BDDK and TKBB to ensure Shariah compliance, financial sustainability, and regulatory clarity. Funding diversification through zakat, waqf, and CSR-based instruments, as well as capacity-building partnerships between universities and participation banks, are crucial for improving governance and innovation.

As such, further research is recommended to expand the study to address issues that are still limited, such as the role of digital microfinance and financial technology (fintech) in supporting financial inclusion in Turkey. In-depth gender and social analysis is also essential to assess the extent to which microfinance can empower women in the context of economic development. Future research could also link microfinance to macroeconomic issues, such as

income inequality, unemployment, and contributions to the achievement of Sustainable Development Goals (SDGs). In addition, closer collaboration between academics, financial practitioners, and policymakers is needed to formulate an innovative and sustainable regulatory framework.

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