



Islamic Partnership-Based Financing and Financial Sustainability for Micro Enterprises in Mogadishu, Somalia

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ABSTRACT

It is specifically focused on examining; (i) the relationship between Mudarabah financing and micro enterprise finance sustainability (ii) the relationship between Musharakah financing and micro enterprise finance sustainability and (iii) the relationship between Musharakah Mutanaqisah financing and micro enterprise finance sustainability in Mogadishu, Somalia. A correlational research design was used in the investigation. There were 248 respondents selected using a random sampling technique directly from a population of 701 micro-enterprises in Mogadishu. Statistics were collected using self-administered surveys and analyzed by the SPSS program after Pearson's correlation analysis. It reveals that; (i) there was a statistically significant positive relationship between Mudarabah financing and the financial sustainability of micro enterprises, (ii) there was a statistically significant positive relationship between Musharakah financing and the financial sustainability of micro enterprises and (iii) there was a statistically substantial optimistic relationship between Musharakah Mutanaqisah financing and the financial sustainability of micro enterprises. Therefore, the study concludes that the provision of Islamic partnership-based financing involving Mudarabah, Musharakah and Musyarakah Mutanaqisah financing can increase the financial sustainability of micro-enterprises in Mogadishu, Somalia

Keywords:

Pembiayaan Syariah,
Pembiayaan
Mudharabah,
Pembiayaan
Musyarah,
Keberlanjutan
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Mikro, Usaha Mikro

ABSTRAK

Pembiayaan Berbasis Kemitraan Islam dan Keberlanjutan Keuangan untuk Usaha Mikro di Mogadishu, Somalia. Penelitian ini fokus pada penilaian: (i) hubungan antara pendanaan Mudharabah dan keberlanjutan pendanaan usaha kecil, (ii) hubungan antara pendanaan Musharakah dengan keberlanjutan pendanaan usaha kecil, (iii) hubungan antara pendanaan Musharakah Mutanaqisah dan keberlanjutan pendanaan usaha kecil di lokasi penelitian. Sebuah rancangan penelitian korelasional digunakan dalam studi ini. Terdapat 248 responden yang dipilih menggunakan teknik sampling acak dari total 701 usaha mikro di Mogadishu. Data dikumpulkan menggunakan survei mandiri dan dianalisis menggunakan program SPSS dengan analisis korelasional Pearson. Hasil studi menunjukkan bahwa: (i) terdapat korelasi positif yang signifikan antara pendanaan Mudarabah dan keberlanjutan finansial usaha-usaha mikro, (ii) terdapat korelasi positif yang signifikan antara pendanaan Musharakah dan keberlanjutan finansial usaha-usaha mikro, dan (iii) terdapat hubungan positif yang signifikan antara pendanaan Musharakah Mutanaqisah dan keberlanjutan finansial usaha-usaha mikro di Mogadishu, Somalia. Penelitian ini menyimpulkan bahwa pengadaan kemitraan pendanaan berbasis Islami diantaranya skema pendanaan Mudarabah, Musharakah, dan Musyarakah Mutanaqisah dapat meningkatkan keberlanjutan keuangan usaha-usaha mikro di Mogadishu, Somalia.

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INTRODUCTION

The financial sustainability of micro-enterprises has become a focus of attention for development stakeholders interested in market-oriented solutions to poverty and economic development (Smallbone et al., 2022). This is because such companies provide more than 65% of jobs and more than 50% of the Gross Domestic Product globally (Thaker et al., 2020). These businesses also occupy an important position in the development agenda and have essentially become part of the overall national development strategy in most countries of the world. However, despite their potential importance for economic development, micro-enterprises face difficulties in achieving financial sustainability that involve their ability to generate profits, increase the value of invested capital, repay short-term and long-term obligations and at the same time remain operational over a long period of time (My'sková & Hájek, 2017).

An analysis based on World Bank Enterprise Survey (WBES) data shows that micro business managers in all surveyed countries reveal that they face limited financial sustainability challenges due to limited access to finance, followed by competition from the informal sector and then taxation (Kumar, 2017). Hassan et al., (2011) described the various financial sustainability challenges of micro-entrepreneurs in Malaysia and observed that most of them experienced extreme financial hardship in the early stages of their businesses. Only 13% of micro-entrepreneurs receive financial support from government-run programs. In addition, they also found that the rigidity of procedures for accessing financial programs also prevented the smooth running of the program. A study conducted by Onubedo and Yusuf (2018) showed that about 25 percent of micro-enterprises in Sub-Saharan Africa surveyed reported financial sustainability issues that were reflected in limited profitability, sales, and size expansion.

Despite their significant contribution to employment and economic growth, micro-enterprises in Somalia also face limited financial sustainability with more than 80% of their owners using their own funds, borrowing from friends and family, or relying on remittances for investment funds which makes it difficult for them to go beyond 2 years in business. In addition, the bank's current lending rate only meets 7 percent of the demand which makes it difficult for most of them to meet their financial needs (Central Bank of Somalia, 2018). When it comes to Mogadishu which is the capital of Somalia, a study conducted by the World Bank (2021) found that due to financial sustainability challenges, 31% of micro-businesses in Mogadishu closed, and more than 90% of them reported a lack of liquidity. Maow (2021) also emphasizes that many micro-enterprises in Mogadishu struggle to meet their financial obligations and around 80-90% of them fail within 5-10 years. This is in line with Nazatul et al., (2022) who also established that most micro-enterprises in Mogadishu, Somalia perished during the first five years (the first phase) of establishment.

There are many factors that affect the financial sustainability of micro enterprises but many studies show that the place occupied by the financial system cannot be overemphasized (Giannetti, 2012), particularly bank credit (Rathnayake et al., 2022; Wellalage and Locke, 2020), because the financial sustainability of every business enterprise requires the mobilization of financial resources (Haruna et al., 2023). However, despite the role played by conventional bank credit, this financial system has been questioned because the behavior of maximizing pure profits tends to exclude micro-enterprises from bank loans, in the worst case these loans even increase the debt ratio of small businesses thus hampering their innovation efforts and accelerating their demise (Haruna et al., 2023). For this reason, many studies highlight the importance of Islamic finance compared to conventional finance (Doukkali & Hefnaoui, 2020; Mahboubi & Benyacoub, 2020; Omri et al., 2019) because this mode of financing is interest-free and based on the principle of profit sharing, making it the most ideal for financial sustainability micro ventures.



Islamic finance was embraced in Somalia in 2012 as a promising financial system that will serve as a solution to the recurrent financial instability in general and the financing needs of micro-enterprises in particular (Abdirashiid & Hoodo, 2016). Since then, many Islamic banks have been opened in Mogadishu Somalia and there are currently six banks such as Premier Bank, Amal Bank, International Bank of Somalia (IBS), Dahabshiil Bank, Amana Bank and Salam African Bank have spent more than US\$83 million in partnerships and joint ventures with local small business owners (Central Bank of Somalia, 2021). It is unfortunate that this kind of financing does not seem to have led to the expected improvement in the financial sustainability of microenterprises in Mogadishu. Therefore, researchers find it important to investigate whether there is a significant relationship between Islamic partnership-based financing and the financial sustainability of microenterprises in Mogadishu. The study focused on micro-enterprises such as restaurants, tea shops, clothing stores, pharmacies, and small retail stores as these are the most failed businesses according to a study conducted by Kunle (2022) in Mogadishu Somalia. Furthermore, before 2012, there were 5,040 micro enterprises, and since Mogadishu Somalia adhered to the Islamic Financial System, there has been a significant increase from this number to 6,306. ini a sign of the expansion of Microfinance throughout Somalia (Schubert & Smulders, 2019)

LITERATURE REVIEW

Theoretical Perspective

The theory of resource dependence, established by Pfeffer and Salancik in the early 1970s, is applied in this work. The three main requirements for business sustainability were developed by the theory of resource dependence. These include corporate self-sufficiency, the expectation that the flow of resources will be acceptable, and greater operating profits than operational costs. In theory, a company's resources—assets, skills, market share, and market value—must be fully managed to make them scarce, valuable, not perfectly replicable, and irreplaceable. Throughout the existence of the company, these three resources must always be accessible to ensure its sustainability. The idea that businesses exist by acquiring and conserving resources from their environment is also the basis of theory (Afrifa, 2013). According to Rogerson (2008), most businesses fail due to lack of resources, which emphasizes theory of resource dependence. According to Townsend, Busenitz and Arthurs (2010) and Ahmad and Seet (2009), one of the main reasons for the high rate of business failure is the lack of resources. As a result, it is predicted that small businesses will fail if their resource base is depleted. According to the theory, resources are ultimately what businesses need to be more sustainable, which means that resources are the foundation of sustainability. Therefore, every business enterprise over time and full economic utility will not be realized if further organizational resources are not developed and acquired.

This investigation is informed through the theory of resource dependence and confirms that micro enterprises in Mogadishu Somalia need resources and more specifically financial resources to be able to achieve financial sustainability. In line with this research, micro enterprises in Mogadishu can obtain these financial resources through Islamic partnership-based financing modes such as Mudarabah, Musharakah and Musharakah Mutanaqisah. Such a mode of financing provides the resources needed by micro-enterprises to achieve financial sustainability which will be reflected in their ability to remain operating for a long time, the ability to generate profits, the ability to increase the value of invested capital and the ability to repay short- and long-term liabilities.



Mudarabah Financing and Micro Business Financial Sustainability

Mudarabah is a form of partnership-based sharia money, which is based on Islamic ethics. This is a type of financing in which the capital supplier, also known as Rab-ul-Mal, is the person supplying the capital, while the entrepreneur/fund manager, also known as Mudarib, is the person who runs the company. If there are profits, they are allocated according to pre-arranged ratios; if there are losses, they are fully borne by the capital provider, unless the fund manager has completed all the tasks assigned to him (Thaker et al., 2020).

Mudharabah aims to promote the principles of fairness and risk sharing in Islamic financial transactions (Khan, 2009). In Mudharabah, the party who provides capital usually acts as a passive investor, while the party who manages the capital is an active entrepreneur. Capital managers are responsible for the management and operation of the business, while capital owners share the profits generated. Profit sharing can be agreed in advance in a certain percentage, and Mudarabah contracts generally have a certain time limit (Usmani, 2010).

Mudharabah has a wide range of applications in Islamic finance, including banking, investment, and financing of sharia-based projects. This concept allows capital owners to invest in projects or businesses that are in line with sharia principles, while promoting risk sharing and fairness in the process. Beddu et al., (2023) investigated the idea of Mudharabah in the context of Sharia finance as a sustainable investment paradigm. The results of this study show that Mudharabah, the sharia investment model, has great potential to benefit the environment and society. Actively engaging in businesses based in Mudharabah can promote economic empowerment, reduce inequality, and open doors for small and medium-sized business owners.

Musharakah Financing and Micro Business Financial Sustainability

An investigation conducted through Kammer et al., (2015) revealed that Islamic banking financing such as musharakah financing is a good substitute for a fixed interest rate because it operates with a loss-sharing model, which can better meet the demand of micro businesses. Therefore, through equity and asset-based financing agreements, Islamic banks can contribute significantly to closing the budget shortfall faced by the micro business sector (Joint, 2015). By offering protection against the financial volatility experienced by many micro-enterprises, Islamic banking financing, such as muscharah financing, also ensures accessibility, flexibility, and increased affordability (Joint, 2015).

A study conducted by Hasnida (2017) also revealed that Musharakah is a good substitute for meeting the business requirements of micro enterprises as it ensures that bank and bank clients bear reasonable and fair risks and rewards for their contributions. In addition, because funding is not limited to those who have substantial collateral and financial reserves to cover the agreed profit payments, there is a fair distribution (Hasnida, 2017). Saad and Razak (2013) confirm this, stating that Musharakah contracts should be the main item that Islamic financial institutions focus on to fund micro-enterprises because the products tend to help those businesses to meet their financial needs thereby increasing their growth.

Financing of Musyarakah Mutanaqisah and Financial Sustainability of Micro Enterprises

The variation of the musharakah contract is called reduced musharakah (Imronudin, 2015). A kind of partnership agreement in which one of the partners gradually buys the entire property is known as reduced musharakah, or sometimes Mutanaqisah musyarakah (Osmani & Abdullah, 2010). Islamic banks can finance clients through Musharakah Mutanaqisah (MM), which is a term used to describe a joint business company, in which by making regular



payments, clients progressively acquire shareholding of Islamic banks. eventually become the sole owner (Alkhan, 2020).

According to AAOIFI, a Descending Musharakah, also known as Musharakah Mutanaqisah (MM), is a type of partnership in which one of the partners agrees to gradually purchase the other partner's share of the equity until the other partner's ownership of the equity is fully transferred to him. According to the definition given by AAOIFI, MM is a hybrid contract that combines three separate agreements: bay (sell), ijarah (lease), and musharakah (joint venture). Further, it is noted that the bidder made a unilateral guarantee to buy half the bank. (Rahman, Shafa'atur, & others, 2018), Reducing Musharakah, or Musharakah Mutanaqisah (MM), as it is often called, is a type of partnership in which one partner agrees to gradually purchase the other partner's share of the equity until the other partner's ownership of the equity is fully transferred to him, according to AAOIFI. As per the definition of AAOIFI, a certain type of hybrid agreement called MM involves 3 different agreements, namely bay (selling), ijarah (rent), and musharakah (joint venture). It was further stated that the bidder unilaterally guaranteed that they would buy the bank's share. (Shafa'atur, Rahman, and others, 2018).

Research Hypothesis

- H01: There is no statistically significant relationship between Mudarabah financing and the financial sustainability of micro-enterprises in Mogadishu, Somalia
- H02: There is no statistically significant relationship between Musyarak financing and the financial sustainability of micro-enterprises in Mogadishu, Somalia
- H03: There is no statistically significant relationship between Musharakah Mutanaqisah financing and the financial sustainability of micro-enterprises in Mogadishu, Somalia

METHODOLOGY

The research methodology used in the research includes research design, research population, sampling techniques, sample size, data collection instruments, data analysis, and ethical considerations.

Research Design

This research was conducted following a correlational research design. According to Oso and Onen (2008) the correlation design focuses on determining whether or not there is a relationship between two or more measurable variables. The researcher used a correlation research design as this study sought to establish a relationship between Islamic partnership-based financing and the financial sustainability of micro-enterprises in Mogadishu, Somalia. The study adopts a quantitative approach. The study period will be carried out from June to October 2025.

Study Population

The study population involved micro business owners who had leveraged three partnership-based financing products (Mudarabah, Musharakah and Musharakah Mutanaqisah) provided by six banks such as Premier Bank, Amal Bank, International Bank of Somalia (IBS), Dahabshil Bank, Amana Bank and Salam African Bank in their business. The researcher conducted a preliminary survey and visited each of the banks to get the number and addresses



of micro business owners who had used Mudarabah, Musyarakah and Musyarakah Mutanaqisah in their business. The responses obtained from each bank are shown in Table 3.1 below.

Table 1: Study Population

Bank Name	Population
Premier Bank	75 micro business owners
Charity Bank	102 micro business owners
International Bank of Somalia (IBS)	94 micro business owners
Dahabshiil Bank	176 micro business owners
Amana Bank	61 micro business owners
African Bank Salam	193 micro business owners
Quantity	701 micro business owners

Data source : Data processed (June-October 2025)

Sample Size and Sampling Techniques

Using the table of Krejcie and Morgan (1970), a sample of 248 micro business owners was selected from a population of 701. The researchers used convenience sampling to select micro business owners who had utilized Mudarabah, Musharakah, and Musharakah Mutanaqisah products from six banks: Premier Bank, Amal Bank, International Bank of Somalia (IBS), Dahabshiil Bank, Amana Bank, and Salam African Bank.

Data Collection Instruments

The researcher used a closed questionnaire as a data collection instrument.

Data Analysis

The collected data is sorted, classified and coded and then fed into the SPSS computer software to aid in analysis. Data were analyzed using descriptive and inferential statistics. Pearson's correlation analysis was conducted to establish a relationship between Islamic partnership-based financing and the financial sustainability of micro-enterprises in Mogadishu, Somalia.

Ethical Considerations

Permission to conduct the research was requested from various banks in Mogadishu, Somalia. Consent from respondents was also sought and they were told that participation in the study was voluntary, and they were free to withdraw if they wished. Respondents were also assured that the research findings would only be used for academic purposes.

RESULTS AND DISCUSSION

Response Rate

The study had a response rate of 83.8%, with 227 of the 248 distributed questionnaires returned, and 208 fully completed for data analysis. This response rate is considered very good, as a level above 70% is considered very good (Kothari, 2004).

Demographic Characteristics of Respondents



Descriptive statistics relating to respondents' demographic characteristics are presented in this section. This includes respondents' gender, age group and education level.

Demographic Characteristics	Categories	Frequency	Percentage (%)	Applicable Percentage (%)	Cumulative Percentage (%)
Gender	Women	159	76.4	76.4	76.4
	Male	49	23.6	23.6	100.0
Age	18 – 25 years old	12	5.8	5.8	5.8
	26 – 35 years old	35	16.8	16.8	22.6
	36 – 45 years old	75	36.1	36.1	58.7
	46 – 55 years old	86	41.3	41.3	100.0
Education Level	Basic Level	22	10.6	10.6	10.6
	Middle Level	100	48.1	48.1	58.7
	Diploma Level	32	15.4	15.4	74.0
	Degree Level	54	26.0	26.0	100.0
Quantity		208	100.0	100.0	

This table 2 now effectively combines all demographic characteristics (gender, age, and education) in one place, presenting the frequency, percent, valid percentage, and cumulative percentage for each category in their respective demographic characteristics.

Objective 1: To Examine the Relationship between Mudarabah financing and the financial sustainability of microenterprises in Mogadishu, Somalia

This objective seeks to establish how Mudarabah financing relates to the financial sustainability of micro-enterprises in Mogadishu, Somalia. The descriptive statistics obtained on this objective are presented in the following table.

Statement	Strongly disagree	Disagree	Agree	Strongly agree	Interpretation
The bank provides micro enterprises with all the capital required in the Mudarabah partnership, and the owners only manage the capital	12 (5.8%)	15 (7.2%)	181 (87.0%)	0 (0%)	The majority agree that banks provide all the capital needed and that the owners only manage it.
All losses in Mudarabah's transactions are borne by the bank	15 (7.2%)	13 (6.3%)	175 (84.1%)	5 (2.4%)	The majority agreed that all losses in Mudarabah's



					transactions were borne by the bank.
There are adequate fairness and risk-sharing in the Mudarabah partnership	6 (2.9%)	22 (10.6%)	174 (83.7%)	6 (2.9%)	The majority agreed that there were fairness and adequate risk-sharing in the Mudarabah partnership.
Micro enterprises are allowed to manage capital with limited restrictions from banks	22 (10.6%)	152 (73.1%)	34 (16.3%)	0 (0%)	The majority disagrees that micro-enterprises are allowed to manage capital with limited restrictions from banks.
There is a strong mechanism to guard against misuse of Mudarabah funds by micro enterprises	15 (7.2%)	147 (70.7%)	46 (22.1%)	0 (0%)	The majority disagrees that there is a strong mechanism to guard against misuse of Mudarabah funds by micro-enterprises.
Correlation between Mudarabah Financing and Micro Business Financial Sustainability	-	-	-	-	Pearson's correlation = 0.642, p < 0.01, shows a strong positive relationship between Mudarabah financing and the financial sustainability of microenterprises in Mogadishu.

The results of the correlation test in Table 3 show a strong positive relationship between Mudarabah financing and the financial sustainability of micro-enterprises in Mogadishu, Somalia, with a correlation coefficient $r = 0.642$. The relationship is statistically significant, as the **p-value is 0.000**, which is less than the significance level of 0.01. Therefore, the zero hypothesis that states no statistically significant relationship is rejected. In conclusion, Mudarabah financing is positively and significantly related to the financial sustainability of micro-enterprises in Mogadishu.

Objective 2: To Study the Relationship between Musyarak financing and the financial sustainability of micro-enterprises in Mogadishu, Somalia

This objective seeks to establish how Musyarakah financing relates to the financial sustainability of micro-enterprises in Mogadishu, Somalia. The descriptive statistics obtained on this objective are presented in the following table.

Statement	Strongly disagree	Disagree	Agree	Strongly agree	Interpretation
Musharakah is run as a joint venture with a bank where both partners contribute capital and effort needed in the business	18 (8.7%)	26 (12.5%)	152 (73.1%)	12 (5.8%)	The majority agreed that Musharakah was run as a joint venture with banks.
Banks allow micro business owners to pay their Musharakah contributions in installments	0 (0%)	35 (16.8%)	161 (77.4%)	12 (5.8%)	The majority agreed that banks allow micro business owners to pay in installments.

The return from the Musyarakah business is divided between the micro business owner and the bank	12 (5.8%)	15 (7.2%)	181 (87.0%)	0 (0%)	The majority agreed that the returns are split between the owner and the bank.
Banks always equip micro businesses with the skills needed to run a Musharakah business	22 (10.6%)	152 (73.1%)	34 (16.3%)	0 (0%)	The majority disagrees that banks equip micro businesses with the necessary skills.
The bank conducts regular supervision of micro businesses to ensure that the Musharakah business is run in a sustainable manner	25 (12.0%)	137 (65.9%)	46 (22.1%)	0 (0%)	The majority disagree that banks conduct regular oversight to ensure sustainability.
Correlation between Musyarak Financing and Micro Business Financial Sustainability	-	-	-	-	Pearson's correlation = 0.657, p < 0.01, shows a strong positive relationship between Musharakah financing and the financial sustainability of microenterprises in Mogadishu.

The results of the correlation test in Table 4.15 show a strong positive relationship between Musyarak financing and the financial sustainability of micro enterprises in Mogadishu, Somalia, with a correlation coefficient **r = 0.657**. The relationship is statistically significant, as the **p-value is 0.000**, which is less than 0.01. Therefore, the null hypothesis, which states that there is no significant relationship between Musyarak financing and financial sustainability, is rejected. It can be concluded that there is a statistically significant positive relationship between Musyarak financing and the financial sustainability of micro-enterprises in Mogadishu.

Objective 3: To Examine the Relationship between Musharakah Mutanaqisah financing and the financial sustainability of micro-enterprises in Mogadishu, Somalia

This objective seeks to establish how the financing of Musharakah Mutanaqisah relates to the financial sustainability of micro-enterprises in Mogadishu, Somalia. The descriptive statistics obtained on this objective are presented in the following table.

Statement	Strongly disagree	Disagree	Agree	Strongly agree	Interpretation
Micro businesses use Musyarakah Mutanaqisah to finance the acquisition of assets in their business	9 (4.3%)	25 (12.0%)	174 (83.7%)	0 (0%)	The majority agreed that micro businesses use Musharakah Mutanaqisah for asset acquisition.
Periodic payments to banks are affordable and do not burden micro businesses in Mogadishu	10 (4.8%)	152 (73.1%)	46 (22.1%)	0 (0%)	The majority disagree that periodic payments are affordable and do not burden businesses.

Periodic payments are always agreed upon by banks and micro-enterprises	6 (2.9%)	22 (10.6%)	174 (83.7%)	6 (2.9%)	The majority agreed that periodic payments are mutually agreed upon by banks and businesses.
Musharakah Mutanaqisah financing is less risky compared to other forms of financing	57 (27.4%)	0 (0%)	145 (69.7%)	6 (2.9%)	The majority consider Musyarakah Mutanaqisah financing to be less risky compared to other financing methods.
Most business owners in Mogadishu are aware of the availability of Musyarak Mutanaqisah financing	6 (2.9%)	134 (64.4%)	68 (32.7%)	0 (0%)	The majority of business owners are not aware of the availability of Musyarakah Mutanaqisah financing in their area.
Correlation between Musyarakah Mutanaqisah financing and financial sustainability of micro enterprises	-	-	-	-	Pearson's correlation = 0.716, $p < 0.01$, shows a strong positive relationship between Musharakah Mutanaqisah financing and the financial sustainability of microenterprises in Mogadishu.

Musharakah Mutanaqisah financing showed a strong positive relationship ($r = 0.716$) with the financial sustainability of microenterprises in Mogadishu, with statistically significant results ($p < 0.01$). The zero hypothesis is rejected, confirming the positive impact of Musyarakah Mutanaqisah financing on the financial sustainability of Mogadishu-Somalia.

Conclusions and Recommendations

This study examines the relationship between various Islamic financing methods and the financial sustainability of microenterprises in Mogadishu, Somalia. The findings reveal that there is a significant positive relationship between Mudarabah financing and the financial sustainability of micro-enterprises. This shows that Mudarabah's financing contributes positively to the sustainability of the business. Similarly, research shows that Musyarak financing also has a strong positive relationship with financial sustainability, highlighting its role in supporting the financial stability of micro enterprises. In addition, the study found that Mussyarakah Mutanaqisah financing is positively correlated with financial sustainability, further emphasizing its contribution to the long-term sustainability of micro businesses. Overall, the study concludes that all three financing methods—Mudarabah, Musharakah, and Musharakah Mutanaqisah—have a positive impact on the financial sustainability of micro-enterprises in Mogadishu, Somalia.

Based on the findings and conclusions of the study, several recommendations have been made to improve the relationship between sharia financing methods and the financial sustainability of micro-enterprises in Mogadishu, Somalia. These recommendations are organized according to the specific objectives of the study.

For the first objective, which examined the relationship between Mudarabah financing and the financial sustainability of micro-enterprises, the study found that Mudarabah financing has a positive impact, but there are certain challenges. Micro enterprises are not allowed to



manage Mudarabah's capital with adequate autonomy, and there are weak mechanisms to prevent misuse of funds. Therefore, it is recommended that banks provide more flexibility to micro enterprises in managing Mudarabah capital, as this will allow entrepreneurs to make better use of their talents. In addition, banks should implement stronger mechanisms to prevent misuse of Mudarabah funds, such as holding businesses accountable for any losses. This will encourage responsibility and increase the likelihood of business survival.

For the second objective, which explores the relationship between Müssyrakah financing and financial sustainability, the study found a positive relationship but also highlighted the issue. Micro enterprises often do not have the necessary skills to run their business effectively, and bank supervision is inadequate. In response, it is recommended that banks organize training sessions to equip micro businesses with the skills needed to manage Musharakah businesses successfully. In addition, banks must implement regular supervision mechanisms to ensure that Musharakah businesses are run in a sustainable manner and that funds are not misused.

For the third objective, which examined the relationship between Musharakah Mutanaqisah financing and financial sustainability, the study also found a positive relationship, but several challenges were identified. The periodic payments required for Musyarakah Mutanaqisah are often unaffordable for micro businesses, and many business owners are unaware of these financing options. Therefore, it is recommended that banks make periodic payments more affordable to ease financial pressure on businesses. In addition, banks should raise public awareness about the availability of Musyarakah Mutanaqisah financing to ensure that more entrepreneurs can access and benefit from this financial product.

Areas for Further Research

This study is limited to examining the relationship between Islamic partnership-based financing and the financial sustainability of micro-enterprises in Mogadishu, Somalia. Therefore, it is recommended that for a more reliable generalization of the findings, similar studies be conducted on a large sample of respondents in other areas of Somalia. Such studies would provide more representative results. It is also recommended that further research be conducted to identify other factors that affect the financial sustainability of business businesses besides sharia partnership-based financing. Other researchers may also include medium or large businesses because current research is only conducted among micro-enterprises.

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