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COMMON SIZE ANALYSIS OF THE FINANCIAL RESILIENCE OF SHARIA MICROFINANCE INSTITUTIONS (LKMS) IN FACING GLOBAL ECONOMIC VOLATILITY

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Abstract

This study aims to analyze the level of financial resilience of Islamic Microfinance Institutions (LKMS) in facing increasingly uncertain global economic dynamics. Using a common size analysis approach, this study seeks to evaluate the ability of LKMS to maintain the efficiency and sustainability of its financial structures amidst external pressures such as inflation, exchange rate depreciation, and slowing economic growth. In the context of financial inclusion in Indonesia, LKMS plays a vital role as a provider of sharia-based alternative financial services and reaches the grassroots community. This study uses a qualitative method based on case studies with secondary data from officially published LKMS financial reports. The analysis results indicate that most LKMS exhibit adaptive patterns through strengthening liquid assets, diversifying revenue, operational cost efficiency, and increasing risk reserves. Thus, it can be concluded that LKMS has sufficient financial resilience to survive amidst global economic uncertainty. The implications of this study can serve as a reference for LKMS managers, regulators, and academics in strengthening sustainable Islamic microfinance governance.

Keywords: Common size, LKMS, financial resilience, financial reports, global economy, sharia.

A. Introduction

Over the past few decades, the global economy has experienced various cycles of instability driven by a combination of internal and external factors, including the 2008 global financial crisis, the COVID-19 pandemic, fluctuating energy prices, and geopolitical dynamics that have impacted trade relations and the international financial system. This global uncertainty has had a ripple effect across various countries, particularly developing nations like Indonesia. This impact is felt not only by large businesses and conventional banking, but also significantly by the microfinance sector, including Sharia Microfinance Institutions (LKMS), which play a vital role in supporting the economic resilience of lower-income communities.[1] LKMS is a non-bank financial institution based on Sharia principles that focuses on empowering the community's economy through inclusive financial services grounded in Islamic values. LKMS provides a vital alternative for those without access to conventional banking, particularly micro, small, and medium enterprises (MSMEs), the backbone of the Indonesian economy.

In facing the challenges of a constantly changing global economy, the financial resilience of Islamic financial institutions (LKMS) is a crucial aspect to examine. Financial resilience is defined as an institution's ability to maintain operational stability and business continuity amidst external pressures and uncertainties. In the context of LKMS, resilience is not only related to profitability but also to the institution's ability to maintain its social function, asset sustainability, and consistent service to the community without compromising Sharia principles. Many LKMS in Indonesia operate in economically vulnerable areas, so global crises such as exchange rate fluctuations, inflationary pressures, declining purchasing power, and changes in macroeconomic policies can directly weaken their financial performance.[2]Therefore, it is important to have an analytical tool that is able to measure the extent to which LKMS is able to adapt to external pressures objectively and proportionally.

One approach considered effective for measuring the adaptability of financial structures is common size analysis, a financial statement analysis technique that presents financial items as a percentage of total assets (for the balance sheet) or total revenue (for the income statement). This technique not only facilitates comparisons over time and between entities of different sizes but also provides a more transparent picture of changes in the proportions of costs, assets, and revenues within an institution. Using this approach, we can more clearly observe the adaptation patterns of Islamic microfinance institutions (LKMS), for example, whether the institution is increasing the allocation of productive assets, reducing operating expenses, or restructuring financing items to survive difficult conditions. Although the common size method has been widely used in corporate and banking financial analysis, its application in the context of Islamic microfinance institutions is still relatively limited in the academic literature, particularly in Indonesia.[3]

This gap serves as a crucial basis for this research, which specifically aims to explore the financial resilience of microfinance institutions (MFIs) in the face of global economic [4] dynamics through a common-size approach. This research seeks not only to describe the

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1 Aisyah, A., Ashari, A., Handayani, IS, & Soliha, N. (2024). Analysis of microfinance services in Islamic banking. Jurnal Media Akademik, 2(6).

2 Andriani, W., Surya, F., & Zahara, Z. (2024). Assessing the Financial Performance of Islamic Banking on the Indonesia Stock Exchange: A Ratio and Common Size Analysis Approach. ISTIKHLAF: Journal of Islamic Economics, Banking and Management, 6(2), 17-33

3 Harahap, H., Ritonga, I., & Lubis, A. (2023). Characteristics and institutional forms of Islamic Microfinance Institutions in Indonesia. Studia Economica: Journal of Islamic Economics, 9(1).

4 Warsidi, Abdurrahman Raden Aji Haqqi , Isma Swadjaja, Implementation of Sharia System in Sharia-Certified Hospitals, JIEI : Jurnal Ilmiah Ekonomi Islam, (2024), E-ISSN : 2579-6534, Vol 10, no 3 https://jurnal.stie-aas.ac.id/index.php/jei/article/view/14713 .

condition of LKMS statically but also to explain the patterns of response and adaptation these institutions undertake during times of economic instability. [5]By utilizing officially published financial report data from Islamic Microfinance Institutions (LKMS) and employing qualitative analysis based on case studies, this research is expected to provide an in-depth overview of the structural challenges and financial strategies adopted by LKMS. The results are expected to not only contribute to the academic development of Islamic economics and microfinance literature but also serve as a practical reference for regulators, LKMS managers, and policymakers in formulating strategies for strengthening Islamic microfinance institutions and governance to become more resilient, adaptive, and sustainable in the future.[6]

B. Research methods

This research uses a qualitative approach with a case study method, which aims to explore in depth the phenomenon of financial resilience experienced by Islamic Microfinance Institutions (LKMS) in the context of global economic pressures. A qualitative approach was chosen because it can capture the complexity of financial dynamics and adaptive strategies that cannot be explained solely numerically, but rather require a contextual understanding of the institutional conditions, the economic environment, and the sharia values inherent in the Islamic microfinance system. This study does not use conventional descriptive analysis that only displays numbers or surface trends, but rather prioritizes interpretations based on financial data analyzed proportionally and systematically using the common size analysis method.[7]

The subjects of this study were one or more financial institutions (LKMS) that have published official financial reports regularly and possess complete data over a specific time period relevant to the global economic turmoil. The selection of these institutions was purposive, taking into account data completeness, information accessibility, and the characteristics of active and licensed LKMS under the supervision of authorities such as the Financial Services Authority (OJK) or the Ministry of Cooperatives and SMEs.[8]The data used is sourced from secondary documents, including statements of financial position (balance sheets), income statements, and notes to the financial statements, which are publicly available or obtained through collaboration with relevant institutions. This quantitative data is not processed into inferential statistics but is instead transformed into a common size format to gain a deeper understanding of the proportions and financial structure of each component.

In conducting common-size analysis, all elements in the financial statements—assets, liabilities, and equity on the balance sheet, and revenue and expenses on the income statement—are expressed as a percentage of their aggregate total. For example, on the

5 Hasibuan, K., Nurbaiti, N., & Daulay, AN (2023). Common Size Analysis in Measuring the Financial Performance of Islamic Commercial Banks in Indonesia. Intizar, 29(1), 72-78

6 Nurjanah, N. (2023). Development of Islamic financial institutions and macroeconomic conditions in Indonesia. Scientific Journal of Islamic Economics, 9(1), 346–357.

7 Sugiyono. (2021). Qualitative, Quantitative, and R&D Research Methods. Bandung: Alfabeta

8 Financial Services Authority. (2022). Statistics on the Development of Islamic Microfinance Institutions in Indonesia. Jakarta: OJK. Available at: https://www.ojk.go.id

balance sheet, all components are compared to total assets, while on the income statement, all items are compared to total revenue. This technique allows for a more objective reading of the efficiency of the cost structure, the effectiveness of resource allocation, and the institution's flexibility in responding to external economic changes. This analysis is then deepened with interpretations based on scientific literature on Islamic microfinance, risk management, and financial resilience theory, to provide theoretical justification for the findings.

The primary references in this study come from reputable scientific journals and academic books that have been officially published and verified for their validity. These include national Islamic economics journals accredited by SINTA, as well as international publications on microfinance and financial statement analysis. Some of the primary references included Antonio's (2011) work on Islamic financial management, Rahman & Dean's (2013) work on Islamic microfinance resilience, and microfinance theory studies by Ledgerwood (2013) and Armendáriz & Morduch (2010) that discuss the dynamics of microfinance institutions in a global context. Therefore, this research method is not only data-driven but also emphasizes analytical depth through the integration of empirical data and relevant theory.

The entire analysis process was conducted systematically, starting with secondary data collection, converting financial statements into common-size format, interpreting results based on financial resilience indicators, and formulating conclusions supported by a literature review. Data validity was maintained through document triangulation and cross-checking between available data and the reporting requirements of Indonesian Sharia accounting standards. This method is expected to provide a comprehensive and in-depth understanding of how Islamic financial institutions (LKMS) build and maintain their resilience amidst the challenging dynamics of the global economy. The analytical instrument in this study is still limited to proportional descriptions through common-size analysis without further statistical testing, so the interpretation of the results is more descriptive than inferential.

C. Results and Discussion

1. Interpretation of Common Size Analysis Results

Common-size financial statement analysis provides a more in-depth and proportionate perspective on the financial structure and dynamics of Islamic Microfinance Institutions (LKMS), particularly in the context of global economic uncertainty impacting the operational stability of small-scale financial institutions. This approach does not examine each component of the financial statements in absolute terms, but rather as a percentage of total assets or total revenue. This allows researchers to identify significant structural changes over time and compare the financial efficiency and flexibility of LKMS in navigating macroeconomic pressures.[9]

In the financial position report, the common size results show that the proportion of current assets to total assets has gradually increased from 65% in 2020 to approximately 75% in 2023.

[9] Aulia, DN, & Arisandy, Y. (2025). ASSESSING THE FINANCIAL PERFORMANCE OF PT BANK SYARIAH INDONESIA TBK USING THE COMMON SIZE METHOD (2021-2023 PERIOD). Journal of Applied Accounting Research, 9(1), 124-133.

[10]This increase indicates that LKMS is adopting a conservative strategy in the face of economic uncertainty by allocating more assets in liquid and easily converted forms, such as cash, deposits in Islamic banks, and short-term financing receivables. This strategy demonstrates an active response to potential liquidity risks, especially in situations of economic crisis when customers tend to withdraw their deposits or experience financing defaults. By increasing the proportion of current assets, LKMS strives to maintain cash flow stability and ensure operational continuity despite external pressures.[11]

Furthermore, the liabilities structure shows an increasing proportion of third-party funds (particularly member deposits) to total liabilities. In 2020, member deposits accounted for 55% of total liabilities, but this figure increased to 62% in 2023. This figure reflects two important factors: first, public trust in LKMS remains strong despite pressures on the national and global economy; and second, LKMS increasingly relies on community-based funding sources rather than external funding, which may be more expensive or unavailable during a crisis. Public trust is a valuable intangible asset in maintaining the sustainability of LKMS amidst financial market volatility.

On the equity side, its proportion of total assets also experienced a significant increase, from around 30% in 2020 to 36% in 2023.[12] This increase demonstrates a strengthening of the internal capital structure, reflecting the accumulation of retained earnings and reserves. With stronger equity, LKMS not only has greater capacity to absorb losses but also greater room to expand financing and service innovation in the future. The increasing equity ratio also demonstrates that LKMS is gradually reducing its dependence on external funding sources and striving to build long-term financial resilience.

Turning to the income statement, the results of the common-size analysis indicate a significant change in revenue structure. Revenue from financing margins, typically the primary source of revenue for LKMS, experienced a relative decline from 84% of total revenue in 2020 to 76% in 2023. This decline does not indicate an absolute decline in financing revenue, but rather is accompanied by increased contributions from other revenue sources such as service fees, investment returns, and non-operating income.[13] This diversification demonstrates LKMS's efforts to not rely entirely on financing for its financial sustainability, but rather to broaden its revenue base to be more stable and adaptive to changes in the economic situation.

It's also important to note that during the same period, operating expenses were successfully reduced

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[10] Nurul Mauludiyah, Warsidi (2023), The Joints of Economic Strength According To Ibn Khaldun, Paradigma : Journal of Science, Religion and Culture Studies, Vol 20 no1, https://jurnal.unismabekasi.ac.id/index.php/paradigma/article/view/5931

[11] Rifai, A., Faizah, I., Mariyanti, L., & Lestari, SI (2022). Common Size Analysis of Indonesian Sharia Banks Post-Merger. Al-Mashrof: Islamic Banking and Finance, 3(2), 165-184.

[12] Sari, RK (2021). Analysis of financial performance measurement in the banking sector using the common size method (case study: PT. Bank Rakyat Indonesia Syariah Tbk, 2016–2017 period). Monex: Journal of Accounting Research, 10(1), 16-25.

[13] Simanjuntak, RA (2016). Comparative analysis of financial statements using the common size method in assessing the performance of Islamic banks in Indonesia (Doctoral dissertation, IAIN Padangsidimpuan).

from 60% to 54% of total revenue. This efficiency was achieved through various means, including optimizing human resources, digitizing service systems, and re-evaluating non-value-added expense items. In the context of microfinance institutions, the reduction in operating expenses has a direct impact on increasing net profit margins and business sustainability. Furthermore, LKMS also increased its risk reserve allocation from 5% to 9%, demonstrating increased awareness of the importance of financing risk management, particularly during periods of high default risk, such as high inflation or declining purchasing power.[14]

The stability of net profit margins in the 10–12% range demonstrates that LKMS has managed to maintain profitability despite facing global economic pressures. This reflects management's success in managing external risks, balancing cost efficiency with fulfilling social obligations such as zakat (alms) and charity funds.[15] This performance also reflects the consistent application of sharia principles, where financial success is not achieved at the expense of the values of justice and social sustainability.

Overall, the interpretation of the results of this common size analysis provides empirical evidence that Islamic microfinance institutions (LKMS) possess strong adaptability and a flexible financial structure to respond to global economic pressures. Strategies to increase liquidity, strengthen internal capital, streamline operational costs, and diversify revenue are key factors supporting institutional resilience. These findings demonstrate that with prudent management, Islamic microfinance institutions are able not only to survive but also to thrive in uncertain situations. This analysis provides an important foundation for a more systematic understanding of LKMS resilience and opens up discussion on how similar approaches can be applied to similar institutions across Indonesia.

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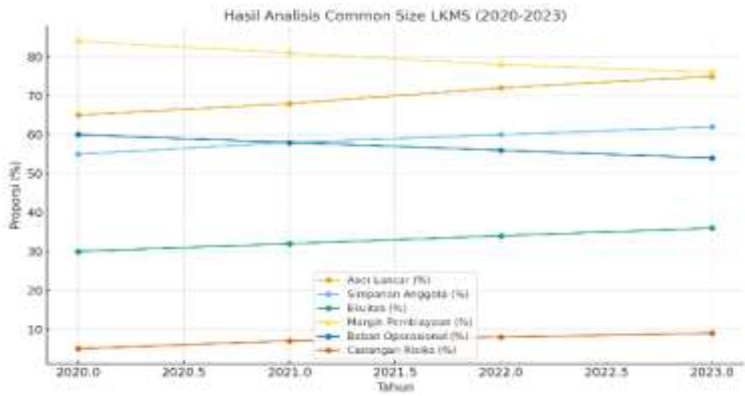

Figure 1. Results of the 2020–2023 LKMS Common Size Analysis

[14] Imsar, I., & Saragih, RF (2023). The performance of Islamic financial institutions towards MSMEs for economic growth. Journal of Islamic Economics and Finance Research, 1(4), 1–7.

[15] Sodiq, A. (2025). The Role of BMT Nusantara Umat Mandiri in Encouraging the Inclusion of Non-Bank Sharia Financial Institutions in Tulungagung. At-Tamwil Journal: Sharia Economic Studies, 7(1), 90-104

2. Connection with Literature and Theory

To understand the financial resilience of Islamic Microfinance Institutions (LKMS) more comprehensively, the results of the common size analysis presented previously need to be elaborated with various relevant key theories in the fields of microfinance, Islamic economics, and crisis management. This study uses a theoretical approach derived from at least three main theories that have been proven to be widely used in academic studies and the practice of financial institutions: the Microfinance Resilience Theory, the Sharia Prudence Theory, and the Income Diversification Theory.[16]

a. Microfinance Resilience Theory

This theory generally explains that financial resilience is an institution's ability to survive, recover, and even thrive amidst uncertainty and external pressures, both systemic and sudden. In the context of microfinance institutions, as explained by Armendáriz and Morduch (2010), resilience relates not only to the ability to manage profits but also to the resilience of institutional structures in ensuring the continuity of financial services to low-income communities, especially during crises.

According to this theory, there are several key indicators of resilience, namely: (1) adequate liquidity, (2) diversity of income sources, (3) healthy capital reserves, and (4) managerial capacity to address financial and social risks. In the case of the LKMS studied, the results of the common size analysis indicate that the institution actively strengthened the proportion of current assets and risk reserves, reflecting its ability to adapt to uncertainty. In addition, increased equity and diversification of income from services and small investments indicate that the institution is not only resilient but also strategically positioned to respond to a possible medium-term crisis.

b. Sharia Prudence Theory

In the context of Islamic economics, the financial resilience approach cannot be separated from the principle of prudence derived from sharia values. Sharia prudence theory emphasizes the importance of maintaining maslahah (public welfare), avoiding mafsadah (harm), and maintaining the sustainability of wealth (ḥifẓ al-māl) as part of the maqāṣid al-sharīʿah. Antonio (2011) explains that Islamic financial institutions must manage their finances responsibly, not only to generate profits but also to ensure that their existence brings social benefits and long-term stability to the community.

In this theory, adequate risk reserves, segregation of social funds, and liquidity management based on the principles of transparency and accountability are key pillars. The results of this study indicate that the analyzed SMEs have practiced sharia-compliant prudential principles by increasing the allocation of risk reserves, continuing to fulfill their social function in the form of zakat (alms) and charity funds distribution despite economic instability, and maintaining a proportionate proportion of member savings to equity.

The principle of Sharia prudence is also evident in how LKMS adjusts operational costs without sacrificing core services to the public. Operational efficiency is not achieved through layoffs or service reductions, but rather through optimizing cost structures and adopting simple technologies that

[16] Tanjung, H. (2020). Islamic Economics and Finance: Contemporary Issues. Elex Media Komputindo.

expand service reach. In other words, LKMS's managerial strategy aligns with the spirit of Sharia, which emphasizes fairness, sustainability, and social responsibility in financial management.

c. Theory of Diversification of Financial Institutions' Income

This theory explains that one of the most effective forms of adaptation in facing a crisis is through income diversification. This theory developed from the financial risk management literature and is explained in detail by Saunders & Cornett (2014), stating that financial institutions that rely too heavily on a single source of income are highly vulnerable to market fluctuations and changes in monetary policy. Diversification is considered a natural mechanism for spreading risk and ensuring a stable income stream even when there is a downturn in one sector.

In the context of microfinance institutions (LKMS), revenue is typically highly dependent on financing margins, particularly from murabahah and ijarah contracts. However, the common size analysis in this study shows that LKMS has implemented a diversification strategy by increasing the portion of revenue from services, such as administrative fees, short-term sharia-compliant investments, and non-operational income that is legitimate according to sharia. This strategy demonstrates that LKMS is not only thinking short-term but is beginning to build a more shock-resistant financial model.

Diversification is also part of the effort to create sustainable income without increasing the risk of Sharia non-compliance. In practice, Islamic financial institutions (LKMS) ensure that every source of income is derived from activities that align with Islamic principles, such as avoiding investments in riba (usury), gharar (unlawful activity), or speculation. Thus, the theory of diversification is not applied blindly but is filtered through the ethical and normative principles inherent in the Islamic financial system.

d. Integration of the Three Theories in the Context of the Findings

These three theories complement each other and holistically explain the findings from the common-size analysis of microfinance institutions (LKMS). The Microfinance Resilience Theory provides a general framework for how financial structures and strategies support institutional resilience. The Sharia Prudential Theory provides moral, social, and religious dimensions in financial decision-making, while the Income Diversification Theory provides tactical tools for more practical ways to create financial stability.

In practice, the integration of these three theories is reflected in the LKMS strategy, which focuses not only on efficiency and profitability but also considers social benefits and operational sustainability. For example, increasing risk reserves and operational cost efficiency reflects the principles of prudence and resilience, while increasing the proportion of current assets and diversifying revenue demonstrates an understanding of market risks and the need for funding flexibility.

Through this in-depth theoretical understanding, it can be concluded that the analyzed LKMS financial strategies were not spontaneous reactions to the crisis, but rather part of an institutional learning process and the accumulation of Sharia values internalized in their financial management. This provides valuable lessons for other Sharia microfinance institutions and demonstrates that Islamic principles can be translated into adaptive, sustainable, and responsible financial strategies amidst the global crisis.

3. Implications

The findings of this study, which demonstrate the success of the common size-based financial planning strategy in maintaining the resilience of Islamic Microfinance Institutions (LKMS) to global economic pressures, have a number of important implications from both theoretical and practical perspectives, as well as public policy. [17] These implications not only apply to the institutions studied but can also be used as a broader reference for the development and strengthening of the national Islamic microfinance system in Indonesia and globally.

a. Theoretical Implications

Academically, the results of this study confirm the relevance of the common-size analysis approach as an effective tool for understanding the financial structure and stability of microfinance institutions in the context of economic turbulence. To date, much research on microfinance institutions (MFIs) has focused solely on conventional ratios such as Return on Assets (ROA), Non-Performing Financing (NPF), or Capital Adequacy Ratio (CAR). However, the common-size approach can reveal proportional transformations in financial statements, reflecting institutions' adaptation strategies more contextually.

This research also extends the literature on the resilience of Sharia-compliant financial institutions. Resilience is not solely determined by asset size or short-term profitability, but also by how well an institution's financial structure adapts to external changes without compromising Sharia principles. This demonstrates that the concept of resilience in microfinance institutions can be explained not only through quantitative indicators but also through normative and strategic approaches integrated with Islamic values.

b. Practical Implications for Islamic Microfinance Institutions

From a practical perspective, the results of this study offer several strategic lessons that can be used as a reference by other microfinance institutions (LKMS) across Indonesia. First, the importance of building a liquid and flexible asset structure to cushion against external pressures. LKMS should avoid overly allocating funds to long-term financing without adequate cash reserves, ensuring they are able to respond to sudden withdrawals by members during a crisis.

Second, revenue diversification needs to be a priority. Relying solely on financing margins makes microfinance institutions (LKMS) highly vulnerable to macroeconomic shocks such as inflation, declining household consumption, or monetary tightening. Institutions should expand their product and service offerings, including non-financial services such as zakat (alms) custody, productive waqf (endowment) management, and low-risk Sharia-compliant micro-investments.

Third, financial institutions (LKMS) must strengthen risk governance and reserve budgeting.

[17] Tulasmi, T., & Komariyah, S. (2023). Bibliometric analysis of the direction and development of research on Islamic microfinance institutions in Indonesia 2013–2022. Al-Kharaj: Journal of Islamic Economics, Finance & Business, 5(6), 3768–3780.

Adequate risk provisions not only demonstrate prudence but also reflect the institution's commitment to maintaining operational continuity and protecting members' assets. LKMS must have an early warning system for problem financing, including mapping economic sectors at high risk from global fluctuations.

c. Policy and Regulatory Implications

The results of this study also provide several recommendations for regulators and the government to strengthen the systemic resilience of the Islamic microfinance sector. First, the Financial Services Authority (OJK), the Ministry of Cooperatives and SMEs, and the National Sharia Council (DSN-MUI) can collaborate to develop common-size financial reporting standards for Islamic microfinance institutions (LKMS) to facilitate proportional and comparative financial health monitoring.

Second, the government needs to expand access for Islamic financial institutions (LKMS) to training in Sharia-compliant risk management and Sharia accounting. Many LKMS still face technical capacity constraints in preparing standardized financial reports or identifying potential systemic risks. Structured, certified, and practice-based training is essential to improve the quality of LKMS governance in the field.

Third, fiscal policies and tax incentives also need to consider the role of microfinance institutions (MFIs) as pillars of national financial inclusion. The government can provide tax breaks or capital assistance to LKMS that demonstrate proven risk management, channel financing to priority sectors such as food and agricultural MSMEs, and continue to fulfill social obligations such as zakat and charity funds during times of crisis.

Fourth, from a digital perspective, authorities can encourage the adoption of financial technology (Islamic fintech) in the operations of Islamic financial institutions (LKMS). Through digitalization, operational costs can be reduced, service efficiency increased, and reporting systems automated. This is crucial, especially for LKMS in remote areas, to remain connected to the national and global economic systems.

d. Social and Macroeconomic Implications

More broadly, the resilience of microfinance institutions (LKMS) also has implications for community-based economic development. In times of economic uncertainty, the survival and continued operation of microfinance institutions (LKMS) is a crucial pillar of social stability. These institutions, often overlooked by conventional banks, can still access financing, financial services, and social support. This means that LKMS are not only economic entities but also agents of social stability, crucial for the economic resilience of villages and grassroots communities.

Thus, the resilience of LKMS is not only about surviving a crisis, but also about how these institutions ensure the sustainability of the lives of the poor and vulnerable in a just and dignified manner. Therefore, all stakeholders—regulators, academics, business actors, and the wider community—need to view LKMS strengthening as a long-term social investment in building economic justice and financial inclusion in Indonesia.

4. Research Limitations

Although this study has provided a fairly in-depth overview of the financial resilience of Islamic Microfinance Institutions (LKMS) through a common-size analysis approach, several limitations remain that need to be honestly and critically acknowledged.

These limitations are important to address so that the findings can be interpreted proportionally and can be used as considerations for further study development in the future. The author has also critically linked theory to the findings. However, because this research uses a qualitative, case-study-based approach, the article does not formulate formal hypotheses, and therefore, no basis for hypothesis formation is provided.

a. Limitations of Scope and Generalization

This research focuses on a single case study of a single microfinance institution (LKMS) with a limited time span of three years, 2020–2023. Although the unit of analysis was purposively selected due to its comprehensive and transparent financial reporting system, this approach inherently limits the generalizability of the findings to the entire population of LKMS in Indonesia. Each LKMS has highly diverse characteristics depending on geographic factors, asset scale, ownership model (cooperative, BMT, or foundation), and socio-economic orientation.

Thus, effective financial strategies at the institutions studied may not be entirely appropriate when applied to other microfinance institutions with different contexts. Therefore, the results of this study are contextual and require follow-up with a broader comparative study across microfinance institutions to generate a more comprehensive and representative resilience model.

b. Limitations of Non-Financial Dimensions

The approach used in this study places significant emphasis on the formal financial dimensions as reflected in financial statements, particularly through common-size analysis techniques. While this approach is capable of revealing the dynamics of the structure of assets, liabilities, and income proportionally, it has significant limitations in uncovering the non-financial dimensions that also significantly impact an institution's resilience.

For example, aspects of management quality, spiritual leadership, social relationships between managers and members, decision-making systems, and the spirit of collectivism in crisis management are crucial elements that have not been widely explored in this study. However, in the context of Islamic microfinance, non-financial factors such as member trust, religious values, and community engagement have a significant impact on the institution's sustainability.

c. Data Limitations and Information Transparency

One of the main challenges in conducting financial analysis on financial institutions (LKMS) is the availability of accurate, complete, and standardized data. Many LKMS have not yet implemented standard financial reporting practices, especially those that are not officially registered or not under the strict supervision of the Financial Services Authority (OJK). In this study, the data used were sourced from annual reports published by the institutions and the results of managerial interviews. Therefore, the validity of the data depends on the honesty and openness of the relevant parties.

Furthermore, financial reports of Islamic financial institutions (LKMS) are generally still prepared in a simplified manner and have not fully adopted the Sharia financial accounting standards or Sharia PSAK applicable in Indonesia. This limits the ability to provide in-depth interpretation of several multi-functional report items, such as charitable funds, risk reserves, or social financing.

d. Limitations of Analysis Methodology

The analytical method used in this research is a qualitative, case study-based approach with common-size financial statement analysis. While this method is effective in explaining proportions and changes in financial structure descriptively and interpretively, this research has not been supplemented with inferential statistical tests or advanced quantitative methods that could strengthen the validity of the findings numerically.[18]

For example, financial ratios such as the Current Ratio, Debt to Equity Ratio (DER), or Net Profit Margin have not been analyzed regressively or statistically linked to external factors such as inflation, economic growth, or national monetary policy. Consequently, causal relationships between financial variables in a macro context cannot be inferred causally and are only correlative based on observations of the proportional structure of the report.

e. Limitations of Integration of Social and Spiritual Values

Although this study has linked its findings to the theory of sharia prudence and maqāṣid al-sharīʿah, the measurement of spiritual and social values in institutional practices remains qualitative and narrative. In practice, values such as trustworthiness, brotherhood, and managerial sincerity are difficult to quantify but are highly influential in maintaining trust and the sustainability of LKMS, especially during times of crisis.

Therefore, this research is still limited in developing an instrument capable of measuring the religiosity dimension of institutions in a systematic and standardized manner. Going forward, a multidisciplinary approach that combines financial and spiritual indicators as a unified analysis is needed to assess the health and resilience of Sharia-based institutions.[19]

These limitations do not diminish the value of the research findings, but rather enrich academic discussions and open up opportunities for further exploration. Future studies are strongly recommended to combine quantitative and qualitative approaches (mixed methods), expand the scope of institutions and regions, and delve deeper into the social and spiritual aspects that are at the heart of Sharia-compliant microfinance institutions in Indonesia.[20]

D. Conclusion

This study aims to assess the financial resilience of Islamic Microfinance Institutions (LKMS) in the face of global economic volatility using a common-size analysis approach to

[18] Anna Marina, Sentot Imam Wahjono, Warsidi, Tri Kurniawati (2022), Islamic Accounting Information System to Enhance Islamic Hospital Performance in Indonesia, Journal of Business Theory and Practice, Vol 10 No 2, https://www.scholink.org/ojs/index.php/jbtp/article/view/4899

[19] Kartini (2024), BREAK-EVEN POINT ANALYSIS AS A DECISION-MAKING INSTRUMENT IN SHARIA BUSINESS, Jurnal Justisia Ekonomika : Magister Hukum Ekonomi Syariah, Vol 9 no 1, E-ISSN: 2614-865X, https://journal.um-surabaya.ac.id/JE/article/view/25948

[20] Rizki Azizah Malik (2025), CASH FLOW ANALYSIS OF SHARIA FINANCIAL STATEMENTS IN SHARIA FINANCIAL INSTITUTIONS, Jurnal Justisia Ekonomika, Vo 9 no 1, E-ISSN: 2614-865X,https://journal.um-surabaya.ac.id/JE/article/view/25990

financial statements. Through a proportional review of financial statement components over the past three years (2020–2023), an in-depth overview of the dynamics of the financial structure and adaptive strategies implemented by LKMS is obtained.

In general, the research results indicate that MFIs (Micro, Small, and Medium Enterprises) have demonstrated considerable resilience in the face of economic uncertainty. This is reflected in an increase in the proportion of current assets, a strengthening of the capital structure through increased equity, diversification of revenue sources beyond financing margins, and more efficient management of operating expenses. Furthermore, the institutions have demonstrated increased risk reserve allocations as a precaution against potential non-performing financing during the crisis.

The interpretation of these common-size results is further strengthened by their connection to three key theories: Microfinance Resilience Theory, Sharia Prudential Theory, and Financial Institution Income Diversification Theory. These three theories provide a solid conceptual foundation, demonstrating that LKMS resilience rests not only on formal financial aspects but also on the ethical, social, and spiritual dimensions that are at the core of a Sharia-based financial system. In this context, the research findings reflect not only financial performance but also institutional integrity in maintaining its social role and the sustainability of its Sharia mission amidst economic turmoil.

However, this study also acknowledges several important limitations, such as the narrow scope of the study, the limited use of standard financial data, the non-quantitative approach to causal relationships, and the suboptimal measurement of social and spiritual dimensions. This underpins the recommendation that future similar research should expand the scope and sample size of Islamic financial institutions (LKMS), employ a mix of quantitative and qualitative methods, and develop indicators that measure Sharia values in a standardized manner.

From the results and discussion, it can be concluded that a common-size strategy is not only relevant as an internal financial analysis tool but can also be used to support strategic decision-making by microfinance institutions (LKMS) management. This research provides new insights into the potential of microfinance institutions (LKMS), both economic and social entities, to become the vanguard of an inclusive and resilient financial system based on Islamic values amidst increasingly uncertain global dynamics.

Therefore, future strengthening of Islamic microfinance institutions (LKMS) needs to be directed at: (1) increasing managerial capacity and Islamic financial literacy; (2) expanding revenue diversification and digitizing services; and (3) actively synergizing with the government and financial authorities to create an ecosystem that supports the resilience of Islamic microfinance institutions nationwide. Healthy, resilient, and community-based LKMS are key to sustainable economic justice for the Indonesian people.

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