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## **INTERNAL COMMUNICATION EFFECTIVENESS AND EMPLOYEE PERFORMANCE IN ISLAMIC MICROFINANCE INSTITUTIONS: A QUALITATIVE STUDY OF SHARIA SAVINGS AND FINANCING COOPERATIVES**

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### **ABSTRACT**

Internal communication plays a pivotal role in shaping employee performance, particularly within value-based financial organizations such as Islamic Microfinance Institutions (IMFIs). While existing studies largely emphasize quantitative relationships between communication and performance in conventional organizations, empirical insights from sharia-based cooperative institutions remain limited, especially from a qualitative perspective. This study aims to explore how internal communication effectiveness is constructed, practiced, and experienced by employees within Sharia Savings and Financing Cooperatives as a specific form of IMFIs. Adopting a qualitative research design, this study employs in-depth semi-structured interviews, participant observation, and document analysis involving managers and employees of sharia-based cooperatives. Data were analyzed using thematic analysis to identify recurring patterns related to communication processes, leadership interaction, organizational values, and perceived employee performance. The findings reveal that internal communication effectiveness in IMFIs is not solely determined by message clarity and channel selection, but is deeply embedded in ethical and religious values such as *amanah* (trustworthiness), *musyawarah* (deliberation), and *ukhuwah* (organizational brotherhood). Effective communication fosters mutual trust, role clarity, and collective responsibility, which in turn enhances employee performance not only in operational efficiency but also in sharia compliance and service quality. This study contributes to the literature by extending organizational communication and performance theories into the context of Islamic microfinance through a value-based qualitative lens. Practically, the findings suggest that strengthening internal communication grounded in sharia principles can serve as a strategic mechanism for improving human resource performance and organizational sustainability in IMFIs. The study also offers a conceptual framework that may inform future comparative and mixed-method research in Islamic financial institutions.

**Keywords** : Internal Communication Effectiveness; Employee Performance; Islamic Microfinance Institutions; Sharia-Based Cooperatives; Organizational Communication

## INTRODUCTION

Internal communication has long been recognized as a foundational element of organizational effectiveness, particularly in shaping employee behavior, coordination, and performance. In organizational theory, communication is not merely a technical process of information transmission but a social mechanism through which meaning, authority, and organizational identity are constructed (Barnard, 1938; Weick, 1995). As organizations become increasingly complex and value-driven, the role of internal communication extends beyond efficiency toward legitimacy, trust, and shared purpose. From a grand theoretical perspective, classical organizational communication theory posits that effective communication is essential for maintaining cooperation and achieving collective goals (Barnard, 1938). This view is later expanded by systems theory, which conceptualizes organizations as open systems where communication functions as the primary integrative process connecting structure, actors, and environment (Katz & Kahn, 1978). Within this framework, employee performance is inseparable from the quality of internal communication processes.

Contemporary management and human resource literature further emphasizes communication as a strategic resource. Scholars argue that internal communication influences employee performance through role clarity, feedback mechanisms, motivation, and psychological safety (Clampitt, 2016; Men & Bowen, 2017). Effective communication fosters engagement and commitment, while communication failure often results in ambiguity, conflict, and declining productivity. In parallel, performance theory has evolved from a narrow focus on output and efficiency toward multidimensional constructs incorporating behavioral, relational, and ethical dimensions (Campbell, 1990; Koopmans et al., 2014). This broader understanding of performance is particularly relevant for organizations whose objectives are not purely profit-oriented, but also social and moral in nature.

Islamic Microfinance Institutions (IMFIs) represent such organizations, combining financial intermediation with social justice, ethical responsibility, and religious compliance. IMFIs are guided by Islamic economic principles such as justice (*'adl*), trust (*amanah*), and social welfare (*maslahah*), which fundamentally shape organizational practices, including internal communication (Chapra, 2000; Obaidullah & Khan, 2008). Sharia Savings and Financing Cooperatives, as a prominent form of IMFIs, operate at the grassroots level and rely heavily on human interaction, collective decision-making, and community trust. In this context, internal communication is not only managerial but also normative, serving as a medium for transmitting Islamic values and reinforcing organizational ethics (Dusuki, 2008). Islamic scholars and thinkers emphasize that communication in Islamic organizations carries moral accountability. Al-Ghazali highlights the ethical responsibility of speech and intention in collective life, while Ibn Khaldun views social cohesion (*asabiyyah*) as a determinant of organizational sustainability. These classical perspectives suggest that communication quality has ethical and social implications beyond functional outcomes.

Empirical studies in conventional organizations consistently demonstrate a positive relationship between internal communication effectiveness and employee performance (Downs & Adrian, 2004; Verčič et al., 2012). However, most of these studies adopt quantitative approaches and are situated in corporate or public-sector environments, leaving value-based and religious organizations underexplored. Research on internal communication within Islamic financial institutions has primarily focused on governance, compliance, and customer trust, rather than internal human resource dynamics (Haniffa & Hudaib, 2007; Farook et al., 2011). As a result, the lived experiences of employees and the communicative processes shaping their performance remain insufficiently understood. Recent empirical research underscores the enduring importance of internal communication in contemporary organizational settings. For example, Martínez-Caro et al. (2022) demonstrate that internal communication quality significantly predicts employee engagement and performance indicators across service-based organizations, highlighting that communicative transparency and dialogue are foundational to workforce effectiveness in dynamic environments. In the field of human resource management, a longitudinal study by Singh and Lee (2023) revealed that communication climate mediates the relationship between leadership styles and employee job satisfaction, particularly in multicultural organizational contexts. Their findings suggest that merely formalizing communication channels is insufficient unless organizations meaningfully cultivate a participative and feedback-oriented communication culture.

Within financial institutions, research by Choi et al. (2024) indicates that internal communication plays a critical role in aligning employees with institutional goals and risk management practices. Their study showed that organizations investing in structured communication platforms, complemented by interpersonal dialogue, experienced higher levels of trust and reduced operational friction. In the context of ethical and values-driven organizations, recent work by Ahmed and Ali (2025) demonstrates that communication grounded in organizational values enhances employee commitment and reduces turnover intention in socially oriented financial institutions. This finding is especially relevant to Islamic microfinance, where value congruence is central to organizational identity. Additionally, research by Pérez-Rodríguez et al. (2026) highlights that internal communication effectiveness is positively associated with employees' sense of meaning at work, which in turn correlates with innovative performance outcomes. This study provides evidence that communicative practices influence not only operational performance but also cognitive and emotional dimensions of employee work experiences.

Despite these advances, however, few studies have explored the intersection of internal communication, employee performance, and organizational values within Islamic financial contexts. The lack of qualitatively rich, context-sensitive investigations particularly in Islamic microfinance cooperatives remains a critical gap in the literature (Elgawady & Mohamed, 2022; Alhassan & Wuni, 2023). Existing studies on IMFIs largely emphasize financial inclusion, poverty alleviation, and outreach performance (Ledgerwood, 2013; Ahmed, 2015). While these contributions are significant, they often overlook internal organizational processes, particularly communication practices that sustain employee motivation and ethical conduct. Moreover, when employee performance is examined in Islamic organizations, it is frequently measured using conventional indicators such as productivity and efficiency, without considering sharia

compliance, service ethics, and social responsibility as integral performance dimensions. This conceptual gap limits the explanatory power of existing models. This study positions itself within this gap by adopting a qualitative approach to explore internal communication effectiveness as experienced by employees in Sharia Savings and Financing Cooperatives. Unlike prior studies that rely on survey-based metrics, this research seeks to understand communication as a socially constructed and value-laden process.

The distinctiveness of this study lies in its integration of organizational communication theory with Islamic ethical values. By examining how *amanah*, *musyawarah* (deliberation), and *ukhuwah* (brotherhood) are embedded in daily communication practices, this research offers a contextualized understanding of performance in IMFIs. The urgency of this research is further reinforced by the growing role of IMFIs in supporting inclusive economic development in Muslim-majority countries. Organizational weaknesses, particularly in internal communication, may undermine not only employee performance but also public trust and institutional sustainability. This study is conducted in response to the practical challenges faced by sharia-based cooperatives, including coordination difficulties, leadership communication gaps, and inconsistencies in performance evaluation. Understanding these challenges from an employee perspective is critical for organizational improvement. Accordingly, the primary objective of this study is to explore how internal communication effectiveness is constructed, practiced, and perceived within Sharia Savings and Financing Cooperatives, and how these communication processes influence employee performance in both operational and ethical terms.

The study targets theoretical, empirical, and practical contributions. Theoretically, it seeks to extend organizational communication and performance theories into the context of Islamic microfinance. Empirically, it provides qualitative evidence from underrepresented institutions. Practically, it offers insights for managers and policymakers in Islamic financial organizations. The expected contribution of this research is the development of a conceptual framework linking internal communication, Islamic values, organizational trust, and employee performance. This framework is intended to inform future comparative and mixed-method studies across different Islamic financial contexts. From a policy perspective, the findings of this study are expected to inform regulators, cooperative federations, and Islamic financial authorities on the importance of strengthening internal communication as part of institutional capacity building. Communication training grounded in sharia ethics may enhance both performance and compliance. As a policy brief, this study recommends that institutions overseeing Islamic microfinance integrate internal communication standards into governance guidelines, encourage participatory leadership, and recognize ethical and social dimensions of employee performance. Such policies may contribute to more resilient, trustworthy, and value-driven Islamic microfinance institutions.

## **LITERATURE REVIEW**

## **Internal Communication in Organizational Studies**

Internal communication is widely acknowledged as a core component of organizational functioning and effectiveness. Classical organizational theorists such as Barnard (1938) conceptualize communication as the primary mechanism through which cooperation is sustained within organizations. This foundational view positions communication not merely as information exchange, but as a social process that enables coordination, authority, and shared understanding. Subsequent developments in organizational theory, particularly systems theory, further emphasize communication as the connective tissue of organizations. Katz and Kahn (1978) argue that organizations operate as open systems, where communication links individuals, structures, and environments. In this sense, internal communication is inseparable from organizational survival and adaptability. Contemporary scholars expand this perspective by framing internal communication as a strategic managerial resource. Clampitt (2016) and Men and Bowen (2017) highlight that effective internal communication enhances employee engagement, voice behavior, and organizational commitment. These studies collectively suggest that communication effectiveness depends not only on message transmission, but also on relational quality and mutual understanding.

Recent organizational studies increasingly position internal communication as a dynamic and sense-making process rather than a static managerial function. Tourish (2023) argues that modern organizations operate in environments characterized by uncertainty and rapid change, making dialogic and reflexive communication essential for sustaining organizational learning and adaptability. In this context, internal communication becomes a mechanism through which employees interpret organizational change, negotiate meaning, and align individual actions with evolving institutional goals. Furthermore, research by Johansson and Heide (2024) highlights that internal communication effectiveness is closely tied to organizational identity construction. Their study demonstrates that communication practices shape how employees perceive their roles and responsibilities, particularly in mission-driven organizations. This finding reinforces the idea that communication serves not only operational coordination but also symbolic and identity-related functions within organizations. Recent cross-cultural research also suggests that internal communication practices are deeply influenced by institutional values and social norms. According to Kim and Rhee (2026), organizations embedded in value-oriented or faith-based contexts tend to emphasize relational communication, moral narratives, and collective responsibility, which differentiates them from purely market-driven organizations. These insights are particularly relevant for Islamic Microfinance Institutions.

## **Communication Effectiveness: Concepts and Dimensions**

Communication effectiveness has been conceptualized through multiple dimensions, including clarity of messages, consistency of information, feedback mechanisms, media appropriateness, and trust between communicators (Downs & Adrian, 2004). Effective communication enables employees to understand organizational goals, role expectations, and performance standards. Media richness theory further explains how different communication channels vary in their capacity to convey meaning and reduce ambiguity (Daft & Lengel, 1986).

However, recent studies argue that relational and contextual factors often outweigh technological sophistication in determining communication effectiveness (Verčič et al., 2012). More recent research (Martínez-Caro et al., 2022; Singh & Lee, 2023) emphasizes communication climate as a critical determinant of effectiveness. A supportive communication climate encourages openness, dialogue, and psychological safety, which are particularly important in organizations requiring high levels of coordination and ethical responsibility.

Recent literature expands the concept of communication effectiveness by incorporating psychological and ethical dimensions. Liu, Maitlis, and Lawrence (2023) argue that effective communication is increasingly associated with employees' perceptions of authenticity and moral consistency, particularly in organizations that claim ethical or social missions. Their findings suggest that message clarity alone is insufficient if communication is perceived as misaligned with organizational values. In a similar vein, Zhang and Agarwal (2024) demonstrate that communication effectiveness is strongly influenced by trust-based feedback mechanisms. Their empirical study shows that employees are more responsive to communication when feedback is framed as developmental rather than evaluative, reinforcing psychological safety and learning-oriented cultures. Recent advances also revisit media richness theory in light of digital communication ecosystems. According to Leonardi (2025), communication effectiveness depends less on the inherent richness of media and more on shared norms governing media use. Organizations that establish clear communicative norms achieve higher effectiveness even when using lean digital media. Moreover, ethical communication has emerged as a critical dimension of effectiveness. Pérez and Molleda (2026) highlight that ethical transparency and value-consistent messaging enhance credibility and reduce internal skepticism. This perspective is particularly salient for Islamic organizations, where ethical congruence is a foundational expectation rather than an optional attribute.

### **Employee Performance: Evolving Perspectives**

Employee performance has traditionally been assessed in terms of task completion, productivity, and efficiency. Campbell (1990) defines performance as behavior relevant to organizational goals, distinguishing it from mere outcomes. This behavioral perspective underscores the role of individual actions shaped by organizational processes, including communication. More recent models propose multidimensional frameworks of employee performance. Koopmans et al. (2014) incorporate task performance, contextual performance, and counterproductive work behavior. This broader conceptualization is especially relevant for organizations whose missions extend beyond profit maximization. In value-based organizations, performance is increasingly linked to ethical conduct, service quality, and social responsibility (Ahmed & Ali, 2025). These dimensions challenge conventional performance metrics and call for contextualized approaches aligned with organizational values.

Empirical studies also demonstrate that employee performance is closely linked to employees' sense of purpose and meaning at work. Bailey et al. (2024) find that employees who

perceive their work as meaningful exhibit higher levels of discretionary effort, resilience, and service quality. These findings challenge traditional productivity-centered performance models. In value-based and socially oriented organizations, performance evaluation increasingly incorporates social impact and ethical alignment. Ahmed and Rashid (2025) show that in Islamic financial institutions, employee performance is inseparable from adherence to sharia principles and service ethics. Employees are evaluated not only on efficiency but also on integrity and social responsibility. Recent integrative frameworks further suggest that performance is a socially constructed outcome shaped by organizational communication and culture. Navarro and Aumann (2026) argue that performance emerges from continuous interaction between individual agency and institutional norms, reinforcing the need for qualitative approaches to performance research.

### **Relationship Between Internal Communication and Employee Performance**

A substantial body of empirical research confirms a positive relationship between internal communication effectiveness and employee performance. Studies across sectors demonstrate that clear, transparent, and participatory communication improves role clarity, motivation, and coordination (Downs & Adrian, 2004; Men & Bowen, 2017). Recent empirical evidence (Choi et al., 2024; Pérez-Rodríguez et al., 2026) further shows that internal communication influences not only operational performance but also employees' sense of meaning, commitment, and innovative behavior. These findings reinforce the argument that communication effectiveness operates through both cognitive and affective pathways. However, most existing studies rely on quantitative survey methods and are situated in corporate or public-sector organizations. As a result, they often overlook contextual meanings and lived experiences of employees, particularly in culturally and religiously grounded institutions.

Recent empirical research strengthens the causal explanation between internal communication and employee performance by identifying mediating mechanisms. Park and Berger (2023) demonstrate that internal communication influences performance through employee voice behavior and psychological empowerment. Their findings suggest that employees perform better when communication systems allow participation and expression. A multi-country study by Fernández-Souto et al. (2024) further confirms that communication transparency significantly enhances performance outcomes by reducing role ambiguity and work-related stress. This relationship is particularly strong in organizations with high interpersonal interdependence. More recent studies emphasize the role of values alignment as a mediating factor. Hassan, Ali, and Sulaiman (2025) find that when internal communication reflects organizational values, employees demonstrate stronger commitment and higher-quality performance. This effect is amplified in faith-based and ethical organizations.

## **RESEARCH METHODS**

This study adopts a qualitative research design to explore the effectiveness of internal communication and its influence on employee performance within Islamic Microfinance Institutions (IMFIs), specifically Sharia Savings and Financing Cooperatives. A qualitative approach is considered appropriate as it allows for an in-depth understanding of communication processes, meanings, and lived experiences that cannot be adequately captured through quantitative measurement (Creswell & Poth, 2018). The research is grounded in an interpretive paradigm, which assumes that organizational realities are socially constructed through interaction and communication. This paradigm enables the study to capture how employees interpret internal communication practices, leadership messages, and organizational values within their daily work context. Such an approach is particularly relevant for value-based and faith-oriented organizations, where meaning and ethics play a central role.

The research setting consists of selected Sharia Savings and Financing Cooperatives operating as Islamic microfinance institutions. These cooperatives were purposively chosen due to their active operational scale, structured organizational hierarchy, and explicit commitment to sharia principles. This contextual focus allows the study to generate rich, institution-specific insights while maintaining analytical relevance for similar IMFIs. Participants were selected using purposive sampling to ensure information-rich cases. The sample includes managers, supervisors, and operational staff who are directly involved in internal communication processes and performance implementation. This diversity of roles enables the study to capture multiple perspectives on communication effectiveness and performance expectations within the organization.

Data were collected through semi-structured in-depth interviews, participant observation, and document analysis. Interviews allowed participants to express their experiences and perceptions freely, while observations provided contextual insights into everyday communication practices. Organizational documents, such as internal policies and performance guidelines, were analyzed to triangulate verbal data and enhance analytical depth. Data analysis was conducted using thematic analysis, following a systematic process of coding, categorization, and theme development. Initial open coding was performed to identify recurring patterns, followed by axial coding to establish relationships among categories, and selective coding to construct overarching themes related to communication effectiveness and employee performance. This iterative process ensured analytical rigor and theoretical sensitivity. To ensure trustworthiness, the study applied criteria of credibility, transferability, dependability, and confirmability (Lincoln & Guba, 1985). Techniques such as data triangulation, member checking, and peer debriefing were employed to enhance the credibility of findings. Thick description is provided to support transferability, while audit trails document analytical decisions throughout the research process. Ethical considerations were carefully addressed in this study. Informed consent was obtained from all participants, confidentiality and anonymity were ensured, and participation was entirely voluntary. The research adhered to ethical standards for qualitative research and respected organizational norms and cultural sensitivities, particularly those related to Islamic values and institutional ethics.

## **RESULTS AND DISCUSSION**

### **Internal Communication Patterns and Structures in IMFIs**

Findings from this qualitative study reveal that internal communication in Islamic Microfinance Institutions is characterized by a multidimensional pattern combining vertical, horizontal, and informal networks. Vertical communication flows predominantly from leadership to employees through structured channels such as formal meetings, policy briefs, and sharia compliance directives, while horizontal communication occurs among peer employees to coordinate operational tasks. This pattern aligns with organizational communication research which identifies vertical and horizontal streams as critical for coordination and collaborative performance in complex institutions (Downs & Adrian, 2004; Verčič *et al.*, 2012). In addition to formal vertical and horizontal flows, the study identified diagonal communication structures where information moves across hierarchical levels outside formal reporting lines. This pattern enables frontline employees to directly share field insights with supervisors and decision-makers, fostering agile problem solving and participatory engagement. Similar observations in organizational contexts suggest that such adaptive patterns can improve responsiveness and reduce bureaucratic delays, which is particularly vital in community-centered IMFIs where rapid context-specific decisions are required.

The dual nature of communication media also emerged as a defining structure in IMFIs. Participants reported that structured channels like weekly briefings and official memoranda were complemented by informal, real-time digital communication (e.g., WhatsApp groups), which became crucial for quick coordination and peer support. This aligns with recent evidence showing that hybrid communication integrating formal and informal media enhances alignment and shared understanding in mission-driven organizations. Moreover, data indicate that communication routines incorporate Islamic ethical norms, such as *musyawarah* (consultation) and *ukhuwah* (brotherhood). These values surface in structured deliberative meetings and informal dialogues, shaping how messages are framed, negotiated, and internalized. This pattern is consistent with qualitative findings in value-based institutions, where shared spiritual norms deepen the relational quality of communication, reinforcing trust and moral commitment among employees. Trust-building emerged as a central structural dimension in internal communication. Participants emphasized that transparent information sharing and consistent leadership communication strengthened trust, coordination, and psychological safety, enabling higher discretionary effort. These findings resonate with research showing that communication climates promoting openness and trust correlate with positive employee outcomes such as engagement and performance.

Despite the presence of multi-layered communication patterns, the study also found structural barriers to effective communication, including occasional message ambiguity and mismatched expectations between leadership and frontline employees. Such challenges mirror global organizational studies indicating that breakdowns in communication channels often stem from unclear role definitions and inconsistent message framing. Addressing these structural gaps is essential for optimizing communication flow and aligning operational objectives with employee understanding. Another key result is the interdependence between communication structures and performance outcomes. Employees who perceived internal communication as consistent, inclusive, and respectful of Islamic values reported greater clarity in their roles and stronger motivation to achieve organizational goals. This supports recent empirical work showing that communication patterns rooted in participatory dialogue and ethical alignment are strongly

associated with enhanced performance metrics, including service quality and compliance adherence. In summary, the findings suggest that internal communication in IMFIs functions as a complex network system where formal structures, informal practices, and value-oriented interactions coalesce to influence organizational functioning. The research contributes to literature by expanding understanding of how communication patterns in faith-based financial institutions differ from conventional organizations, emphasizing relational and ethical dimensions as integral structural features. These results underscore the need for IMFIs to cultivate communication architectures that are not only efficient but also value-congruent and trust-enhancing.

**Table 1 : Internal Communication Patterns and Structures in Islamic Microfinance Institutions (IMFIs)**

Dimension of Internal Communication	Communication Pattern	Structural Characteristics in IMFIs	Empirical Findings from This Study	Implications for Employee Performance	Sharia Value Alignment
Organizational Communication Flow	Predominantly top-down with limited bottom-up channels	Hierarchical structure with strong managerial authority and centralized decision-making	Communication is mainly directive; employees receive instructions but have limited space for dialogic clarification	Reduces role clarity and proactive behavior; increases task dependency on supervisors	Partially aligned; weak implementation of <i>shura</i> (consultation) principles
Formal Communication Structure	Procedural and rule-based communication	Use of SOPs, internal memos, official meetings, and written directives	Formal communication ensures compliance but lacks interpretive guidance	Enhances procedural accuracy but limits adaptive and contextual performance	Supports <i>amanah</i> and accountability, but risks formalism
Interpersonal Communication Pattern	Relationship-oriented and informal	Strong reliance on interpersonal interaction among colleagues and supervisors	Informal discussions often resolve operational issues faster than formal channels	Improves trust, teamwork, and service quality	Strongly aligned with <i>ukhuwah</i> and <i>ihسان</i>
Digital Communication Pattern	Hybrid use of digital platforms	WhatsApp groups, internal messaging systems, basic MIS platforms	Digital communication accelerates information flow but lacks standard protocols	Mixed impact: efficiency improves, but message ambiguity and overload increase	Neutral; value alignment depends on leadership framing
Feedback and Evaluation Structure	Irregular and manager-centered	Feedback mainly delivered during	Limited continuous feedback; learning is	Weakens performance improvement and motivation	Inconsistent with <i>islah</i> (continuous improvement) values

Coordination Across Units	Fragmented horizontal communication	evaluations or problem escalation Departments operate semi-independently	reactive rather than developmental Cross-unit coordination relies on personal initiative rather than systems	Causes inefficiencies and duplication of work	Weak collective responsibility ( <i>jama'ah</i> )
Communication Climate	Moderately supportive but cautious	Respect-based culture with high power distance	Employees avoid upward communication to maintain harmony	Limits innovation and voice behavior	Misinterpretation of <i>adab</i> as silence
Leadership Communication Style	Instructional and moral-symbolic	Leaders frame messages using religious language	Symbolic communication motivates but lacks operational clarity	Moral commitment high; task performance varies	Strong normative legitimacy ( <i>akhlaq leadership</i> )
Sensemaking and Meaning Construction	Value-laden communication	Organizational messages embed Islamic terminology	Employees interpret values differently due to uneven understanding	Performance consistency varies across individuals	Requires shared <i>fiqh al-mu'amalat</i> literacy
Conflict and Problem Communication	Avoidant and informal resolution	Conflicts addressed privately, not institutionally	Problems resolved temporarily but recur structurally	Short-term harmony, long-term inefficiency	Partial alignment with <i>sulh</i> without institutionalization
Policy Communication	One-way dissemination	Policies communicated after decisions are finalized	Employees feel detached from policy ownership	Reduces commitment to implementation	Weak <i>masalah</i> participation
Ethical Communication Structure	Normative and principle-based	Emphasis on integrity and trustworthiness	Ethical discourse strong, but operational translation weak	Ethical awareness high; performance metrics unclear	Strong <i>amanah</i> and <i>taqwa</i> foundation
Crisis Communication	Ad hoc and leader-dependent	No standardized crisis communication framework	Employees rely on informal clarification during crises	Performance declines under uncertainty	Requires <i>hikmah</i> and clarity
Learning-Oriented Communication	Limited institutional learning	Training communication not systematically integrated	Knowledge transfer depends on individual initiative	Limits capability development	Weak <i>talim</i> institutionalization
Overall Communication Structure	Hybrid but unintegrated	Combination of formal, digital, and	Lack of integration	Performance uneven across units	Values present but structurally fragmented

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interpersonal channels	creates inconsistency
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Table 1 summarizes the dominant patterns and structural characteristics of internal communication in Islamic Microfinance Institutions (IMFIs), revealing a hybrid but largely unintegrated communication system. Internal communication is predominantly top-down, shaped by hierarchical structures and centralized decision-making, which limits dialogic interaction and weakens bottom-up voice. While formal communication mechanisms such as SOPs, official meetings, and written directives support procedural compliance and accountability, they often lack interpretive depth, thereby constraining adaptive and contextual employee performance. In contrast, interpersonal communication emerges as a highly effective channel for operational problem-solving, trust-building, and service quality enhancement, reflecting strong alignment with sharia values such as *ukhuwah* and *ihsan*. Digital communication accelerates information flow but suffers from weak governance, leading to message ambiguity and overload that produce mixed performance outcomes. The table further highlights that misalignments between communication structures and sharia value implementation generate performance risks across IMFIs. Irregular feedback systems, fragmented cross-unit coordination, and cautious communication climates limit learning, innovation, and collective responsibility (*jama'ah*). Leadership communication, while normatively strong through moral and religious symbolism, often lacks operational clarity, resulting in uneven task performance. Additionally, value-laden communication without shared interpretive frameworks produces inconsistencies in sensemaking and behavior. Conflict, policy, crisis, and learning-oriented communication remain largely informal and ad hoc, providing short-term harmony but undermining long-term efficiency and capability development. Overall, the findings indicate that although sharia values are strongly embedded at the normative level, their translation into integrated communication structures remains limited, leading to uneven employee performance across IMFIs.

### **Communication Media and Channels: IMFIs Formal, Digital, and Interpersonal**

The findings indicate that internal communication in Islamic Microfinance Institutions operates through a hybrid system of formal, digital, and interpersonal channels. Formal communication media include official meetings, written policies, standard operating procedures, and sharia compliance directives issued by management. These channels serve as the primary means of conveying authoritative decisions, organizational goals, and regulatory obligations. This finding is consistent with recent organizational studies emphasizing the continued relevance of formal communication structures in ensuring clarity, accountability, and institutional legitimacy (Johansson & Heide, 2024). However, the results reveal that formal communication alone is insufficient to support day-to-day operational effectiveness. Employees reported that formal messages often require further clarification through informal discussion, particularly when policies affect frontline service delivery. This reflects recent evidence suggesting that formal channels function optimally when complemented by interactive communication practices that allow interpretation and sensemaking among employees (Tourish, 2023; Welch, 2025).

Digital communication channels particularly instant messaging platforms such as WhatsApp and internal digital groups emerged as a dominant medium for rapid coordination in IMFIs. Participants highlighted that digital media enable timely information sharing, task coordination, and peer support, especially in geographically dispersed operational settings. This aligns with contemporary research showing that digital communication enhances organizational agility and responsiveness when embedded within shared norms and trust-based relationships (Leonardi, 2025). Nevertheless, the findings also indicate that excessive reliance on digital communication can generate ambiguity and information overload. Employees noted that messages delivered via digital platforms sometimes lack contextual nuance, increasing the risk of misinterpretation. Recent studies support this observation, arguing that digital communication effectiveness depends not on the technology itself, but on organizational norms governing message clarity, timing, and responsibility (Zhang & Agarwal, 2024; Kim & Rhee, 2026).

Interpersonal communication particularly face-to-face interaction was identified as the most trusted and meaningful communication channel within IMFIs. Participants emphasized that interpersonal communication facilitates emotional understanding, immediate feedback, and relational bonding. In the context of Islamic microfinance, interpersonal communication is also closely linked to the transmission of ethical values such as *amanah* (trustworthiness) and *ukhuwah* (brotherhood). This supports recent findings that interpersonal channels play a critical role in reinforcing trust and ethical alignment in value-based organizations (Ahmed & Rashid, 2025). The study further reveals that leaders play a central role in mediating communication channels. Effective leaders strategically combine formal announcements, digital follow-ups, and interpersonal dialogue to ensure message comprehension and acceptance. This integrative approach reflects emerging leadership communication models, which emphasize channel orchestration rather than channel dominance as a determinant of communication effectiveness (Park & Berger, 2023).

Importantly, the interaction between communication media and Islamic values distinguishes IMFIs from conventional financial institutions. Communication channels are not neutral tools but are embedded within normative expectations of consultation (*musyawarah*), ethical transparency, and collective responsibility. Recent qualitative studies in faith-based organizations confirm that value congruence enhances the credibility and acceptance of messages across all communication media (Pérez & Molleda, 2026). Overall, the findings suggest that communication media and channels in IMFIs function as an integrated communicative ecosystem, where formal, digital, and interpersonal channels are mutually reinforcing. Effectiveness is achieved not through the dominance of a single medium, but through alignment between media choice, relational trust, and Islamic ethical principles. This study extends existing communication theory by demonstrating that in IMFIs, communication channels are simultaneously operational, relational, and moral infrastructures shaping organizational performance and sustainability.

**Table 2 : Communication Media and Channels in Islamic Microfinance Institutions (IMFIs)**

Type of Communication Media	Main Channels Used in IMFIs	Functional Characteristics	Empirical Findings from This Study	Advantages for Employee Performance	Challenges and Limitations
Formal Communication Media	SOP documents, internal memos, official meetings, written policies	Structured, standardized, and compliance-oriented	Ensures procedural clarity but lacks contextual explanation	Improves accuracy, accountability, and role conformity	Rigid, slow feedback, limited employee voice
Strategic Meetings	Management briefings, coordination forums	Decision-focused and directive	Information flows one-way with minimal deliberation	Clarifies priorities and performance targets	Low dialogic engagement; passive participation
Digital Communication Media	WhatsApp groups, internal messaging apps, basic MIS platforms	Fast, flexible, and informal	Accelerates information dissemination but lacks governance	Enhances responsiveness and coordination	Message overload, ambiguity, uneven digital literacy
Digital Informal Channels	Group chats, broadcast messages	High-frequency, low-structure communication	Blurs boundaries between formal and informal messages	Speeds operational problem-solving	Inconsistent documentation and misinterpretation
Interpersonal Communication	Face-to-face discussions, mentoring, informal consultations	Relational, trust-based, and context-sensitive	Most effective channel for clarification and sensemaking	Strengthens trust, teamwork, and service quality	Highly dependent on individual relationships
Leader–Employee Interaction	Daily supervision, moral advice, informal guidance	Symbolic and value-laden communication	Leaders frame messages using Islamic terminology	Enhances moral commitment and loyalty	Operational ambiguity when values are not translated
Feedback Communication Media	Performance evaluations, ad hoc feedback	Irregular and manager-centered	Feedback often reactive rather than developmental	Can correct errors when timely	Weak learning orientation
Cross-Unit Communication Channels	Inter-departmental coordination meetings	Semi-formal and episodic	Coordination depends on personal initiative	Facilitates problem resolution	Lack of institutionalization
Crisis Communication Channels	Emergency meetings, informal clarification	Ad hoc and leader-dependent	Employees rely on interpersonal reassurance	Maintains short-term stability	No standardized protocol
Learning and Knowledge-Sharing Media	Training sessions, briefings, mentoring	Limited and non-systematic	Knowledge transfer uneven across employees	Improves performance for those involved	Limited organizational learning
Overall Media Integration	Mixed formal–digital–interpersonal	Fragmented communication ecosystem	Lack of integration causes inconsistency	Partial performance improvement	Reduces strategic coherence

Table 2 illustrates that communication media and channels in Islamic Microfinance Institutions (IMFIs) operate within a fragmented ecosystem combining formal, digital, and

interpersonal modes. Formal communication media such as SOPs, internal memos, official meetings, and written policies play a central role in ensuring procedural clarity, accountability, and role conformity. Strategic meetings further reinforce managerial priorities and performance targets; however, both channels are predominantly directive and one-way, offering limited deliberative space for employees. As a result, while formal media enhance accuracy and compliance, they often fail to provide contextual understanding, slow feedback cycles, and restrict employee voice, which constrains adaptive performance and organizational learning. Digital and interpersonal communication channels emerge as critical complements to formal media, though they introduce new challenges. Digital platforms particularly WhatsApp groups, internal messaging applications, and basic management information systems significantly accelerate information dissemination and operational responsiveness but lack standardized governance, leading to message overload, ambiguity, and uneven interpretation. Interpersonal communication, including face-to-face discussions, mentoring, and leader–employee interactions, is identified as the most effective medium for clarification, trust-building, and sensemaking, especially when leaders frame messages using Islamic values. However, the heavy reliance on personal relationships and informal practices creates dependency on individual actors rather than institutional systems. Overall, the absence of integrated communication governance across formal, digital, and interpersonal channels limits strategic coherence and results in only partial and uneven improvements in employee performance within IMFIs.

### **Internal Communication as a Factor Shaping IMFIs Employee Performance**

The findings of this study indicate that internal communication plays a decisive role in shaping employee performance within Islamic Microfinance Institutions (IMFIs). Employees consistently associated effective communication with clearer role understanding, stronger motivation, and greater accountability in daily operations. Communication was perceived not merely as an informational tool, but as a performance-enabling mechanism that structures how employees interpret tasks, priorities, and expectations. This supports recent organizational research emphasizing communication as a foundational driver of performance behavior rather than a peripheral managerial function (DeNisi & Murphy, 2023). One prominent theme emerging from the data is the role of communication in enhancing role clarity and task alignment. Employees reported that clear, consistent, and dialogic communication reduced ambiguity in operational responsibilities and minimized errors in service delivery. These findings align with contemporary studies showing that internal communication improves performance by reducing role conflict and cognitive overload, particularly in service-oriented and high-accountability organizations (Fernández-Souto et al., 2024).

Internal communication also influences employee performance through its impact on psychological and emotional engagement. Participants described feeling more committed and motivated when communication from leadership was transparent, respectful, and inclusive. Recent empirical research confirms that communication climates fostering openness and voice behavior enhance employee engagement, which in turn translates into higher discretionary effort and service

quality (Park & Berger, 2023; Bailey et al., 2024). In the specific context of IMFIs, performance is not solely measured by efficiency or output but also by compliance with sharia principles and ethical conduct. The study found that internal communication serves as a key mechanism for transmitting Islamic values such as *amanah* (trustworthiness), *mas'uliyah* (responsibility), and *musyawarah* (consultative decision-making). Employees who perceived strong value-based communication reported higher ethical awareness and more consistent adherence to sharia guidelines. This finding extends recent research highlighting the role of values-based communication in shaping ethical performance outcomes (Ahmed & Rashid, 2025).

The data further reveal that internal communication strengthens coordination and collective performance in IMFIs. Effective horizontal and interpersonal communication enabled employees to share information, solve problems collaboratively, and support one another in managing complex client needs. Recent studies confirm that collaborative communication practices enhance team-level performance by fostering shared understanding and mutual trust (Johansson & Heide, 2024; Kim & Rhee, 2026). Conversely, the findings also demonstrate that weaknesses in internal communication negatively affect employee performance. Participants identified issues such as inconsistent messaging, delayed feedback, and limited upward communication as sources of frustration and reduced motivation. These challenges echo recent organizational research indicating that communication breakdowns undermine performance by eroding trust and increasing disengagement (Tourish, 2023; Zhang & Agarwal, 2024).

Leadership communication emerged as a critical moderating factor in the communication–performance relationship. Employees emphasized that leaders who actively listen, provide constructive feedback, and communicate with ethical consistency are more effective in mobilizing performance. This supports recent leadership studies suggesting that performance outcomes are significantly shaped by leaders' ability to integrate strategic, relational, and ethical communication (Hassan, Ali, & Sulaiman, 2025). Overall, this study demonstrates that internal communication in IMFIs functions as a multidimensional performance infrastructure, shaping employee behavior at cognitive, emotional, social, and ethical levels. By linking communication effectiveness with both operational and sharia-based performance dimensions, this research extends existing performance theories into the context of Islamic microfinance. The findings underscore that strengthening internal communication is not merely an administrative improvement, but a strategic and moral imperative for enhancing employee performance and institutional sustainability in IMFIs.

**Table 3 : Internal Communication as a Factor Shaping Employee Performance in Islamic Microfinance Institutions (IMFIs)**

Internal Communication Dimension	Communication Characteristics in IMFIs	Key Empirical Findings from This Study	Performance Dimension Affected	Observed Impact on Employee Performance	Underlying Mechanism
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Message Clarity and Consistency	Messages framed formally and morally	Strategic and operational messages often lack technical clarity	Task performance	Inconsistent task execution and errors	Ambiguity in role interpretation
Communication Flow Direction	Dominantly top-down	Limited bottom-up dialogue	Contextual performance	Low initiative and reduced problem-solving	Restricted employee voice
Feedback Communication	Irregular and manager-centered	Feedback reactive rather than developmental	Learning performance	Slow skill development	Lack of continuous feedback loops
Interpersonal Communication Quality	Relationship-based and informal	Informal discussions more effective than formal channels	Team performance	Strong teamwork and trust	High relational trust
Digital Communication Effectiveness	High usage, low governance	Speed increases, clarity varies	Operational efficiency	Mixed productivity outcomes	Message overload and misinterpretation
Leadership Communication Style	Instructional and symbolic	Moral language dominates operational guidance	Ethical performance	High moral commitment, uneven task output	Symbolic leadership framing
Communication Climate	Respectful but cautious	Employees avoid upward communication	Innovative performance	Limited innovation and voice behavior	Psychological safety constraints
Cross-Unit Communication	Fragmented horizontal links	Coordination depends on individuals	Coordination performance	Inefficiencies across units	Lack of system integration
Sensemaking of Organizational Values	Value-laden communication	Varied interpretations of sharia messages	Behavioral consistency	Performance variability	Uneven cognitive alignment
Conflict Communication	Avoidant and informal	Conflicts resolved privately	Relational performance	Short-term harmony, long-term issues	Non-institutionalized resolution
Policy Communication	One-way dissemination	Employees detached from policy ownership	Compliance performance	Formal compliance without engagement	Lack of participatory framing
Learning-Oriented Communication	Limited institutionalization	Knowledge sharing inconsistent	Capability development	Uneven competence growth	Individual-dependent learning
Overall Communication Integration	Hybrid but fragmented	Channels not strategically aligned	Overall performance	Uneven performance across IMFIs	Structural disintegration

Table 3 demonstrates that internal communication functions as a critical determinant of employee performance in Islamic Microfinance Institutions (IMFIs) through multiple interconnected dimensions. The findings indicate that communication within IMFIs is

predominantly top-down, formal, and symbolically framed using moral and religious language. While such communication reinforces ethical commitment and organizational loyalty, it frequently lacks technical clarity and operational consistency. As a result, task performance is often uneven, with employees experiencing ambiguity in role interpretation and inconsistencies in task execution. Limited bottom-up communication and irregular, manager-centered feedback further constrain contextual and learning-oriented performance by restricting employee voice, initiative, and continuous skill development. Moreover, the extensive use of digital communication channels characterized by high speed but weak governance produces mixed effects on operational efficiency, as message overload and misinterpretation dilute performance gains. At the same time, Table 3 highlights the compensatory role of interpersonal communication in shaping employee performance in IMFIs. Relationship-based and trust-oriented interactions, particularly informal discussions and direct leader employee engagement, emerge as the most effective mechanisms for sensemaking, teamwork, and relational performance. However, this reliance on informal communication produces structural vulnerabilities, including fragmented cross-unit coordination, non-institutionalized conflict resolution, and uneven knowledge transfer. Variations in employees' interpretation of sharia-based organizational values further contribute to behavioral inconsistency and performance disparities. Overall, the findings suggest that while internal communication in IMFIs successfully embeds ethical and normative values, its fragmented and hybrid structure limits its capacity to systematically enhance employee performance. Strengthening communication integration, participatory feedback mechanisms, and operational translation of sharia values is therefore essential for achieving sustainable performance alignment within IMFIs.

### **Sharia Value Dimensions in IMFIs Internal Communication Practices**

The findings reveal that internal communication practices in Islamic Microfinance Institutions (IMFIs) are deeply embedded in sharia value dimensions, distinguishing them from communication systems in conventional financial organizations. Communication is perceived not merely as an operational tool, but as a moral and religious responsibility. Employees consistently framed communication effectiveness in terms of ethical consistency, sincerity, and accountability before God, reflecting the centrality of Islamic values in shaping organizational interaction. This supports recent literature emphasizing that value-based organizations institutionalize ethics through everyday communicative practices (Ahmed & Rashid, 2025). One prominent sharia value identified in communication practices is *amanah* (trustworthiness). Participants emphasized that transparent, honest, and consistent communication from leadership fosters trust and strengthens employees' sense of responsibility toward both the institution and its beneficiaries. Recent studies confirm that trust-oriented communication enhances employee commitment and ethical performance, particularly in organizations with strong moral identities (Hassan, Ali, & Sulaiman, 2025).

The principle of *musyawarah* (consultative decision-making) also emerged as a defining dimension of internal communication in IMFIs. Employees reported that deliberative meetings and open forums enabled them to express opinions, share field experiences, and participate in decision-

making processes. This participatory communication practice aligns with recent organizational research showing that inclusive dialogue improves performance and psychological empowerment, while also reinforcing perceptions of fairness and respect (Park & Berger, 2023; Johansson & Heide, 2024). Another significant value shaping communication practices is *ukhuwah* (brotherhood and solidarity). Interpersonal communication in IMFIs is characterized by relational warmth, mutual support, and collective responsibility. Employees described communication as a means of maintaining social cohesion rather than merely coordinating tasks. Recent qualitative studies suggest that such relationally oriented communication enhances teamwork, resilience, and shared accountability in value-driven organizations (Kim & Rhee, 2026).

The study further finds that sharia values influence message framing and language use within IMFIs. Leaders often employ moral narratives, religious terminology, and ethical reminders when communicating organizational goals and performance expectations. This practice reinforces the moral legitimacy of managerial decisions and enhances message acceptance. Contemporary communication research highlights that value-congruent framing increases message credibility and internalization, particularly in faith-based institutions (Pérez & Molleda, 2026). Importantly, the findings indicate that sharia-based communication practices shape employee performance beyond technical outcomes. Employees associate effective communication with ethical behavior, service sincerity, and social responsibility toward members and communities. This supports recent arguments that in Islamic financial institutions, performance is inseparable from moral conduct and social impact, requiring communication systems that integrate operational and ethical dimensions (Ahmed & Ali, 2025).

Nevertheless, the study also identifies tensions in operationalizing sharia values through communication. Differences in employees' religious understanding and leadership communication skills sometimes lead to inconsistent interpretations of sharia principles. Recent organizational studies caution that value-based communication requires continuous capacity building to prevent symbolic compliance and ensure genuine ethical alignment (Tourish, 2023; Zhang & Agarwal, 2024). Overall, the findings demonstrate that sharia value dimensions function as a normative communication framework shaping how messages are constructed, transmitted, and interpreted within IMFIs. Internal communication operates simultaneously as an operational, relational, and moral infrastructure that influences employee behavior and institutional legitimacy. This study extends organizational communication theory by illustrating how religious values are enacted through daily communication practices, offering a contextualized contribution to the literature on Islamic microfinance and value-based organizations.

**Table 4 : Sharia Value Dimensions in Internal Communication Practices of Islamic Microfinance Institutions (IMFIs)**

Sharia Value Dimension	Conceptual Meaning in Islamic Management	Internal Communication Practices in IMFIs	Empirical Findings from This Study	Implications for Employee Performance	Communication Risks When Misaligned
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Amanah (Trustworthiness)	Moral obligation to convey and execute responsibility faithfully	Formal instructions framed as trust-based duties	Employees show high compliance but seek clearer guidance	Enhances ethical performance and accountability	Formalism without understanding
Shura (Consultation)	Collective deliberation in decision-making	Limited participatory communication forums	Consultation symbolic rather than operational	Reduces initiative and ownership	Perceived exclusion from decisions
Adl (Justice)	Fairness in treatment and information access	Information dissemination unequal across units	Perceived information asymmetry	Low morale and trust erosion	Informational injustice
Ihsan (Excellence & Benevolence)	Performing beyond minimum obligation	Interpersonal guidance and mentoring	Informal support enhances service quality	Improves contextual and relational performance	Dependence on personal relations
Ukhuwah (Brotherhood)	Social solidarity and mutual respect	Informal and interpersonal communication dominant	Strong collegial ties compensate for weak systems	Team cohesion and cooperation	Avoidance of constructive conflict
Sidq (Truthfulness)	Honesty in message content and intent	Leaders communicate with moral symbolism	Ethical legitimacy high, operational clarity varies	Trust in leadership strong	Ambiguity due to symbolic language
Maslahah (Public Interest)	Organizational decisions aim at collective benefit	Policies communicated after decisions finalized	Employees feel detached from policy goals	Compliance without commitment	Weak policy ownership
Islah (Continuous Improvement)	Ongoing correction and development	Feedback given reactively	Learning slow and corrective	Limits skill development	Repetition of errors
Ta'lim (Knowledge Transmission)	Obligation to educate and enlighten	Training and briefing communication limited	Knowledge unevenly distributed	Unequal competence growth	Knowledge silos
Hikmah (Wisdom)	Context-sensitive and balanced communication	Leaders rely on situational judgment	Crisis handled informally	Short-term stability	Lack of standardized response
Sulh (Conflict Resolution)	Peaceful and just conflict settlement	Conflicts resolved privately	Harmony maintained, issues recur	Relational stability	Structural problems persist
Taqwa (God-consciousness)	Ethical self-regulation in actions	Moral reminders embedded in communication	High moral discipline among employees	Ethical consistency	Performance ambiguity

Overall Sharia Communication Integration	Alignment of values, systems, and behavior	Values embedded but not systematized	Strong normative legitimacy, weak structural clarity	Mixed performance outcomes	Symbolic compliance
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Table 4 illustrates how sharia value dimensions are substantively embedded within internal communication practices of Islamic Microfinance Institutions (IMFIs), yet remain unevenly institutionalized at the structural and operational levels. Core values such as *amanah*, *sidq*, and *taqwa* are strongly reflected in formal and symbolic communication, particularly through leaders' moral framing of instructions and ethical reminders. These practices cultivate high levels of compliance, ethical discipline, and trust in leadership, thereby strengthening ethical and accountability-oriented performance. However, the empirical findings reveal that moral symbolism often substitutes for technical and procedural clarity, resulting in ambiguity in task execution and performance outcomes. Similarly, while *ukhuwah* and *ihsan* are effectively realized through interpersonal and informal communication enhancing teamwork, relational cohesion, and service quality this reliance on personal relationships risks reinforcing informalism, conflict avoidance, and dependency on individual goodwill rather than institutional systems. Furthermore, values that require participatory, distributive, and developmental communication such as *shura*, *adl*, *masalahah*, *islah*, and *ta'lim* are only weakly operationalized within IMFIs' communication structures. Consultation tends to be symbolic rather than deliberative, information dissemination is perceived as unequal across organizational units, and feedback mechanisms are largely reactive. As a consequence, employees experience limited ownership of policies, uneven competence development, and slow organizational learning. Crisis and conflict communication, guided by *hikmah* and *sulh*, prioritizes short-term harmony and stability but lacks standardized frameworks, allowing structural problems to persist. Overall, the table indicates that internal communication in IMFIs achieves strong normative and moral legitimacy through sharia values, yet falls short in translating these values into integrated, participatory, and performance-oriented communication systems. This misalignment generates risks of symbolic compliance, informational injustice, and performance inconsistency, underscoring the need for systematic institutionalization of sharia values within formal communication governance.

### **Internal Communication Barriers and Their Impact on IMFIs Employee Performance**

The findings indicate that despite the strong normative foundation of internal communication in Islamic Microfinance Institutions (IMFIs), several structural and behavioral communication barriers persist and significantly affect employee performance. These barriers emerge from hierarchical rigidity, limited feedback mechanisms, and uneven communication competencies among managerial levels. Recent organizational studies emphasize that communication barriers are particularly critical in value-based institutions, as miscommunication may undermine both operational effectiveness and moral legitimacy (Tourish, 2023; Johansson & Heide, 2024). One major barrier identified is top-down communication dominance, where strategic

and operational decisions are communicated unilaterally without sufficient dialogic engagement. Employees reported limited opportunities to clarify instructions or express concerns, leading to ambiguity in task execution. Contemporary research confirms that excessive hierarchical communication reduces employee autonomy and weakens performance outcomes, especially in institutions that rely on collective accountability such as IMFIs (Men & Yue, 2022; Kim & Rhee, 2026).

Another significant barrier involves ineffective feedback loops. The absence of structured and continuous feedback mechanisms results in delayed problem identification and reduced learning opportunities. Employees indicated that performance evaluations were often procedural rather than communicative, limiting their developmental impact. Empirical studies highlight that feedback-oriented communication is a key determinant of employee engagement and adaptive performance, particularly in microfinance and service-based organizations (Agarwal & Farndale, 2023). Digital communication challenges also surfaced as a critical barrier. While IMFIs increasingly utilize digital platforms such as messaging applications and internal information systems, inconsistent digital literacy and unclear communication protocols hinder message clarity and responsiveness. Recent studies demonstrate that digital communication without governance structures may exacerbate information overload and misinterpretation, negatively affecting employee focus and productivity (Leonardi, 2023; Pérez & Molleda, 2026).

The findings further reveal interpretive gaps related to sharia values as a subtle but impactful communication barrier. Differences in employees' understanding of Islamic principles sometimes result in inconsistent interpretations of organizational messages framed in religious terminology. This aligns with recent literature suggesting that value-laden communication requires shared cognitive frameworks to avoid ambiguity and symbolic compliance (Zhang & Agarwal, 2024; Hassan et al., 2025). From a performance perspective, these communication barriers manifest in reduced coordination efficiency, weakened motivation, and variability in service quality. Employees experiencing unclear communication reported lower confidence in decision-making and a tendency toward risk avoidance. Contemporary performance research indicates that communication clarity directly influences task performance, ethical behavior, and service consistency in financial institutions (Ahmed & Rashid, 2025).

Importantly, the study finds that communication barriers also affect relational and psychological performance dimensions, such as trust, commitment, and organizational identification. Persistent miscommunication erodes perceptions of fairness and inclusivity, which are essential for sustaining performance in faith-based institutions. Recent qualitative studies confirm that unresolved communication barriers weaken social cohesion and long-term organizational resilience (Park & Berger, 2023; Kim & Rhee, 2026). Overall, the findings demonstrate that internal communication barriers in IMFIs function as performance risk factors, potentially diluting the ethical and social mission of the institution. Addressing these barriers requires a shift from transactional to dialogic communication models, supported by leadership communication training, feedback institutionalization, and shared understanding of sharia values. This study contributes to organizational communication theory by highlighting how

communication barriers in Islamic microfinance contexts have both operational and moral implications for employee performance.

**Table 5 : Internal Communication Barriers and Their Impact on Employee Performance in Islamic Microfinance Institutions (IMFIs)**

Type of Communication Barrier	Description of the Barrier	Empirical Evidence from This Study	Aspect of Employee Performance Affected	Observed Performance Impact	Underlying Organizational Cause
Hierarchical Communication Dominance	One-way, top-down communication flow	Employees receive directives without dialogic clarification	Task & contextual performance	Reduced initiative, delayed problem-solving	High power distance and centralized authority
Limited Bottom-Up Voice	Lack of structured employee feedback channels	Employees hesitant to express concerns	Innovative & adaptive performance	Low innovation and risk avoidance	Fear of disrupting harmony
Ineffective Feedback Mechanisms	Feedback delivered irregularly	Performance correction delayed	Learning & developmental performance	Slow skill improvement	Evaluation-focused management
Message Ambiguity	Overuse of symbolic and moral language	Employees interpret instructions differently	Task accuracy	Inconsistent service quality	Lack of operational translation
Digital Communication Overload	High frequency of informal digital messages	Important information overlooked	Operational efficiency	Reduced focus and productivity	Absence of digital governance
Unequal Information Access	Information concentrated at managerial level	Some units receive delayed updates	Coordination & fairness performance	Perceived injustice	Structural silos
Fragmented Cross-Unit Communication	Weak horizontal coordination	Coordination relies on personal initiative	Inter-unit performance	Duplication and inefficiency	Lack of integrative systems
Value Interpretation Gaps	Different understanding of sharia principles	Inconsistent application of values	Ethical & behavioral performance	Performance variability	Uneven sharia literacy
Conflict Avoidance Culture	Conflicts addressed informally	Issues resolved temporarily	Relational performance	Recurrent problems	Harmony-oriented culture
Leadership Communication Inconsistency	Leadership style varies by individual	Employees depend on leader personality	Performance stability	Uneven motivation and guidance	Lack of leadership standardization
Policy Communication Gaps	Policies communicated post-decision	Employees detached from policy goals	Compliance performance	Formal compliance only	Non-participatory policymaking
Crisis Communication Deficiency	No standardized crisis protocol	Employees rely on informal reassurance	Crisis performance	Confusion under uncertainty	Ad hoc decision-making

Limited Learning Communication	Knowledge sharing not systematized	Learning depends on individuals	Capability development	Unequal competence growth	Weak learning culture
Overall Structural Fragmentation	Channels not strategically integrated	Communication inconsistent across units	Overall employee performance	Uneven organizational outcomes	Hybrid but uncoordinated system

Table 5 systematically demonstrates that internal communication barriers in Islamic Microfinance Institutions (IMFIs) are predominantly structural and cultural in nature, with significant implications for multiple dimensions of employee performance. Hierarchical communication dominance and limited bottom-up voice emerge as central barriers, reflecting high power distance and centralized authority structures. Empirical evidence indicates that one-way, top-down communication restricts dialogic clarification, suppresses employee voice, and discourages initiative, thereby weakening task, contextual, and innovative performance. This condition is exacerbated by ineffective feedback mechanisms and evaluation-oriented management, where feedback is delivered irregularly and primarily for control rather than development. As a result, learning processes become reactive, skill development slows, and adaptive performance remains underdeveloped. Additionally, message ambiguity often caused by the overuse of symbolic and moral language without operational translation leads to varied interpretations of instructions, producing inconsistent service quality and task execution across units. Moreover, the table highlights how technological and coordination-related barriers further compound performance challenges in IMFIs. Digital communication overload, driven by the high frequency of informal messages and the absence of governance protocols, reduces employee focus and operational efficiency, as critical information is easily overlooked. Unequal access to information and fragmented cross-unit communication reinforce perceptions of informational injustice, duplication of work, and inter-unit inefficiencies, signaling weak integrative systems. Cultural factors such as conflict avoidance and value interpretation gaps also play a critical role; while harmony-oriented practices preserve short-term relational stability, unresolved issues tend to recur, undermining long-term performance sustainability. Leadership communication inconsistency and non-participatory policy communication further contribute to uneven motivation, formalistic compliance, and weak policy ownership. Overall, the findings reveal that internal communication barriers in IMFIs are not isolated technical problems but interconnected outcomes of hybrid yet uncoordinated communication systems. These barriers collectively generate uneven organizational outcomes, underscoring the urgent need for integrated communication governance that aligns structural mechanisms, leadership practices, and sharia-informed values with performance-oriented objectives.

## CONCLUSION

This study concludes that internal communication effectiveness plays a pivotal role in shaping employee performance within Islamic Microfinance Institutions (IMFIs), particularly Sharia Savings and Financing Cooperatives. Through a qualitative approach, the findings demonstrate that internal communication in IMFIs is not merely a managerial tool for information dissemination, but a relational and value-driven process that influences task execution, coordination, and ethical conduct. Effective communication fosters shared understanding of organizational goals and strengthens employees' alignment with the institution's socio-religious mission. The study further confirms that communication patterns, media, and structures within IMFIs are deeply intertwined with hierarchical arrangements and organizational culture. While formal and digital communication channels enhance efficiency and reach, interpersonal communication remains central to trust-building and meaning-making. However, communication barriers such as top-down dominance, weak feedback systems, digital misalignment, and interpretive gaps in sharia values significantly constrain employee performance, affecting both operational outcomes and psychological dimensions such as motivation, commitment, and organizational identification. From a theoretical perspective, this research contributes to organizational communication and Islamic management literature by contextualizing internal communication within value-based financial institutions. The findings extend classical and contemporary communication theories by demonstrating that in IMFIs, communication effectiveness operates through both instrumental and normative pathways. Internal communication simultaneously serves as a mechanism of performance management and as a medium for transmitting Islamic values, thereby shaping ethical behavior and service quality.

Practically, the study offers important implications for IMFIs management and policymakers. Strengthening dialogic communication, institutionalizing feedback mechanisms, improving digital communication governance, and enhancing shared understanding of sharia principles are essential strategies to improve employee performance. These findings support the need for communication capacity-building programs and leadership development initiatives that integrate professional communication skills with Islamic ethical frameworks. Despite its contributions, this study is limited by its qualitative scope and contextual focus, which may limit generalizability across diverse Islamic financial institutions. Future research is encouraged to adopt comparative, mixed-method, or longitudinal designs to examine internal communication dynamics across different IMFI models and national contexts. Such research would further enrich understanding of how communication effectiveness can sustain both performance excellence and ethical integrity in Islamic microfinance institutions.

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