

Analysing the Rural B40 Society in the Microcredit Programmes of Amanah Ikhtiar Malaysia (AIM)

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ABSTRACT

The term microcredit finance refers to the provision of access to various financial services such as credit, savings, micro insurance, remittances as well as leasing to the poor or the low-income households. The purpose is to allow them to grow and support their small-sized businesses and eventually increase their level of income and standard of living. This study is about the methods of developing a framework for rural community that is categorised as B40 society to elevate their household income from the perspective of AIM members or formally called Sahabat. AIM provides small scale financial services and trainings to the poor and hard core poor households to improve their socio-economic conditions. Thus, the objective of this study is to assess the economic level and needs of Sahabat of AIM who are categorized as B40 rural society and to propose a sustainable microcredit conceptual framework for them. One major finding is that, majority of the respondents has quite high range of monthly expenditure and their monthly income is insufficient to cover their expenses. Even though majority of the respondents used the loans for business purposes, but there are still some respondents who used the loans for purposes other than business such as for food supply, health as well as education purposes. While majority of the respondents had received trainings from AIM, they realized that the programme held were still inadequate and the diversity of programme and trainings should be increased in accordance with the challenges they are facing today.

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Contribution/Originality: This study originates new comprehensive and effective conceptual framework for microfinance institutions in poverty eradication which may help rural poor to improve their income level. The new conceptual framework has been

formulated as a recommendation and solution to resolve several of the problems that have been identified in this study.

1. Introduction

Achieving sustainable planning by a country is a challenge in environment, social and economic factors (Ibrahim, 2015). This research takes into consideration on the 8th Goal for Sustainable Development that is propagating by the United Nation, 2018 where it promotes to sustain, inclusive and sustainable economic growth, full and productive employment and decent work for all. Moreover, according to the World Bank Group, the global extreme poverty rose in the year 2020 for the first time in over 20 years as the disruption of the COVID-19 pandemic. It compounded the forces of conflict and climate change, which were already slowing poverty reduction progress especially at the rural area. About 120 million additional people are living in poverty as a result of the pandemic, with the total expected to rise to about 150 million by the end of 2021 (World Bank Group, 2020). In the year 2021, based on the record from Department of Statistics Malaysia, this country has a total population of approximately 32,775,782 people. This emphasizes that the Government of Malaysia has to create comprehensive economic system in order to ensure the lower income households, especially at the rural area gets the helps and attention needed. This can be achieved through a comprehensive formulation of national development plans and systematic financial scheme services. The Malaysian society are distributed into three (3) income groups with the classifications namely T20, M40 and B40 (Department of Statistics Malaysia, 2019). This classification is based on the income classification by household in Malaysia as recorded by Department of Statistics Malaysia. The term B40, M40, and T20, represent percentages of the country's population of bottom 40%, middle 40%, and top 20% respectively.

Based on the survey recorded by Department of Statistics Malaysia (2019), the highest income group of 20 per cent (T20) households in Malaysia refers to households with average monthly income of RM10, 960 and above. The 40 per cent middle-income household group (M40) refers to households with average monthly income ranging from RM4, 850 to RM10, 959. Meanwhile, the lowest 40 per cent household income group (B40) refers to households with average monthly income below than RM4, 850. The B40 household group also includes poor households with monthly income less than the poverty line (PGK) income. National PGK value is RM950 per month (Department of Statistics Malaysia, 2019).

Furthermore, uneven income distribution had been reported by Central Bank Malaysia, in 2016. It shows that number of households' monthly income lesser than RM 5,000 are double than the number of households with RM 10,000 of monthly income. Viewing into Malaysia perspective, the rural B40 income only at the range of RM 3,080 to RM 4,359. The B40 household group also includes poor households with monthly income less than the poverty line (PGK) income. National PGK value is RM 950 per month (Department of Statistics Malaysia, 2020). This resembles the uneven job creation and wages across different skill levels. Hence, it is believed that access to finance is significant in balancing the equality for income distribution, household income and employment of the poor.

In addition, the world has implemented group based microcredit system since 1983 through the establishment of Grameen Bank (Uddin, 2016). Through several previous studies, there are few researchers discussed the microcredit for the B40 household group

of people (Radieah, 2019; Rohaiza, 2019). There is researcher investigated the B40 SME among woman in urban area (Rohaiza, 2019). However, the amounts of earning by people staying at rural area are found the least in Malaysia become the greatest concern of the author.

Briefly, *Amanah Ikhtiar Malaysia* (AIM) is a private organization established in 17th September 1987 under the Trust (Incorporation) Act 1952 and had been amended in year 1981. The main objective of this organization is to reduce rural poverty by providing microcredit programme to the poor households by using conventional assessment approach. The microcredit borrowers that received credit from *Amanah Ikhtiar Malaysia* (AIM) was specifically called *Sahabat*. Microcredit has gained worldwide acceptance in recent years as a flexible mechanism to expand individuals', especially the poor's in access to financial services, which is considered as an efficient way to achieve poverty reduction and other social development.

Moreover, awareness and support for the sustainable development have seen a rapid increase over recent years. The sustained, inclusive and equitable economic growth in developing countries such as Malaysia is become a key requirement for eradicating poverty or hunger within the society.

Therefore, the first 2030 Agenda for Sustainable Development Goal highlighted on ending the poverty in all its forms around the world (United Nations, 2020). These can be achieved through ensuring the poor households to gain equal rights in financial services and economic growth. Sustainable Development Agenda also targeting in propagating growth and formalization of small medium enterprise (SME) to financial assistance and expanding the financial services equally for all. This can be done by strengthening the function and capacity of financial institutions such as *Amanah Ikhtiar Malaysia* (AIM) itself.

2. Reviews of Related Research

Some of the literature reviews related to the research topic is being discussed. The literature review basically will be divided into several key topics and sections in order to set the basis of the research. The literature review discusses on the Sustainable Development Goals (SDGs) that is related to the poverty eradication in the world as well as throughout Malaysia. The concept of Sustainable Goals (SDGs) in Malaysia had been discussed comprehensively as one of the tools to decrease the level of poverty together with the explanation of Twelfth Malaysian Plan (12th MP) and the role of civil society in poverty eradication in Malaysia.

Besides, the income classification and income grossed by households in Malaysia are also discussed where the emphasis is more on the B40 groups residing in the rural areas. A few concepts, roles and history of microfinance and its products in Malaysia are also discoursed in this chapter. The chapter moves on by presenting the literature review on the background and history of the largest microcredit finance in Malaysia, that is, *Amanah Ikhtiar Malaysia* (AIM), its functions as well as a detailed explanation of its microcredit scheme. The last section of this chapter explains the challenges of microcredit programme in Malaysia, summarized from the previous studies done by different authors and researchers in order to extend the understanding of the topic. Moreover, the literature review is based on related secondary sources, mainly books, documents, journals, conference papers as well as articles.

2.1. Sustainable Development Goals (SDGs): An Overview (Goal 1) End Poverty in All Its Forms Everywhere

The General Assembly which convened in September 2015 in New York City had adopted the 2030 Agenda for Sustainable Development that includes seventeen (17) Sustainable Development Goals (SDGs). This agenda had emphasized on the principle of “leaving no one behind” where it was a holistic approach to achieve sustainable development for all countries to mobilize their efforts to end all forms of poverty, fight inequalities while ensuring the comprehensive approach in reducing the gap between the rich and the poor. This can be accomplished by bringing together their respective governments, businesses, media, financial institutions as well as local NGOs to improve the lives of the people in all countries by 2030. This agenda recognized that ending poverty must be in line with strategies that build economic growth and address a range of social needs such as education, health, social protection and job opportunities.

Furthermore, the 2030 Agenda acknowledges that eradicating poverty in all its forms and dimensions, including extreme poverty is the greatest global challenge and an indispensable requirement for sustainable development. The first Sustainable Development Goal aims to end poverty in all its forms everywhere and this can be achieved through emphasizing the need to accord the highest priority to poverty eradication within this agenda is by addressing the root causes and challenges of poverty through integrated, coordinated and coherent strategies at all levels.

The Sustainable Development Goals agenda recognized that eradicating poverty in all its forms and dimensions including extreme poverty is the greatest global challenge and crucial requirement to achieve sustainable development holistically. This agenda is determined to end poverty and hunger and to ensure that the public can fulfil their potentials in dignity and equality and in a healthy environment. However, realizing gender equality and the empowerment of women will make a crucial contribution to progress across all the goals and targets of this agenda. Women must experience equal access to quality education, economic resources and political participation as well as equal opportunities at all levels. The systematic mainstreaming of a gender perspective in the implementation of this agenda is crucial and needs high consideration.

2.2. Twelfth (12th) Malaysia Plan (2021-2025): To Eradicate Hardcore Poverty and Narrow Household Inequality

The Twelfth Malaysia Plan (12MP) is a document that serves as a reference for the medium-term development plan for the period of 2021 to 2025. It focuses on reviving the Malaysian economy and improving the well-being and prosperity of the people. The development will be in line with the Malaysian government’s goal to achieve “Shared Prosperity Vision 2030” for Malaysia. The main objective of Malaysia is to become a nation that is able to achieve sustainable growth through equal and fair distribution among all income levels, ethnicities, regions as well as supply chains. The country aspires to achieve a better standard of living for the people nationwide.

The 12MP introduces reforms that aim to achieve prosperous, inclusive and sustainable development throughout Malaysia. One of the major improvements includes measures to eradicate hardcore poverty and narrow household inequality among Malaysians. Poverty and inequality have been the extended issues in Malaysia. These issues have further

worsened as more than half a million or 580,000 households from the M40 category slipped into the B40 category due to the outbreak of COVID-19 pandemic.

Theme 2 of the 12 MP outlines four game changers, and one them is transforming the approach in eradicating hardcore poverty in Malaysia. Addressing poverty holistically and uplifting the standard of living of the people is one of the game changers in strengthening inclusivity and uplifting the livelihood. This will be focused on the hardcore poor, B40 as well as vulnerable groups. It will reduce the income disparities and uplift the standard of living of households in the different income segments and ethnic groups. Meanwhile, the potential of less developed states will be optimised. Economic activities will be intensified. The infrastructure and connectivity will be enhanced. In this regard, the rural-urban income ratio will be improved, while GDP per capita, average GDP growth and median monthly household income of the less developed states are targeted to increase further.

2.3. Challenges of Microcredit Programme in Malaysia

Despite the various achievements of microcredit institutions in Malaysia in empowering the poor, there are still several issues and challenges in providing financial access especially to the poor. These issues and challenges can be categorized into operational, product, and governance aspects (Salina, 2017). Identification of these challenges are important in efforts to institute suitable measures and undertake strategies to address the challenges for future development of the microcredit scheme in Malaysia. Based on the study done by Salina (2017) and Suraya (2019), there are a few challenges of microcredit schemes in Malaysia.

It is very challenging to the microcredit providers in Malaysia to reach and attract the poor by giving them microcredit loans in order to operate a business. According to the study done by Suraya (2019), lack of confidence amongst the poor discouraged them from borrowing. The other factor is their high credit risk that excluded them from the programme. The usual question arises, do the poor have the capability to conduct a business while at the same time struggling with the issues to survive? The poor is a group of people who lack necessities in their daily living such as food, clothing, shelter and also education. Without basic education and business exposures, this group of people certainly do not have the skills and knowledge needed to operate a business. Microfinance institutions need to equip the poor with the basic necessities and certain knowledge before granting them microcredit loans.

A study survey was done by Suraya (2019), involving 100 borrowers from AIM and YUM, to investigate the reasons for the lack of business knowledge and skills among most microfinance borrowers. The study clearly found that most of the microcredit borrowers do not have any technical skills that is related to their business. With this limited knowledge and exposure, they lack the understanding of the importance of continuous business improvement. The results supported a study by Mokhtar (2011). Therefore, knowledge in business management and related technical skills have to be made available to all microfinance borrowers. The microfinance institutions should have different sets of training modules specifically catered to the new borrowers and repeat borrowers. Hence, it is suggested that microfinance institutions in Malaysia have their own education and training trainers. It is also suggested that coaching system or mentor-mentee programme be introduced to the borrowers. This is due to the fact that the borrowers need continuous guidance and support in order to succeed.

A major issue facing the microcredit institutions is human capital performance which can be looked in several ways (Salina, 2017). Firstly, the staff lack the motivation and commitments to develop microfinance products and services. Secondly, the lack of understanding economic principles worsens the problem of lack of capability of the human capital. In addition, there is insufficient human resources with good managerial skills to manage the performance of the institutions. Moreover, many officers and employees of the microcredit institutions have low financial literacy. This area needs to be improved as it will give impact on the perception of the community towards the image of the institutions.

The microfinance providers face the issue of high operating costs to maintain financial sustainability. Delegated with the task of alleviating poverty in Malaysia, most of the microcredit institutions receive strong financial and non-financial support from the Malaysian Government. Financial support comes in the form of interest-free government financing, grants and soft loans through allocations made under the various Malaysian Plans. Most of the microcredit institutions experience high transaction costs due to asymmetric information problems. These costs relate to monitoring and searching costs as well as the cost of administration, which are all directly associated with the information problems in the rural financial markets. Therefore, despite the various success stories of microcredit institutions in Malaysia, there are shortfalls as well. Most of these institutions have almost similar issues. Most of the issues stemmed from the attitude of the members as well as the staff of the institutions themselves. Therefore, the support from both the government and human capital play a vital role in ensuring the success of the offered financial scheme.

3. Methodology

This research paper is concerned with the integration of quantitative and qualitative data as one of the techniques used in the research methodology. Alreck and Settle (1985) in their book explain the significance of using mixed methods for the research. The use of mixed methods research provides a number of advantages. It expands the research in a way that a single approach cannot do and provides more comprehensive and complete understanding of the research problems than either quantitative or qualitative approaches alone. Mixed methods research may also advance the timeline by offering more data for future discussions and research.

Moreover, a mixed methods design gives wider perspective on the overall issue regarding the study. A researcher can use the strengths of an additional method to overcome the weaknesses in another method by using both methods in a research study. By using both types of research, the strength of each approach can make up the weaknesses of each other and produce better outcome for the analysis.

For the purpose of this study, the researcher integrated quantitative and qualitative methods approach by using questionnaire survey, interviews, observations as well as case study to investigate the impact of the microcredit scheme programmes offered by *Amanah Ikhtiar Malaysia* (AIM) to their beneficiaries under the category of rural B40 household income group. Besides, the researcher also compiled the relevant literatures as secondary data, such as interviews, previous researches, books, journals, internet as well as surveys carried out for other investigations to support the data obtained from the primary data collection methods. When needed, the researcher will conduct informal interview which aims to find out how the *Sahabat* think and react to all issues so that the ultimate survey

questionnaire can be framed along the lines of thought that will be most natural to them. At this point, the *Sahabat* were encouraged to talk freely about the subject, but were kept to the point on issues of interest to the researcher.

Therefore, there are two types of data collected at the stage of data collection which consists of primary and secondary data. The primary data was obtained from the selected respondents who are *Sahabat* of *Amanah Ikhtiar Malaysia* (AIM) via conducting a few methods such as interviews, questionnaire survey, observation as well as discussion. The researcher also had informal interview and discussion with AIM staff to obtain any related information as well as to find out more about the activities of the programmes offered by AIM to the *Sahabat*. For secondary data, literature review methods were used to obtain the qualitative information. Therefore, the methods of data collection and techniques used in this research are literature review, questionnaire survey, interview as well as observation.

Basically, the literature review of this research discussed on the Malaysian microfinance system in general and emphasized on the roles, background, the functions and the effectiveness of the main microfinance institution in Malaysia, that is *Amanah Ikhtiar Malaysia* (AIM) in achieving their mission and objectives. This chapter also explained the advantages of microcredit system in improving social and economic welfares especially to poor household groups due to the lack of capital problem and various factors. Moreover, the selected respondents for this research are the beneficiaries of AIM itself and the literature review also explained comprehensively about their roles and responsibilities as *Sahabat*. The study on the meaning and concept of microcredit system and their roles in promoting poverty eradication has been highlighted as it has a strong relationship with the successful implementation of the effective microcredit scheme in Malaysia.

This research uses cross sectional design with stratified random sampling method to achieve the study objectives. The design of the questionnaires is based on similar studies being conducted elsewhere. The samples are chosen among the rural B40 household income group. For the purpose of this research, a set of questionnaire was designed to understand the respondents' background such as their age groups, marital status, number of family members, business background and their education level. Besides, the questionnaire was designed to obtain information on the respondents' background, their understanding and awareness of the microcredit scheme that they participated in as well as their involvement in AIM's development programmes offered to them. Besides, the questionnaire was prepared to obtain raw and latest data from the *Sahabat* pertaining to their monthly cash flow, profits and expenses.

Generally, the targeted respondents selected for this study are the *Sahabat* of *Amanah Ikhtiar Malaysia* (AIM). A total of 500 sets of questionnaire survey forms were distributed to the respondents. By the end of July 2021, a total 450 survey forms were gathered. After the data cleaning, the 450 sets of survey forms were considered completed. Hence, a total of 450 completed survey forms were selected from the total number of 500 questionnaire survey forms distributed. With this sampling method, it will be able to obtain reliable information and better understanding of the research topic. The total of 450 respondents to represent the whole population of *Sahabat* was considered acceptable in this research as proven by using [Yamane \(1967\)](#) sampling method.

Initially, when the questionnaire design was completed, pilot testing was carried out and involved fifty (50) respondents, randomly selected among the registered members of AIM. The test was conducted to check whether there will be any difficulty in understanding the questionnaire and in answering the questions unaided. Pilot testing gives the opportunity to ensure that appropriate questions are being asked, the right data will be collected, and the data collection methods will work. Basically, conducting the pilot test will help the researcher to identify the limitations of their study. Thus, some of the questions were revised based on the pilot survey, but no additional pilot surveys were conducted due to time constraints.

Basically, the face to face interviews have been done with *Sahabat* to find out more on their business activities and their concern and understanding of the microcredit schemes offered by *Amanah Ikhtiar Malaysia* (AIM). Besides, the researcher also had interviews with AIM staff who are responsible for the management of their registered members. Since interview is a far more personal form of research than questionnaires, it allowed respondents to relate a situation from their own perspective and in their own words.

At the early phase of this study, the researcher focused on understanding the context of the study on the methods of developing a framework for the rural community that is categorised as B40 society in elevating their household income from the perspective of *Amanah Ikhtiar Malaysia* (AIM) members, called *Sahabat*. The researcher had included interviews with the *Sahabat* as respondents as well as with the AIM staff who are responsible for managing any matters pertaining to the borrowers. Observation is also included in this study to investigate the roles and commitment of the *Sahabat* in any development programmes offered by AIM to throw light on the financial schemes related to the *Sahabat*. Focus groups with *Sahabat* as well as the AIM staff were then completed in order to share personal experiences of the financial scheme services provided.

Basically, this part will be elaborated in detail based on the sections available in the questionnaire survey form. The questionnaire survey form for this study is divided into 3 sections, that is, Section 1: Respondent's background; Section 2: Socio – economic information; and Section 3: Respondents' experience on microcredit scheme and training offered by *Amanah Ikhtiar Malaysia* (AIM). The total number of respondents for this survey was 450 people, selected among the b40 group of *sahabat* of aim residing in the rural areas.

3.1. Respondent's Background

This section provides information on the socio-economic characteristics of the selected respondents to achieve the objectives of the study. Basically, this section includes information such as age, race, marital status, occupational sector, household size, educational background as well as the number of years as AIM member. The respondents were selected based on several criteria such as, i) Member/*Sahabat* of AIM, ii) B40 income group iii) Staying in rural areas. These data allow the researcher to carry out analyses more effectively in terms of the relationship between the respondents' background and their understanding of the actual role of *Amanah Ikhtiar Malaysia* (AIM) and microcredit scheme in elevating their household income.

From the analysis formulated in Section 1 of the questionnaire, 100 percent of the respondents or 450 respondents involved in this research are *Sahabat* or members of *Amanah Ikhtiar Malaysia* (AIM). They are recipients of microcredit scheme or financial

loans and had benefitted from the continuous trainings and social support from AIM to develop and expand their business activities. *Sahabat* of AIM are basically categorized as poor or low income households, and for this study, the researcher has selected respondents under the B40 income groups residing in rural areas.

All respondents involved in this survey are women ranging from 41 to 50 years old, and the majority are Malays. This survey was conducted not only in Peninsular Malaysia, but it also involved both Sabah and Sarawak. In order to obtain good and reliable data from the respondents, this survey was assisted by a few appointed AIM staff as they know their members well. All members of AIM are entrepreneurs. However, there are some who are employed in the private and government sectors. For this study, majority of the respondents are business owners or self-employed.

More than 50 percent of the respondents belong to the medium household size of four to six family members. For educational background, the survey revealed that only 58 respondents or 12.9 percent of the respondents had pursued tertiary education (Diploma, Bachelor Degree and Master's Degree). Majority of the respondents or 87 percent are STPM holders and below. As mentioned earlier, AIM has more than 340,000 members and most of them will continue to apply for loans from this institution. According to the survey, majority of the respondents have been members of AIM for six to fifteen years. Based on the interview conducted at the field study, the *Sahabat* themselves will introduce and promote AIM services to their family members and relatives as they need to form a self-help group that consists of five members. This has become the mandatory requirement to qualify them to become part of AIM family.

3.2. Economic Information

The following analysis involves questions related to the respondents' socio-economic information. The questions focussed on the information regarding the income level of the *Sahabat* such as their household income and monthly income. Besides, the researcher also touches on the respondents' expenditure pattern and properties or facilities owned. This includes information regarding their housing status, the housing material, the type and number of vehicle owned, monthly savings, monthly expenditure as well as their working tools / equipment and labour force (if any). Basically, all questions included in this section are in regard to the respondents' income level and the changing patterns in the respondents' expenditure over times.

The result of the survey for the monthly income of the respondents shows that it qualifies for the targeted group of this study where they must be among the B40 household category. The highest percentage of respondents (24.9 percent) (112 respondents) earned a monthly income of RM2,001 to RM2,500 while on the other hand, the lowest percentage of respondents (2.9 percent) (13 respondents) collected a monthly income of less than RM500. This shows that there is still a few number of members who still need special attention and guidance from AIM. Meanwhile, apart from the analysis of the respondents' monthly income, the researcher also took into considerations their monthly household income in order to ascertain their income level. The B40 income classification in Malaysia is divided into four categories, namely B1, B2, B3 and B4. Each category has its own income range as defined by the Department of Statistics Malaysia (DOSM). Basically, the monthly household income for the respondents in this survey are less than RM4,850. The highest percentage of respondents (41.6 percent) (187 respondents) earned a monthly household income in the range of RM3,170 to RM3,969 while on the

other hand, the lowest percentage of respondents (6.4 percent) (29 respondents) took home a monthly household income of RM2,500 and below.

With regard to their monthly expenditure, 134 respondents spent RM2,000 and above and 109 respondents spent RM1,501 to RM1,999. Meanwhile, the analysis indicates that 207 respondents spent RM1,500 and below. This result shows that majority of the respondents incurred high spending compared to their monthly household income. In terms of the respondents' adequacy of monthly income, 218 respondents (48.4 percent) find that their monthly income is adequate to cater to their monthly expenditure. However, quite a high number of the respondents (206 respondents) claimed that their monthly income is less adequate and not adequate to cover their monthly expenditure. Generally, the loan is made by the respondents with the intention of promoting and developing their own business. However, the result of the analysis also shows that some of the respondents/recipients have used the loan money for other purposes such as for food supply, health, education and others. Anyway, such incidence is low and is noted in only 93 respondents (20.7 percent) while the remaining 357 respondents (79.3 percent) had used the loan money appropriately for business development.

The researcher also analyzed the assets of the respondents such as their housing status and material, the types of vehicles they owned. This is to enable the researcher to assess and understand the economic level and needs of the respondents. For this study, majority of the respondents live in their own houses (59.6%), but there is still a substantial number of 167 respondents living in rented dwellings (37.1 percent). As for the analysis of the housing material of the houses the respondents live in, the result showed that there is no significant difference in the number of respondents for the three types of housing materials, namely timber, concrete and a combination of timber and concrete. There are 169 respondents (37.6 percent) dwelling in concrete houses, 142 respondents (31.6 percent) in houses made of a combination of timber and concrete, while the remaining 139 respondents (30.9 percent) in timber houses. The survey found that 172 respondents (38.3 percent) owned more than one type of vehicles and 20 respondents (4.4 percent) have been identified with no vehicle at all.

Obviously it is essential for entrepreneurs to have their own working tools in order to ensure that their business runs smoothly and achieves the objectives. Based on the survey, all 450 respondents responded that they used working tools or equipment to run their business. However, only 290 respondents (64.4 percent) owned their working tools or equipment, while the remaining 160 respondents (35.6 percent) rent or borrow the tools and equipment from others. Additionally, only 85 respondents (18.9 percent) have their own labor force and the remaining 365 respondents (81.1 percent) work on their own without any employees involved. Out of the 85 respondents, majority of them (73 respondents) indicated that they have 0 to 3 employees. In terms of monthly savings, the survey revealed that 365 respondents (81.1 percent) do save and most of them (86.3 percent) prefer banks as their saving facilities. Some of them choose to keep their savings at the post office and other alternatives such as *Amanah Saham Bumiputera* (ASB), traditional *kootu* funds as well as gold savings. However, there are still some AIM members who are unable to save monthly due to certain factors.

3.3. Respondents' Experience on Microcredit Scheme and Training Offered by Amanah Ikhtiar Malaysia (AIM)

Section 3 of the questionnaire emphasized on the respondents' experience on microcredit scheme and trainings offered by *Amanah Ikhtiar Malaysia* (AIM). Based on the analysis, a high number of the respondents in this survey are involved in the production of local food, beverages as well as handicrafts. There are some who are involved in business services as well as in the agricultural sector. 391 of the total respondents admitted that the microcredit scheme programmes really helped them in improving their business. Thus, the analysis shows that majority of the respondents agreed that loans offered by AIM is 'very helpful' and 'helpful' in improving their business. In relation to having a deep understanding of the rules and conditions of the microcredit scheme offered by AIM, 374 respondents confirmed that they do have a deep understanding as compared to 65 respondents who responded that they do not. Out of the total 450 respondents, 397 said that the loan by AIM is not burdening and only 48 claimed that it was burdening them.

On the topic of best experience in repaying the loan, most of them were of the view that the loan made was within their capacity to pay back. However, quite a number of them find that the loan is easy to pay but not enough to meet the needs of their business. In terms of their difficulty to repay the loans, 51.3 percent of the respondents informed that the reason being they have to spend some of the loan money for food or other items for their household needs. Besides, 120 respondents said that they also used the loan money to pay for other loans. On the one thing that the respondents like the most about the microcredit programme offered by AIM, the result shows that the highest percentage of respondents (28.2 percent) chose the not burdensome loan and repayment rules. Next comes the steady source of working capital, followed by the lower interest rate as compared to other sources of credit.

The analysis shows that 245 respondents do not have any problems with the microcredit programme policies or procedures offered by AIM. However, 205 respondents or 45.6 percent of them responded otherwise. Thus, the 205 respondents need to respond to the next question, that is, to state the most problem faced. The result shows that the highest percentage of respondents (42.9 percent) indicated that the loan offered to them is too small or inadequate and 33.2 percent claimed that the loan repayment period is too short. On the other hand, 376 respondents agreed that they are satisfied with the microcredit scheme offered by AIM. Thus, the high percentage of satisfaction among the respondents led to 333 of them choosing or deciding to re-join the microcredit programme in the future. Another 115 respondents are still considering and will probably do so.

On the question of training from AIM, 319 respondents responded that they have received training from AIM, while another 131 respondents have not received any training. The result shows that quite a number of them have never been in any business development trainings with AIM. Meanwhile, the 319 respondents that have received training from AIM need to answer the next five questions (Question 12.1 to Question 12.5).

Out of the 319 respondents who answered 'yes' in question number 12 of section 3, most of them agreed and strongly agreed that they consistently received related information on programmes or training organized by AIM. Meanwhile, 288 of the respondents agreed that the training or programmes are 'very helpful' and 'helpful' for the development of their business. Apart from that, the respondents agreed that the AIM staff assisted them to understand and participate in the programmes offered. In terms of the respondents' satisfaction in the programme or training offered, majority of them feel 'strongly satisfied' and 'satisfied', while 11 respondents were dissatisfied. In terms of sufficiency of programme or training, 186 respondents indicated that the programme or trainings

offered by AIM are sufficient, but quite a number (124 respondents) claimed that it is still not sufficient.

As mentioned earlier, AIM needs their members to form a group of five members to meet one of the requirements to become AIM member. This is based on several factors that have been identified by AIM regarding the benefits that the members will gain by forming such a group. Based on the results, majority of the respondents (382 respondents) responded as 'strongly benefited' and 'benefited', which means that they totally agree they had benefited from being a group member. However, 61 respondents claimed that they did not get any benefits. For the 382 respondents who answered 'strongly benefited' and 'benefited', they need to respond to the next question (Question 14.1). To answer that question, respondents need to choose the specific way in which being in a group helped them. Most of the respondents stated that they get advice and support when needed, and they obtained business ideas and contacts from their group members. The respondents were also asked the specific ways in which being in a group was a problem to them. Most of them answered that they are not willing to pay for the defaulters and they are unable to attend all the group meetings held every week.

4. Result

Based on the data analysis process, a few findings have been identified and highlighted. The first section of this chapter summarizes the findings and implications based on the two main research objectives and questions for this research in the form of key findings. The key findings that were extracted are listed as below:

4.1. Inadequate Income among the Members of *Amanah Ikhtiar Malaysia* (AIM)

According to the Department of Statistics Malaysia, the country revised the national poverty line income from RM 980 to RM2,208. This explains that over 400,000 households in the country with monthly incomes below this level were considered poor. Based on the analysis in Chapter 4, 123 of the total respondents or 27.3 percent of them earned RM1,500 and below for their monthly income. This is not in line with the recommendation by the Malaysian Government pertaining to the amendment of the minimum wages order to RM1,500 per month. The analysis also shows that there are still a number of AIM members who have very low household income which is below RM2,500 per month. With regard to the expenditure of the *Sahabat*, the results indicated that majority of them has quite high range of monthly expenditure where more than half of them spent about RM1,500 and above.

Meanwhile, from the pattern of the analysis on respondents' monthly income and their monthly expenses, it is clear that their monthly income is not sufficient to cover their monthly expenses. When asked about the respondents' adequacy of monthly income, 206 respondents (45.8 %) claimed that their monthly income is insufficient to cater to their needs due to the increase in the cost of living. The challenges of the increasing cost of living nowadays reflects wider impacts on household budgets and individual well-being as well. This is hardly enough for a family to fulfil their basic needs, what more saving. The results of the study also found that there are among the AIM members who cannot afford any financial savings for emergency use and some of them are struggling with money issues.

4.2. Inability of the *Sahabat* to use the Loan Effectively

The main reason for *Sahabat* agreeing to accept a microcredit facility from AIM is to start, develop or expand their small business to a higher business level. This to help them improve their quality of life and elevate their household income to cater to their needs in this challenging phase. Basically, microcredit loan from AIM is not allowed for personal use. The funds are to be used for business purposes such as to start new business, paying for business expenses as well as expanding existing business. The business loan cannot be used for personal use, especially to pay down other personal debt, education purposes, health purposes, pay off personal bills or for some food supply. If it is used for purposes other than business development, it will not be able to meet the objective of AIM itself which intends to help its members to further improve their business.

Meanwhile, the researcher found that majority of the respondents used the loan for business purposes. However, there are still some respondents who used the loans for other uses besides business purposes. They used the loan for food supply, health as well as education purposes. When enquired about their loan repayment difficulties, majority of the respondents stated that they had used some of the loan for food, or other items for the household. Besides, some of them used the money to pay for other loans.

4.3. Problems Encountered Regarding Microcredit Scheme Offered by *Amanah Ikhtiar Malaysia (AIM)*

Choosing an appropriate microcredit scheme is important for a borrower to ensure that the business objectives that have been framed are addressed. For that purpose, it is essential for them to understand the microcredit scheme that has been offered in order to avoid any problems in the future. Despite the various achievements of AIM in empowering the poor, there are issues and challenges that they face in providing financial access to the poor. Identification of these challenges are important in efforts to institute suitable measures and undertake strategies to address the challenges for future development of the microcredit scheme offered by them.

Although the majority of the respondents has confirmed that they have a deep understanding of the rules and conditions of the microcredit scheme offered by AIM, there are still a number of the respondents who claimed that they still do not understand pertaining to the loan scheme offered to them. In terms of their understanding of the loan scheme offered to them, the results showed that 65 respondents answered 'no' while 11 respondents answered 'not sure'. Meanwhile, the study showed that 205 respondents indicated that they have problems with the microcredit programme policies or procedures offered by AIM. Most of them claimed that the loan amount offered to them is too small or inadequate to cater to the needs of their business. Besides, they have a problem with the loan repayment period and loan schedule which is considered too short for them. Nevertheless, majority of them are satisfied with the microcredit scheme offered by AIM and decided to re-join the loan scheme again in the future.

4.4. Insufficient Training and Courses from *Amanah Ikhtiar Malaysia (AIM)* among *Sahabat*

Amanah Ikhtiar Malaysia (AIM) provides training and courses to its participants to help them grow their business and entrepreneurship skill. Basically, the training programme organized by AIM are handled by two units, that is, Entrepreneurship Development Unit

(EDU) and Training Centre Department. For example, AIM has organized a programme called “*Programme Pembangunan Sahabat*” or Members Development Programme where the participants are exposed to various aspects of self-development. The results of the survey conducted in this study showed that majority of the respondents have received training or courses organized by AIM, and 91.5 percent of them are satisfied with the programme.

Although the majority of the respondents had received training from AIM, they realized that the programme held were still inadequate and the diversity of programme and trainings should be increased in accordance with the challenges they face nowadays. Even though AIM members are satisfied with the courses offered by AIM so far, when asked whether they would like to receive more trainings especially on financial management, members who are involved in the survey overwhelmingly responded that they would like to receive more trainings. Moreover, the study showed that a large number of respondents had never received training from AIM. While majority of the respondents claimed that they consistently received information regarding the programme, 131 respondents responded that they had never participated in any development programme offered by AIM.

5. Conclusion and Recommendations

This section will discuss on the recommendations that can be considered in improving the level of household income for rural B40 society in relation to the *Sahabat of Amanah Ikhtiar Malaysia* (AIM) as the respondents for this study. Some measures have been taken into consideration on the microcredit scheme offered by AIM as it becomes the significant framework for the *Sahabat* to start and improve their business and entrepreneurship. For that reason, several recommendations and measures have been put forth by the researcher who believes that these suggestions would be practical, required and realistic so as to upgrade the existing condition of microcredit scheme from AIM. Through these recommendations and measures, it is hoped that there will be an improvement in the implementation of the microcredit scheme in Malaysia in order to achieve the main objective as to elevate the household income especially for the rural B40 society.

5.1. Set Up and Improve the Training and Development Programmes for the Participants (*Sahabat*)

As mentioned in the literature review of this research, the AIM microcredit programme was intensively established with the objective to reduce poverty among low income households and to provide them with effective microcredit facilities. Besides, the microcredit programme offered by AIM is aimed towards poverty alleviation and to provide guidance and training to the participants. Although AIM has planned and carried out various activities pertaining to the business development for its members, the analysis shows some of the respondents have never participated in any programmes offered by AIM. Moreover, most of the respondents agreed that the programmes held by AIM are still inadequate and should be diversified to suit the current issues and challenges. Members who had already attended the trainings said that they would like to receive more trainings.

Therefore, this study suggests that AIM sets up and improves their training and development programmes for *Sahabat* under the microcredit programme. This is necessary to support and facilitate the sustainable development of the members.

Providing all members with the relevant training and development programmes are compulsory as a significant approach and effective method to monitor the effectiveness of the poverty alleviation strategy. Furthermore, AIM conceivably can make various collaborations or discussions with some experts from local universities or from well experienced consultants with the aim of facilitating AIM training and development programmes. Advanced or comprehensive discussions between AIM and the local universities or expert consultants should be conducted to see how they can arrange a significant training and development programmes to the participants. This is with the objective that the members of AIM will effectively improve and increase their productivity or their business success.

Furthermore, an establishment of entrepreneurship mentoring programmes may also further increase the implication of AIM training and development programmes, where the programmes must be conducted by experts from the local universities or related consultants. A mentoring entrepreneurship programme is a strategic concept of learning and development between mentors and mentees. The mentors will be able to help the mentees by advising and recommending necessary actions. This mentoring programme of entrepreneurship may perhaps help to contribute to the development of a particular business among the *Sahabat*. AIM can also provide the entrepreneurship mentoring programme course to their staff. The staff involved can be trained to become the mentor to the *Sahabat* and provide them with new ideas and effective ways to enhance their business development.

5.2. Create an Effective Method to Promote Business or Products of the *Sahabat*

There is no doubt that the Covid-19 pandemic in Malaysia has added more challenges to small businesses and the pandemic also has a relatively severe impact on the members of AIM. The result of this study shows that 45.8 percent of the respondents claimed that their monthly income is insufficient to cater to their needs due to the pandemic situation as well as the increase in the cost of living. Therefore, AIM must create an effective method to help *Sahabat* to generate or increase their monthly income in accordance with the current situation and pandemic challenges. There is a need for AIM to offer their help and assistance, not only at the early stage of the business journey, but at all phases of the process so that all AIM members can benefit and improve themselves from time to time.

The *Sahabats'* small business can power a stronger recovery from current challenges due to their innovative and opportunity-seeking nature, but they need more support from AIM. The management team of AIM needs to create an effective method to promote business or products of the *Sahabat*. It is significant nowadays to introduce the digital marketing to small entrepreneurs as they can widely promote and market their goods or services by using digital channels. People nowadays had increased their utilization of digital channels as a tool for identifying products, collecting information on products, evaluating products as well as making product purchases.

Therefore, an effective application of digital access such as social media should be a part of any business' marketing strategy. Social media platforms are an important marketing tool for building brands, especially with regards to building brand awareness and excitement as there are more online consumer behaviour activities nowadays. AIM should offer and provide training or course to the members by exposing them to the importance of digital marketing in the world today. Various courses should be provided by AIM to

guide entrepreneurs in promoting and introducing their products and services to the public through the digital marketing.

5.3. The importance of Credit Management for *Sahabat*

This study finds that microcredit scheme offered by AIM is able to help the members to improve their business and help them to increase their household income. These findings are consistent with earlier research findings conducted to measure the impact of AIM microcredit schemes on the members' quality of life as well as studies conducted around the world. However, the reasons for small business failures are varied and one of the biggest factors in the failure of many businesses is the problem of the cash flow due to poor credit management. The study shows that there are still some of the AIM members who use the loans for purposes other than business. The researcher had identified some of the respondents who used the loan for paying for other loans and purchasing items for their household essentials.

Thus, credit management is essential especially for a small business to run its operations smoothly and to acquire smooth cash flow cycle. The arrangement for any training programmes and some of the skill training regarding credit management should be organized by AIM to ensure that borrowers are fully utilizing the loan given to them. On the other hand, the weekly monitoring by AIM officers should be expanded to not only be confined to repayment. The appointed AIM staff should become facilitators and motivators to encourage the members to expand and develop their business. The AIM staff also need to play their roles to advise the members to not misuse the money loaned for any personal use and assist the members to understand the main purpose of the microcredit.

Furthermore, AIM currently only allocates one day to explain to their members regarding the procedures of microcredit scheme. This allocation is too short to deliver detailed explanation in ensuring that all members understand the subject matters that are being described. Members of AIM are given the flexibility to choose the amount of funds to borrow, along with the time rate for the loan repayment period. Therefore, to avoid any issues arising from the loan amount and repayment period, AIM staff are responsible in ensuring that the *Sahabat* have a deep understanding of all the terms and procedures of the microcredit scheme offered.

Ethics Approval and Consent to Participate

The researchers used the research ethics provided by the Research Ethics Committee of International Islamic University of Malaysia (IIUM). All procedures performed in this study involving human participants were conducted in accordance with the ethical standards of the institutional research committee.

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