

THE ROLE OF MICROFINANCE IN POVERTY ALLEVIATION IN
MALAYSIA WITH REFERENCE TO MILLENNIUM
DEVELOPMENT GOALS

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DEVELOPMENT GOALS

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By
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DEDICATION

This thesis is dedicated to my father, who taught me that the best kind of knowledge to have is that which is learned for its own sake. It is also dedicated to my mother, who taught me that even the largest task could be talented if it is done one-step at a time. “Every action is cause which has an influence, if you put in the action you will get the outcome” what a great inspirations! Mum and Dad “Live to love, live to see; your son leading the world”

ABSTRACT

Microfinance can be a significant aspect of a useful poverty reduction approach particularly for developing countries. The services supplied by microfinance institutions can enable the poor to flatten their expenses, run their menace improved, construct their capital progressively, expand their business enterprises, improve their gross income potential, and have a better quality of life. This paper is about microfinance institutions and their role of poor people with the focusing in the northern Malaysia. I mainly concise my paper through client's (the poor people, who borrowed loan from microfinance institutions) perspective and build up my research based on it. The first objective of this paper is to examine the extent to which Microfinance Institutions (MFIs) contribute to poverty reduction in northern Malaysia (Kedah). The second objective is to find out role of microfinance in poverty reducing, with examining the achievements and performances of MDGs, in addition how MFIs affects the living standard (income, saving, education, health and empowerment) of the poor people in Kedah. Subsequent the information collected from microfinance clients, it was discovered that MFIs have changed the life of poor people in a positive way. MF clients have increased their incomes, capital invested and thus growth of their businesses. In spite of these accomplishments 180 questionnaires have been distributed to the microfinance clients in northern region in Malaysia (Kedah), it was additional study that some conditions like living standards, empowerment and poverty alleviation of Poor People. However, all 180 of them were returned and usable for analysis. Standard or simultaneous regression analysis is performed to test the hypotheses of the study. The findings are discussed and recommendations for the future research have been addressed.

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LIST OF ABBREVIATIONS

ADB	Asian Development Bank
AIM	Amanah Ikhtiar Malaysia
AIDS	Acquired Immune Deficiency Syndrome
APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of South-East Asian Nations
BIDS	Bangladesh Institute of Development Studies
BRAC	Bangladesh Rural Advancement Committee
BRI	Bank Rakyat Indonesia
CGC	Credit Grantee Cooperation
DAC	Development Assistance Committee
DOA	Department of Agriculture
DOTS	Directly Observed Treatment, Short Course
GDP	Growth Domestic Product
GNI	Gross National Income
GNP	Growth National Profit
HIV	human immunodeficiency virus

IDB	Islamic Development Bank
IMR	Infant Mortality Rates
LDCs	Least Developed Countries
MAC	Malaysian AIDS Council
MCH	Maternal and Child Health
MDGs	Millennium Development Goals
MDP	Malaysian Development Plans
MFC	Microfinance Clients
MFI	Microfinance Institutions
MMR	Maternal Mortality Rate
MOH	Ministry of Health
NDP	National Development Policy
NEP	New Economic Policy
NGOs	non-governmental organizations
OECD	Organization for Economic Cooperation and Development
PLI	Poverty Line Income
PPP	purchasing power parity
PROSTAR	Program Sihat Tanpa AIDS untuk Remaja

PPRT	Projek Perumahan Rakyat Termiskin
ROA	Return on Assets
SERU	Social Science and Economic Research Unit
SMEs	small and medium Enterprises
TB	Tuberculosis
TBAs	Traditional Birth Attendants
UN	United Nations
UNDP	United Nations Development Program
WB	World Bank
WHO	World Health Organization

CHAPTER ONE

1.0. INTRODUCTION

This chapter is consists of nine major section namely (i) research background (ii) statement of research problem (iii) research questions (iv) research objectives (v) scope of the study (vii) significant of the study (ix) thesis motivation (x) thesis structure and research methodology. The purpose of this first chapter is to introduce the context of the research and the structure of the thesis, which explains briefly the contents of the subsequent chapters.

The last thirty years witnessed a phenomenal growth in microfinance sector serving 40 million clients with outstanding loans portfolio of \$17 billion in mid-2006 and the projected market size could be around \$250-330 billion in near future (Ehrbeck, 2006). The concept and practice of microfinance have changed spectacularly greater than the previous decade in addition to the microfinance sector is progressively more implementing a financial systems approach, either by in service on top of business lines or by progressively sinking confidence on interest rate subsidies and/or aid agency financial support (Hulme, D & Arun, T., 2009).

In Malaysia, despite recent economic growth at national level, poverty remains a serious problem for policy-makers because the high economic growth mainly driven by few sectors in urban areas, such as industry and service sectors.ⁱ

The incidence of poverty in Malaysia estimated by overall poverty (based on the national poverty line) from 5.7% in 2004 to 3.6% in 2007. Although the proportion of

persons below the poverty line has declined from around 22.8% of the population in 1990 to 5.1 in 2004, poverty reduction remains the country's major challenge in the 21st century (Mok, Gan, & Sanyal, 2007). Nevertheless, according to Datuk Dr Toh Kin Woon says there is lack of detailed data on poverty by governments to identify the actual segment of the population that need help (<http://www.thenutgraph.com>).

Even though, from this time, throughout the academic development society there is recognition that perhaps we know remarkably less about the role of these programs than might be expected given the enthusiasm for these activities in institutions and policy-making circles. To reference a recent reliable capacity on micro finance: "MFI field procedures encircle distant exceeded the research facility to analyze them, so enthusiasm about the use of micro finance for poverty mitigation is not backing with sound facts derived from exact research.

The financial systems approach supports the argument that microfinance institutions should intend for appropriate financial services to low income people, which may risk discouragement the potential of institutional development for poverty reduction and social empowerments.

According to Cull, Demirguc-Kunt, & Murdoh, (2009) the argument that microfinance institutions should seek profits has an engaging "win-win" timbre, confessing little trade-off between social and commercial objectives. Therefore, this study suggests that microfinance programs not only help the poor or reorganize income but also contribute to national economic growth. However, some studies have

shown that MFIs have not reached the poorest of the poor in Asian countries (Montgomery & Weiss, 2005) or in Bolivia (Mosley, 2001).

The challenging serving the poorest of the poor is to identify who might benefit from stand-alone financial services or from non-financial services with or without finance, before participating in market-oriented finance (Meyer, 2002).

In Bangladesh, Rutherford (2003) found that despite the widespread presence of MFIs, their share of total money management activities in is comparatively small. Nevertheless, the relationship between microfinance and poverty is still in question and this paper provides some study evidence on the poverty-reducing effects of MFIs. The existing studies on the role of microfinance provide inconclusive results ranging from a substantial positive impact in Bangladesh to “zero” effect in northern Thailand (Cull, et al. 2009). This study argues that the future innovations in the microfinance sector will be reflective to the fresh understandings of the financial lives of the poor households.

Given the present condition of data, it is difficult to allocate energetically public resources to microfinance development Zeller & Meyer, (2002). This is a very strong statement of doubt and in part reflects a lack of accurate data, but also in part methodological difficulties associated with assessing exactly what proportion of income and other effects on the beneficiaries of micro credit can actually attributed to the programs themselves. In recognition of this uncertainty this paper aims to bring together some of the recent evidence that has been accumulating on the impact of microfinance activities on poverty reduction. In particular we ask what is the evidence on three specific issues is.

- The extent to which microfinance initiatives have made a lasting difference in pulling households out of poverty on a permanent basis;
- The extent to which microfinance programs reach only the comfortable amongst the poor, leaving the ‘core poor’ unaffected; and

These are very basic questions and the fact that they can still posed reflects the extent of uncertainty in the literature. The paper organized in five sections. The first provides a brief overview of some of the features of microfinance activities and their roles on poverty reduction in Asian Context in general and specifically in Malaysia. The second discusses a few concepts from the poverty literature and links these with microfinance institutions. The third discusses on Millennium Development Goals (MDGs)ⁱⁱ and their performance on poverty eradication. The fourth section addresses the methodology, fifth finding of studies. Finally, we demonstrated the discussions and implications of studies, as followed by the recommendation and conclusion.

1.1. Background of study

The microfinance revolution has changed attitudes towards helping the poor in many countries and in some has provided substantial flows of credit, often to very low-income groups or households, who normally be excluded by conventional financial institutions. Malaysia classified as an upper middle-income country by the World Bank this is an important factor in the approach taken to poverty alleviation through microfinance, an approach deriving from the New Economic Policy (NEP)ⁱⁱⁱ, which operated from 1971 to 1990. The NEP directed to reducing poverty and income disparities.

However, microfinance involves the delivery of small loans and other financial services, which the poor can use to build up their assets, establish or further develop a

business, increase their wealth, and protect against risks. Pioneered by Muhammad Yunus^{iv} who founded the Grameen Bank in Bangladesh in the 1970s, microfinance institutions today are spread all over the world (including in developed and developing countries such as the United States and Malaysia) and count over 100 million of the world's poor among their clients. This segment of the population has often not had access to traditional banks. Subsidized government lending schemes, meanwhile, which have tried to reach the poorest have often proved inefficient to overcome the screening, monitoring and enforcement problems that restrict the access of the poor to the formal financial sector (Hulme, D & Moore , K, 2006).

An international fact has shown the magnificent microfinance that access to finance can unleash in poor societies (UNDP, 2008). With sustained help, families and communities can supply their children with attitude they themselves never had. In particular, benefit from microfinance services. Such poor communities tend to be good credit risks. Furthermore, increasing microfinance access to poor communities has wide-ranging benefits, not just for their well-being but also for the welfare of their families, the communities in which they live and for society. However, the provision of microfinance on its own is inadequate. In some instances, such loans can become a burden due to poor management, or unsound investments. (UNDP, 2008)

Malaysia has a modern financial system with a diverse range of institutions, both private and public, including Islamic banks. Public institutions include development financing institutions ³/₄ a development bank and an agriculture bank (Bank Pertanian), as well as the Credit Guarantee Corporation (CGC) which provides guarantees on lending by other financial institutions to small and medium enterprises

(SMEs). At the lower end CGC has a credit guarantee scheme for 'hawkers and petty traders', but loan sizes for this scheme suggest it is operating at a level somewhat above conventional microfinance. The smaller loans guaranteed by CGC would, however, qualify in terms of the definition of microfinance used in the ADB Microfinance Development Strategy for the Asia-Pacific region (ADB, 2000). Possibly, as David Gibbons says, the WSJ coverage will serve as 'a wakeup call' to:

“...spur the industry toward ... implementing performance and reporting guidelines and standards. The need is of particular importance on loan portfolio quality, as the loans outstanding are...a microfinance organization's most important asset (David , G;& Sukor, K., 1990)”

Yet, Certainly the experience of Amanah Ikhtiar Malaysia (AIM) over recent years appears to bear out Gibbons' words. Malaysia's dominant MFI, Amanah Ikhtiar Malaysia (AIM), established in 1987. Some 80 per cent or more of all funds loaned were for economic purposes, the remainder for 'social' purposes (Sukor, 2000). AIM's activities have directed almost entirely to the alleviation of poverty among poor Malays.^v It was set up with a charter 'to disburse small loans on reasonable terms exclusively to the very poor households to finance additional income generating activities' (David & Sukor,1990).

In addition, Malaysia in the 21st century is certain in its economic success and seeks to be a leader among Asian countries. Since achieving independence in 1957, it has enjoyed considerable achievements in reducing the rate of poverty, which stood at 3.7 percent in 2007, accelerating growth, which was an imposing 6.5 percent in 2010 (www.asiafoundation.org., 2011), and maintaining a democratic political system.

Malaysia ranks among nations today as an upper-middle-income country, and hopes to achieve developed-nation status by 2020. Nevertheless, Malaysia also suffers from a widening gap between the rich and poor, lagging standards in education, crime and corruption, and polarization between the country's major ethnic groups (www.asiafoundation.org., 2011).

In this paper studies the role of MFIs on Poverty alleviations in northern Malaysia state (Kedah). This study aims to look into the role of MFIs on poverty reduction in Malaysia as well as looking up the progresses of Malaysia MDGs performance focusing on the side of relationship with achieving these goals.

1.2.Problem Statement

Since independence in 1950s, Malaysia has been recognizing as one of the more successful countries in fighting poverty. In spite of the National Mission Plan, the poverty in Malaysia declined substantially during the 1991-2004 period. There was a marked reduction in the incidence from 22.8 per cent in 1990 to 5.7 percent in 2004 (Mok, Gan, & Sanyal, 2007). Although financing implementation is currently a high national priority, the policy discussions on this issue have focused primarily on estimation of aggregate adaptation costs and financial needs, mechanisms to raise these financial resources, and the design of the national institutional planning for financial implantation. Moreover, the government of Malaysia undertakes several strategies to increase productivity, to diversify sources of income and to improve the quality of life of the poor and hardcore poor households in Malaysia. These poverty reduction and microenterprise development strategies were the integrated and integral part of Malaysia's core development plans.

The government has been encouraging and working with private sectors and non-government organizations (NGO) to reduce poverty. However, there is little or no emphasis so far on actual delivery channels for adaptation financing at the sub-national level, particularly to reach the poor who are also often most vulnerable to the impacts of poverty. It is in this context that microfinance qualifies a closer look. (Pierro & Desai, 2008) .

Nevertheless, though there have been many important contributions of microfinance institutions, the precise nature of the contributions of poverty alleviations are less clear (Jonathan, 2000); (Sam, 2002) and (Naila , K & Noponen , H., 2005). Further, determining how microfinance can be used as an important vehicle to make an even larger and more critical contribution to alleviating poverty is in need of more careful research and articulation. In addition, many researches has shown that Microfinance Institutions (MFIs) in Asian countries are performing better than MFIs from Easter Europe, yet Malaysian Microfinance institutions are not big participants in this respect (Adesina, 2010).

However, the government now faced the renewed challenge of reducing wealth and income inequality among and between ethnicities and regions and particularly in urban areas. Given the changing dimensions and emerging new forms of poverty there is a need to re-examine the role of microfinance institutions poverty alleviation in Malaysia. This study identifies the determinants of poverty in northern Malaysia. Similar research has been conducted previously to analyze the determinants of poverty in women-headed households in the informal sector of Peninsular Malaysia (Malaysia, 2006). However, previous studies have used income to identify poor

households. We have a major problem with this procedure. First, there is no study in role of MFIs in poverty in Malaysia in generally and specifically in northern states, while, according to Malaysia 9th plan the level of poverty in Malaysia is high in northern states. We therefore compare loan satisfaction, accessibility of education and health and Empowerment of the poor people.

On the other hand, in this study MFIs referred as “Poverty alleviation tool”. Therefore, this study intends to look into the role of MFIs on poverty reduction in northern Malaysia as well as progresses with reference to the performance of MDGs by looking up whole Malaysia. However, the relationships between each of the four variables- Role of MFIs (loan satisfaction, empowerment, improvement of education, and improvement of health) of the poor people have been studied in Malaysia either individually or combination of 1/2 variables, there have been no study of the combined influence of all of these variables on poor households. As such, there is a gap in literature concerning how these constructs interact to influence the poverty rate in northern region in Malaysia.

This study intends to shed new and important light on these constructs and the interrelationships among them. To do so this study devises a theory-based structural equation model that links these constructs together (see the framework of study page 106). Finally, this study is an attempt to specify carefully the antecedents and consequences of investments in microfinance, to examine the nature and amount of existing contribution, and consider how to enhance the contribution of microfinance alleviations of poverty in north Malaysia.

1.3.Thesis Motivation

According to statistics, about three billion people in this world are living on less than two dollar per day. Moreover, The United Nations' Millennium Development Goals (MDGs) have stimulated the world with a challenge to improve the welfare of the poorest of the poor. Since last three decades, microfinance is positioned as a development tool to reduce poverty on global level and many multilateral lending agencies, bilateral donor agencies, developing and developed country governments, and non-government organizations (NGOs) are supporting the development of microfinance. Despite this growth, outreach and financial sustainability of microfinance is a great matter to be discussed. It is estimated that about 95 percent of some 180 million poor households in the Asian and Pacific Region still have little access to institutional financial services. Access to services and offering banking operations at the very doorstep of poor are those two big questions that call reengineering of delivery mechanism and range of microfinance products customized according to the need of a particular society.

In Malaysia, there are certain gaps on supply side of microfinance services that is evident from outreach statistics. I intend to look for the best practices for these gaps and then examining the role of microfinance for recuperating these gaps. In this context, I explored the role of microfinance clients in [northern](#) Malaysia and what kind of results have been obtained so far and what is the potential consequences of this for Malaysia for quite long term growth and sustainability of this sector.

In addition, in some other parts like in Latin American countries, other microfinance institutions are used on limited scale and a differentiation edge is taken. No one can

deny that microfinance institutions would be a key strategy for development and poverty reduction. This will change business models, range of services and methodologies that are the central to development. Furthermore, microfinance institutions will help poor people in Malaysia in order to achieve MDPs and MDGs. Thus, it is a desire to determine the role of microfinance services in poverty alleviation in Malaysia. Realizing this challenge many research work is going to encourage microfinance institution but this is a need of time to consider a holistic approach for rethinking delivery model for financial services.

1.4.Objective of study

1.4.1. General Objective

This study aims at finding out the extent to which Microfinance Institutions (MFIs) contribute to poverty reduction in northern state in Malaysia, and whether they meet the objectives of the policies that led to their establishment. The major goal is to examine the impact of microfinance development programs and to argue for more focus on poverty reduction. The overall objective of this study is to examine the roles of MF in poverty reduction in northern state in Malaysia.

1.4.2. Specific objective

To be meaningful, every work must have to formulate the objectives of the study. Furthermore, objectives are more generally suitable to the research community as evidence of the researcher's clear sense of purpose and direction Saunders, Lewis, & Tronhill,(2007). Therefore, in the light of the research topic, the objective of this study is:

- To determine how microfinance has effect on the living standards (access to health and education), of the poor people in northern state of Malaysia (Kedah);

- To examine the extant of loan satisfaction of MFIs
- To assess whether the clients better their living standards, improved their general performance in terms of education and health accessibility, creation of employment and progression of their income and empowerment.

1.5. Research Questions

In the light of problem, background leads to the following problem statement, which will also be the overarching question/statement for this investigation:

What is the role of Microfinance on living standards, Empowerment and poverty alleviation of the poor people in northern Malaysia?

1.6. Significant of study

This study will be of benefit to MFIs, policy makers and the community at large. The study explores and recommends potential areas that MFIs need to put more efforts when delivering their services. On the other hand, policy makers will also benefit in the sense that, the findings provide informed suggestions on how policy can be improved. With improved and easy to implement policies and the community at large will be able to access and benefit from the services of MFIs. Therefore, the opportunity national is a perfect setting to examine the role microfinance as vehicle of poverty alleviation in Malaysia.

It operates throughout the world and has had significant successes and some in microfinance operations. Opportunity Malaysia's involvement in the conversion to for profit savings and loans provides a unique setting to evaluate alternative organizational structures for microfinance role to provide the greatest benefit and to alleviate country's poverty. This research seeks to examine several influences of microfinance in northern state of Malaysia: first, how MFIs, influences the living

standard of poor people; how MFIs affect their income and education and health accessibility.

1.7. Structure of the paper

The first section evaluates the first chapter which introduces the background, statement of the problem, objectives of study and significance of this study as well as thesis motivation. The second chapter covers literature review of the study. Moreover, this section covers evaluation of microfinance programs and their importance in mainstreaming poverty reduction. Hence, secondary data were obtained from the World Bank's World Development Indicators and United Nations publications and academic papers to compare and contrast the development indicators over time and define structural changes. The third chapter will be discusses the Malaysian MDGs' performance. The fourth chapter displays the methodology of the study. Whereas the fifth chapter shows data analysis and finding of the study, this part presents that there is a strong correlation between the microfinance program and poverty reductions.

In particular, this section reveals for a statistically significant relationship between poverty and role MFIs. It observes the poverty rate in Malaysia and highlights the importance of one of the most popular tools in poverty eradication – microfinance. Finally, chapter sixth presents the discussion, recommendation and future study and conclusion.

1.8. Scope of Study

To address the research questions posed it was necessary to compile data from different sources and merge them into single database. Microfinance data were obtained from academic papers. Thousands of programs or institutions are providing some type of financial services to a low-income clientele in Malaysia. In order to limit the scope of the study, the author selects northern states in Malaysia namely Kedah

state. Each clientele in this study offers registered as member of MFI services, which has a minimum of 2 years microfinance clients.

These clients were distributed a questionnaire (Appendix A) so that selected basic indicators could be analyzed. During the months April and May of year 2011, microfinance clients in the 180 in northern states were asked to fill a list of questions. In addition, clients were contacted through various through hand distribution questionnaire survey. Finally, published studies, other record, and personal judge from clients in the field were utilized to compile a running list of clients that might fit the study criteria. The information gathered from MFCs, included the distribution of their clients (major cities, towns and rural areas). Further inquiries were made on from the side of the clients; the questions were based on ease of accessing loans (loan satisfaction) and technical support from the MFIs, and changes to their welfare because of the MFIs' loan.

1.9.Research methodology

There are mainly two kinds of research methods, quantitative method and qualitative method. These two methods differ in terms of the numeric (numbers) or non-numeric (words) data Ibid, p. 145. Quantitative method is predominantly used as a synonym for any data collection technique (such as a questionnaire) or data analysis procedure, such as graphs or statistics that generates or uses numerical data. On the other hand, qualitative method is predominantly used as a synonym for any data collection technique (such as an interview) or data analysis procedure (such as categorizing data) that generates or uses non-numerical data. Therefore, the other difference between qualitative and quantitative data is that, the qualitative data refers to words, such as pictures and video-clips, rather than numerical results. (Saunders et al., 2007)

Although the result of the research is highly dependent on the primary sources that I have gathered from the survey using quantitative method, but it also required some secondary sources to understand the concepts, definitions, theories and empirical results. I have used several books, research literatures, articles, journals and thesis, as secondary sources for my study. Internet sources were also used as a secondary source for my thesis. Since the internet sources are less reliable, I have limited the use of those sources to the web pages of prominent organizations like Amanah Ikhtiar Malaysia. Most of the sources, I tried to use, are reliable and are acceptable almost everywhere. Further, I have also used the handbooks and annual reports of some of the MDPs. However, it is not always easy to find out the appropriate research materials for the thesis. Many studies have been conducted on microfinance over the last few decades.

Nevertheless, from them I had to choose the most appropriate literature for my thesis. For this reason, I had to go through numerous references related to this topic, to find the suitable materials. These materials were mainly collected from the university library and using available search tool. I have accessed and searched the databases that I found via UUM library on the website of the Universiti Utara Malaysia library. Besides these, Google Scholars, and were used to find the suitable research material. The keywords used when searching for scientific articles and literatures were; *microfinance, microfinance and Malaysia, poverty reduction and microfinance, microcredit programs in Malaysia, living standards and microfinance; Savings mobilization, Solidarity, Group lending, Liquidity etc.*

CHAPTER TWO

2.0.LITERATURE REVIEW

This chapter continues the discussion of the previous chapter that focuses on the background of the study. This chapter provides the critical reviews of literature and theories related to the topic of this research. It is meant to act as a base for the experimental of analytical section of the research. Literature selected will be related to the research as a base to guide the development of research framework. That was review on journal or working paper to explain the role MFIs in poverty particularly in the living standard of poor people. Further reviewing the literatures on an overview of the definition of MF, overview on MFIs, Microcredit, Poverty, and MDG, will be discussed in this chapter. This chapter also discussed the development of the theoretical framework for this study.

2.1.Definition of microfinance

Microfinance is the provision of financial services to low-income clients or solidarity lending groups including consumers and the self-employed, who traditionally lack access to banking and related services.

2.1.1. What Is Microfinance?

“Microfinance has proved its value, in many countries, as a weapon against poverty and hunger. It can change people’s lives for the better – especially the lives of those who need it most. A small loan, a savings account, an affordable way to send a cheque back home can make all the difference to a poor or low-income family. With access to microfinance, they can earn more, build up assets and better protect themselves against unexpected setbacks and losses. They can move beyond day-to-day survival towards planning. They can invest in better nutrition, housing, health and

education for their children. In short, they can break the vicious cycle of poverty. Microfinance is not charity. It is a way to extend the same rights and services to low-income households that are available to everyone else. It is recognition that poor people are the solution, not the problem. It is a way to build on their ideas, energy and vision. It is a way to grow productive enterprises, and so allow communities to prosper.”

Kofi Annan, UN Secretary General

In general accepted, that the microfinance sector emerged as an answer to financial market failures. Microfinance, according to (Muhammad, 2010) is “the provision of financial services to low-income poor and very poor self-employed people”. These financial services according to (Robinson, 2001) generally include savings and credit but can also include other financial services such as insurance and payment services. However, (Schreiner, M and Colombet, H. 2001 p19) define microfinance as “the attempt to improve access to small deposits and small loans for poor households neglected by banks.” Therefore, microfinance involves the provision of financial services such as savings, loans and insurance to poor people living in both urban and rural settings who are unable to obtain such services from the formal financial sector.

Microfinance programmes are one of the most important interferences in developing country efforts to reduce poverty. Recent years have seen a huge growth of the sector in terms of numbers and size of organizations, numbers of clients and provision of subsidized donor funding. A large proportion of MFIs include poverty reduction in their Mission, and donor funding is allocated to microfinance on this basis. At the most basic level there is a need to understand and improve the role of MFIs as a key

premise to successful poverty reduction. Traditionally microfinance was focused on providing a very standardized credit product.

The poor, just like anyone else, need a assorted range of financial instruments to be able to build assets, stabilize consumption and protect themselves against risks. The typical microfinance clients are low-income persons that do not have access to formal financial institutions. Microfinance clients are typically self-employed, often household-based entrepreneurs.

2.1.2. Microfinance and microcredit

In the literature, the terms microcredit and microfinance often used interchangeably, but it is important to highlight the difference between them because both terms are often confused. Schreiner, and Colombet, (2001) stated, “microcredit refers to small loans, whereas microfinance is appropriate where NGOs and MFIs¹ supplement the loans with other financial services (savings, insurance, etc)”. Therefore, microcredit is a component of microfinance in that it involves providing credit to the poor, but microfinance also involves additional non-credit financial services such as savings, insurance, pensions and payment services (Muhammad, 2010). Over time, microfinance has come to include a broader range of services (credit, savings, insurance, etc.) as we have come to realize that the poor and the very poor that lack access to traditional formal financial institutions require a variety of financial products.

2.1.3. History of Microfinance

Microfinance is a hot topic in current development debates, even though it has a long history^{vi}. There have been different ‘waves’ of microfinance initiatives over time,

reflecting evolving conceptualizations of who the poor are, nature of poverty, and development policies.

In the early development decades (1950s to 1970s), the poor were seen as households of small-scale (male) farmers, and state-mediated or subsidized agricultural credit was used to raise productivity and incomes.

However, this initial wave of microfinance was countered by international development policies to deregulate markets so that latter initiatives devolved from state-led institutions to a bottom-up approach.vii In the early 1980s, non-profit organizations such as Opportunity International in Colombia and Grameen Bank in Bangladesh offered small loans to the poor with low interest rates (Easton, 2005). These business loans allowed households to establish and expand income-generating activities. Notably, women were targeted as loan recipients because it was recognized that they consisted a large proportion of the poor, and women were found to be more accountable at returning borrowed money than men. These activities were seen as ways to economically and socially empower women.

More recently, the poor have been conceptualized as a heterogeneous group of vulnerable households with complex livelihoods and varied needs. From such a perspective, microfinance is seen as a means of achieving household priorities, reducing vulnerability, and/or increasing income. One thing that the literature has revealed is that microfinance encompasses a number of different things. Not only are there differences in design, implementation and ultimate goals of microfinance programs, but there are a number of kinds of activities that fall under the heading of

microfinance. Both the provider and the model of microfinance are particularly important distinctions that discussed below Hulme, Matin and Rutherford (2002).

However, microcredit and microfinance are relatively new terms in the field of development, first coming to prominence in the 1970s, according to Robinson (2001). Prior to then, from the 1950s through to the 1970s, the provision of financial services by donors or governments was mainly in the form of subsidized rural credit programmes. These often resulted in high loan defaults, high loss and an inability to reach poor rural households (Robinson, 2001) states that the 1980s represented a turning point in the history of microfinance in those MFIs such as Grameen Bank and BRI2 began to show that they could provide small loans and savings services profitably on a large scale. They received no continuing subsidies, were commercially funded and fully sustainable, and could attain wide outreach to clients (Robinson, 2001) It was also at this time that the term “microcredit” came to prominence in development Amin, Rai and Ropa, (2003).

The difference between microcredit and the subsidized rural credit programmes of the 1950s and 1960s was that microcredit insisted on repayment, on charging interest rates that covered the cost of credit delivery and by focusing on clients who were dependent on the informal sector for credit (ibid.). It was now clear for the first time that microcredit could provide large-scale outreach profitably.

The 1990s “saw accelerated growth in the number of microfinance institutions created and an increased emphasis on reaching scale” (Chen & Snodgrass, 2001) (Rutherford, 2003) refers to the 1990s as “the microfinance decade”. Microfinance

had now turned into an industry according to Muhammad, (2010). Along with the growth in microcredit institutions, attention changed from just the provision of credit to the poor (microcredit), to the provision of other financial services such as savings and pensions (microfinance) when it became clear that the poor had a demand for these other services (Chowdhury, Khankder, & Millimet, 2003). The importance of microfinance in the field of development reinforced with the launch of the Microcredit Summit in 1997.

The Summit aims to reach 175 million of the world's poorest families, especially the women of those families, with credit for the self-employed and other financial and business services, by the end of 2015^{viii} (Microcredit Summit, 2005). More recently, the UN, as previously stated, declared 2005 as the International Year of Microcredit.

Microfinance and the banking sector: relation of the literature

Financial sectors are rough developed. There exist previous studies on the factors that probably play a role in this rough development. Economists have confirmed that as well as institutional (Acemoglu, D. et al. 2002), infrastructural and governance (Beck, T, et al. 2007) and income levels may play an important role. (Acemoglu, D., et al. 2002) gives an overview of the literature and groups the factors into four groups. He presents political, geographical and institutional factors. The last group is a miscellaneous category. Because financial sectors are traditionally segmented due to client and industry specificities (Richter, 2004) one could ask, whether the same factors play a role in the different financial segments. As demonstrated in the introduction, microfinance can be seen as a part of the financial sector that provides financial services to the poor segments of a population. Due to its specific

characteristics it is here argued that it could be well that microfinance is influenced by other factors than that are traditional financial markets.

In order to develop well-functioning micro-financial markets there are a couple of factors that are mentioned in the literature on individual country studies. They are here grouped in four different categories, but first a little note on how to measure the role of microfinance in poverty alleviation.

2.2.Role of microfinance in achieving Millennium Development

Goals

2.2.1. Is Microfinance a competent strategy to achieve

Millennium Development Goals?

The United Nations' Millennium Development Goals (MDGs) have encouraged the development community with an imperative confront to expand the welfare of the world's neediest people. Donor agencies are orienting their programming around the achievement of the MDGs and are accumulating new resources to reduce hunger and poverty, eliminate HIV/AIDS and infectious diseases, empower women and improve their health, educate all children, and lower child mortality.ix

The MDGs are bordered as tangible result in the areas of nutrition, education, health, gender equity, and environment. Therefore, work in these explicit areas will be a large part of any development strategy driven by the MDGs. Nevertheless, decades of experience has shown that progress in these areas is powerfully affected by other factors in the broader context, such as a functioning government, physical security, economic growth, and basic infrastructure (for example, transportation).

The microfinance institution has evidence showing that the availability of financial services for poor households is a critical contextual factor with strong impact on the achievement of the MDGs. Microfinance, and the impact it creates; go away beyond just business loans. The poor use financial services not only for business investment in their microenterprises, but also to invest in health and education, to manage household emergencies, and to meet the wide variety of other cash needs that they encounter. The range of services includes loans, savings facilities, insurance, transfer payments, and even micro-pensions.

Evidence from the millions of microfinance clients around the world displays that access to financial services allows poor people to increase their household incomes, build assets, and reduce their vulnerability to the crises that are so much a part of their daily lives.

Microfinance is unique among development interferences: it can deliver this social payback on continuing, enduring basis and on a large scale. Many well-managed microfinance institutions throughout the world provide financial services in a sustainable way, free of donor support. Microfinance thus offers the potential for a self-propelling cycle of sustainability and massive growth, while providing a powerful impact on the lives of the poor, even the extremely poor. Evidence shows that this impact strengthens the longer clients stay with a given program, thus deepening the power of this virtuous cycle.

Unfortunately, poor people in most countries have virtually no access to formal financial services. Their informal alternatives, such as family loans, savings clubs, or moneylenders, are limited usually by amount, strictly managers, or available only at

excessive interest rates. The challenge ahead is to ensure access to financial services for the poor majority. This note review the evidence on the role of microfinance as it relates to the achievements of the MDGs.x Specifically it assesses impact in the areas of eradicating poverty.

According to Dunford and MkNelly, (1999) reported that the incomes of two-thirds of CRECER (Bolivia) clients had increased after joining the program. Moreover clients reported, “Consumption smoothing” over the year because of diversifying income sources and purchasing food in bulk. Eighty-six percent of clients said their savings had increased; 78 percent did not have any savings prior to program participation (Alice, W & Simanowitz , A, 2002).

In another study of Freedom from Hunger clients in Ghana, Dunford and MkNelly (1999) found that clients had increased their incomes by \$36 compared to \$18 for non-clients. Clients had also significantly diversified their income sources. Eighty percent of clients had secondary sources of income versus 50 percent of non-clients. In Indonesia, borrowers increased their incomes by 12.9 percent contrast to increases of 3 percent in control-group incomes Remenyi & Quinones (2000). Another study on Bank Rakyat Indonesia borrowers on the island of Lombok in Indonesia reports that the average incomes of clients had increased by 112 percent and that 90 percent of households had moved out of poverty Drioadisuryo, Kathleen and Rositan (1999).

A detailed impact assessment study of BRAC in Bangladesh suggested that members who stayed in the program for more than four years increased household expenses by 28 percent and assets by 112 percent (Mustafa, et al., 1996). Another analysis of

household level data demonstrated that access to financial services enabled BRAC clients to reduce their vulnerability through smoothing consumption, building assets, and receiving services during natural disasters (Zaman, 2000).

A study of SHARE clients in India documented that three-fourths of clients who participated in the program for longer periods saw significant improvements in their economic well-being (based on sources of income, ownership of productive assets, housing conditions, and household dependency ratio) and that half of the clients graduated out of poverty. Over half of SHARE clients indicated that they had used their microenterprise profits to pay for major social events rather than go into debt to meet such obligations (Simanowitz, 2002).

A widespread study of microfinance conducted by the World Bank in the early 1990s, on the three of the largest programs in Bangladesh — Grameen Bank, BRAC, and RD-12—found that female clients increased household consumption by 18 takas, for every 100 takas borrower. In addition, that 5 percent of clients accommodated out of poverty each year by borrowing and participating in microfinance programs (Shahidur, 1998). More importantly, households were able to sustain these gains over time. There were also overflow of personal property in the village economy. Average rural household incomes in program villages increased even for non-program households. One of the programs even influenced village wage rates. Increases in self-employment and subsequent withdrawals from informal labor pools led to a 21 percent increase in wages in the program villages.

A longitudinal study in a BRAC area in Bangladesh found that basic competency in reading, writing, and arithmetic among children 11–14 years old in member households had increased from 12 percent of children at the start of the program in 1992 to 24 percent in 1995. In non-member households, only 14 percent of children could pass the education competency tests in 1995 (Bhuiya, A; Chowdhury, A M, 2001).

2.3. Innovations and challenges for microfinance institutions

In the deficiency of complicated systematic tools to estimate and manage risk, to overcome distance fences, early microfinance pioneers developed a number of novelties to mitigate risk in this market. One such novelty is the concept of *group lending*, also called *joint liability*, whereby MFIs substitute group lending for collateral to reduce (Cull, Demirguc-Kunt & Morduch, (2009). With group lending, a local MFI critically meets frequently, often weekly, with a group of 20 to 30 individuals who have jointly obtained microcredit for their various microenterprises.

The agent assembles small weekly payments, carries out training on money management, provides support to micro-entrepreneurs, and relies on group force to inspire financial responsibility. Mersland & Strom, (2009) found that assembly lending accounts for 44% of MFI microloans versus 55.5% in individual loans. Although, group lending has been victorious in the past three decades and is not anticipated to vanish anytime soon, current research has shown that there is a leaning away from group lending to more individual-based lending to the poor in distant regions (Cull, Demirguc-Kunt, & Morduch, 2009).

A second novelty has been to focus on women. For instance, 95% of Grameen Bank customers in 2000 were women (Cull, Demirguc-Kunt, & Morduch, 2009). Nonetheless, the third U.N. MDG is to “promote gender equality and empower women.” Microfinance is believed to be an important tool to achieve this goal. Focusing on offering financial services to women naturally results in the development of more focused microenterprises, a lower likelihood the money will be used for non-productive purposes, has a more positive impact on children, and results in a higher repayment rate.

According to WSBI (2008), Copyright October 2008 Asian microfinance has long focused on serving women: 98% of borrowers were women in Asia in 2006, as compared to 66% in Africa and 61.8% in Latin America. In addition, Cull, Demirguc-Kunt, & Morduch, (2009) examined 346 institutions occupied in microfinance operations. Of those, 156 were non-governmental organizations (NGOs) that had non-profit status. For these NGOs, 95% of borrowers were women. The other 190 institutions were a mixture of banks, nonbank financial institutions, and credit unions that typically had more for-profit motives. For these institutions, 37% of the borrowers were women. Because women are the key target customers of many MFPs, the role of women within MFPs has been examined. In addition, increasing the percentage of women borrowers in MFIs will meet to achieve the first U.N. MDGs for eradicating the extreme poverty in world. Since the women are the dominant number of poor in every community. However, Mersland & Strom, (2009) showed that MFIs with a female CEO have had better income on assets and lower operational costs.

Microfinance initially recommended the provisioning of microcredit. Later this view expanded to comprise savings accounts for the poor. In recent times, it has includes a variety of financial services to the poor comprising credit, savings, insurance, leasing, payment transfers and remittance to foreign countries (Mersland, R; Strom, R O,, 2009). The expansion in product offerings illustrates a growing of this industry, but also brings operational complexities. MFIs facing two frequently challenging, although sporadically opposite goals: increase *outreach* to serve more clients and improve *sustainability* through appropriate financial performance to continue operations. The matter of sustainability versus outreach is passionately discussed in microfinance (Parikh, 2005). Most researchers argue that they are competing goals and act as surrogates.

According to Mersland and Strom, (2009), demonstrated that higher average microloan amounts increases return on assets (ROA).

Therefore, MFIs motivated by performance measures would tend to provide fewer loans in larger amounts, thus moving away from the microfinance model of microloans to help as many low-income customers as possible.

Singhal and Duggal, (2005), pointed out regulatory restrictions that delay innovation to allow MFPs to provide financial services to India's poor. The MFPs would like to provide banking services to the poor using cashless smart cards. However, banks offer services through smart cards only to individuals who have preserve acceptable accounts for at least six months, can only make transactions through a particular type of POS terminal, and may recognize deposits only within bank premises. Singhal and Duggal (2005), call for research into the feasibility of low-cost physical devices and

what infrastructure is needed to boost services to the poor. However, the results of an extensive study by a grouping of public and private organizations on microfinance services to the business process redesign must convey checklist on order to identify the role of microfinance in poverty and to reach the poor of poorest.

The infrastructure to support this investment in new programs could not be borne by MFIs alone.

2.3.1. Review Studies of Microfinance Done Outside of Malaysia

Studies on MFIs have been conducted in various countries all over the world. The findings from these studies are useful to new researches on microfinance. Some of the studies, which had a significant contribution, include the study by (Mosley, Microfinance and poverty in Bolivia, 2001). In his study on Microfinance and Poverty in Bolivia, Mosley assessed the role of microfinance on poverty. The study was conducted through small sample surveys of four microfinance institutions, two urban and two rural, using a range of poverty concepts such as income, asset holdings and diversity, and various measures of vulnerability.

All the institutions studied had on balance, positive impacts on income and asset levels, with income impacts correlating negatively with income on account of poor households choosing to invest in low-risk and low-return assets. Mosley revealed that in comparison with other anti-poverty measures, microfinance appears to be successful and relatively cheap at reducing the poverty of those close to the poverty line.

However, this was also revealed unsuccessful, by comparison with labor-market and infrastructural measures, in reducing extreme poverty. Mosley (2001), further proposed actions that appear to be promising for the further reduction of poverty in Bolivia, which can also be useful for other developing countries. These actions include stronger labors to assemble rural savings, elimination of lower limits on loan size, and the introduction of appropriate insurance mechanisms.

According to Patten, et al. (2001) the Bank Rakyat Indonesia (BRI) component scheme is documented as one of the major and most successful microfinance institutions in the world. Indonesia has been more radically inflated by the East Asian financial crisis than other countries in the area (Mosley, 2001). It is consequently valuable looking at the BRI experience during the crisis-not only the experience in microenterprise credit, but also in small, medium and corporate credit and in savings mobilization. The proportional performance of different parts of BRI during the East Asian crisis proposes vital features in the potential plan of sustainable microfinance institutions, products, and delivery systems.

Mosley and Hulme (1998) discussed that microfinance has created considerable eagerness amongst aid donors and non-government organizations (NGOs) as a tool for reducing poverty in a way that is economically self-financing. Even though something of a consensus has emerged regarding to the principles by which such institutions should be intended, however, we know slight regarding their role. Mosley and Hulme (1998) estimated the role of 13 microfinance institutions in seven developing countries on poverty and other target variables, and endeavor to narrate such role to the institutions' design features. For each of the institutions studied, the impact of lending on the recipient household's income tended to increase, at a decreasing rate, as the recipient's income and asset position improved. So that, the

relationship which can easily be explained in terms of the greater preference of the poor for consumption loans, their greater vulnerability to asset sales forced by adverse income shocks and their limited range of investment opportunities (Mosley, P; Hulme, D;, 1998).

Schreiner, (2002) confirmed that the extensive agreement about the goal of microfinance - to improve the welfare of the poor - has not led to wide agreement about how best to achieve that goal. To aid discussion, Schreiner, (2002), propose a framework for outreach - the social benefits of microfinance - in terms of six aspects: *worth, cost, depth, breadth, length, and scope*.

The framework encompasses both the poverty approach to microfinance and the self-sustainability approach. The poverty approach assumes that great depth of outreach can compensate for narrow *breadth, short length, and limited scope*. The self-sustainability approach assumes that wide breadth, long length, and ample scope can compensate for shallow depth. Schreiner, (2002) shows how to use the framework for BancoSol of Bolivia.

Another study have reported in Bolivia by Vogelgesang (2003) focused by the role of microfinance on poor borrowers. Therefore, the study analyzed repayment determinants for loans from Caja Los Andes, a Bolivian micro lender. The analysis focused on the power of recent changes in Bolivia. In particular, Vogelgesang (2003) examined the effects of the rapidly growing supply of microloans, the increasing competition, a rising level of indebtedness among micro entrepreneurs, and the recent economic crisis. Vogelgesang (2003) result shows a double influence structure of competition and indebtedness. First, clients with loans from numerous sources at the same time are found to be more likely to non-payment than others. Second, clients

with given characteristics have a largely improved refund performance in areas with higher rivalry and a superior supply of microloans.

In addition, over the decades of the 1980s and 2003s many poverty alleviation programmes have been implemented in developing countries. Assessments of such programmes have usually considered at their success in increasing the income levels of participants but less at the wider goals of human well-being. However, Chowdhury & Bhuiya, (2004), argued that the poverty alleviation program of BRAC, a large non-governmental organization in Bangladesh, and, based on cautiously intended studies, presents its impact on selected components of human well-being. Chowdhury & Bhuiya, (2004) found better child survival and nutritional status in households served by the program. Similar impacts were also found in other areas such as expenditure patterns, family planning practices and children's education. Chowdhury & Bhuiya, (2004) also looked at the role on the rural power structure and found a substantial change in the percentage of poverty different to the last years.

Mitlin, (2002), suggests that too much attention may be given to financial sustainability within projects whose objective is to reduce urban poverty. External agencies might usefully recognize the long history and remarkable persistence that charitable giving and state redistributive processes have shown whilst markets sometimes fail. Experience suggests that poverty reduction - higher and more stable incomes, stronger asset bases, secure adequate-quality homes with basic infrastructure and services and protection.

In addition, from the law-may best be achieved by increasing the capacity of urban poor groups, individually and collectively, to draw on the market, the state and

charitable finance (including grants or soft loans from international and domestic sources) to reduce their poverty. It is support for this capacity of urban poor groups that needs to be sustained. Market mechanisms can play important roles-as shown by the key role of savings and credit schemes organized and managed by the urban poor themselves. Nevertheless, these are a means, not ends in them. Moreover, those who are the poorest may most not easily and readily use market mechanisms.

Study Coverage	Coverage (in Asia only)	Methodology	Results
Hulme and Mosley (1996)	Indonesia (BKK, KURK, BRI), India (Regional Rural Banks) Bangladesh (Grameen, BRAC, TRDEP), Sri Lanka (PTCCS)	Borrowers and control samples, before and after.	Growth of incomes of borrowers always exceeds that of control group. Increase in borrowers income larger for better-off borrowers.
MkNelly et al. (1996)	Thailand(village banks-Credit with Education)	Non-participants in non-program villages used as controls	Positive benefits, but no statistical tests for differences reported.
Khandker (1998)	Bangladesh (Grameen, BRAC)	Double difference comparison between eligible and ineligible households and between program and non-program villages	5% of participant households removed from poverty annually. Additional consumption of 18taka for every 100 taka of loan taken out by women.
Pitt and Khandker (1998)	Bangladesh (BRAC, BRDB, Grameen Bank)	Double difference estimation between eligible and no eligible households and programs with and without microfinance programs. Estimations conducted separately for male and female borrowing.	Positive impact of program participation on total weekly expenditure per capita, women's nonland assets and women's labor supply. Strong effect of female participation in Grameen Bank on schooling of girls. Credit programs can change village attitudes and other village characteristics.

Study Coverage	Coverage (in Asia only)	Methodology	Results
Coleman (1999)	Thailand (village banks)	Double difference comparison between participant and nonparticipant households, and between villages in which program is introduced and villages where it is not introduced yet.	No evidence of program impact. Village bank membership has no impact on asset or income variables.
Chen and Snodgrass (2001)	India (SEWA bank)	Control group from same geographic area.	Average income increase rises for bank's clients in comparison with control group. Little overall change in incidence of poverty, but substantial movement above and below poverty line.
Park and Ren (2001)	PRC (NGOs, government programs, mixed NGO-government programs)	(i) Profit estimation of participation and eligibility for each type of program; (ii) OLS and IV estimation of impact of micro credit on household income.	In NGO and mixed programs the very rich even if eligible (for mixed programs) are excluded from participation. In the government program, the rich are both eligible and more likely to participate. Impact estimation finds evidence of positive impact of micro credit on income.
Duong and Izumida (2002)	Viet Nam (VBA 84% of total lending), VBP, PCFs, commercial banks, public funds)	To bit estimation of (i) participation in rural credit market; (ii) behavior of lender toward credit constrained household and (iii) weighted least square estimation for impact on output supply.	The poor have difficulties in accessing credit facilities: livestock and farming land are determinants of household participation; reputation and amount of credit applied for to MFI are determinants of credit rationing by lenders. Impact estimation shows positive correlation between credit and output.

Study Coverage	Coverage (in Asia only)	Methodology	Results
Kaboski and Townsend (2002)	Thailand (production credit groups, rice banks, women groups, buffalo banks)	Two-staged LS and MLE test of microfinance impact on asset growth, probability of reduction in consumption in bad years, probability of becoming moneylender, probability of starting business and probability of changing job. Separate estimation according to type of MFI and policies of MFI.	Production credit groups and women groups combined with training and savings have positive impact on asset growth, although rice banks and buffalo banks have negative impacts. Emergency services, training and savings help to smooth responses to income shock. Women groups help reduce reliance on moneylenders.
Amin et al. (2003)	Bangladesh (Grameen Bank, BRAC, ASA)	1) Nonparametric test of stochastic dominance of average monthly consumption of members and nonmembers. 2) Maximum likelihood test of micro credit membership on vulnerability, consumption and household characteristics.	Members are poorer than nonmembers. Programs are more successful at reaching poor, but less successful at reaching vulnerable. Poor vulnerable are effectively excluded from membership.
Gertler et al. (2003)	Indonesia (Bank Rakyat Indonesia, Bank Kredi t Desa, commercial banks)	1) Basic consumption smoothing test on household's ability to perform daily living activities (ADL Index). 2) State dependence tests of basic regression (relative man-woman earning, physical job, and savings). 2) Test of geographical proximity to financial institutions on consumption smoothing.	Significantly positive correlation between household's consumption and measure of health. Wealthier households are better insured against illness. Households that live far from financial institutions suffer more from sudden reductions in consumption.

Study Coverage	Coverage (in Asia only)	Methodology	Results
Khandker (2003)	Bangladesh (Grameen bank, BRAC, BRDB)	1) Fixed effect Tobit estimation of borrowing dependent on land education endowments of households. 2) Panel data fixed effects IV estimation to define long-term impact of micro finance borrowing on expenditure, non-land assets and poverty (moderate and extreme).	Households who are poor in landholding and formal education tend to participate more Micro finance helps to reduce extreme poverty much more than moderate poverty (18 percentage points as compared with 8.5 percentage points over 7 years). Welfare impact is also positive for all households, including non-participants, as there are spillover effects.
Pitt et al. (2003)	Bangladesh (BRAC, BRDB, Grameen Bank)	Maximum likelihood estimation controlling for endogeneity of individual participation and of the placement of microfinance programs. Impact variables are health of boys and girls (arm circumference, body mass index and height for- age)	Significantly positive effect of female credit on height-for-age and arm circumference of both boys and girls. Borrowing by men has either negative or non significant impact on health of children.
Coleman (2004)	Thailand (village banks)	Double difference of estimation between the participants, nonparticipants, and villages with and without microfinance program.	Programs do not reach the poor as much as they reach relatively wealthy people. Impact is larger on richer committee members than on rank and file members.
Chowdhury, A. M. R. and A. Bhuiya. (2004)	The wider impacts of BRAC poverty alleviation programme in Bangladesh."	The poverty alleviation program of BRAC, a large non-governmental organization in Bangladesh, and, based on carefully designed studies, presents its impact on selected components of human well-being.	This study found better child survival and nutritional status in households served by the program. Similar impacts were also found in other areas such as expenditure patterns, family planning practices and children's education.

Ganiyah Adejoke Adesina-Uthman(2010)	Sustainable Microfinance Institutions for Poverty Reduction: Malaysian Experience	The paper in the light of examines the sustainability of MFIs in Malaysia. Analyzing the current trends and empirical researches on sustainable financing to the Microfinance industry, it discusses especially, the Morgan Stanley arranged transaction for MFIs, a way of integrating MFIs into the mainstream capital market.	Research has shown that Microfinance Institutions (MFIs) in Asian countries are performing better than MFIs from Easter Europe, yet Malaysian Microfinance institutions are not big participants in this respect. It was observed that Malaysian MFIs are not self-sufficient. They depend heavily on government grants, donors, local financing and savings from members. Albeit, it was observed that cases of hard-core poor and incidence of poverty decreased as at 2004.
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2.4.Impact of MF programs in Asian Poverty

A huge body of proofs rooted in experiential studies has grown over the last two decades on the achievement of microcredit all over the world. Experience and evidences demonstrates that microcredit has a positive impact on the socio-economic conditions of the clients, their households and their microenterprise (Abed, 2000). Access to credit serves dual purpose: (1) capital is invested in microenterprises when clients borrow from AIM; (2) it leads to an increase in enterprise and household income as well as increase employment opportunities for the household members and for society.

According to Alam & Miyagi (2004) generally microenterprises are engaged in agriculture related activities for instance, agricultural equipment making, and trading in inputs such as seeds and fertilizers, poultry, livestock, dairy, rice/oil mills, to non firm enterprises such as petty trading, small business in transport, timber, bakery, medicine/pharmacy, and enterprise manufacturing bricks, ring slabs. Because of the complexities in defining microenterprise by sectors, the government commonly sets the label based on the value of the total microenterprise assets. While in Bangladesh, if the total value of the capital invested in the business is less than BDT1 million (about USD15000) is considered as microenterprise (Alam & Miyagi, 2004).

In Malaysia, The National SME Development Council defines micro enterprises as companies with sales turnover of less than RM250, 000 or full time employee less than 5 for manufacturing/agro-based industry or sales turnover of less than RM200, 000 or full time employees less than 5 for others (Malaysia Bank Nagara, 2004).

According to Singh, (2009) microfinance programs and institutions have become increasingly significant works of strategy to diminish poverty or encourage micro and small 124 European Journal of Economics, Finance and Administrative Sciences Issue 29 (2011) venture development. Singh (2009) argue was supported by the result of the study conducted by Alam & Miyagi, (2004) where they noted that MFIs offers credit to 44.49 in small business, 17.73% in livestock, 12.74% in agriculture and 4.84% in fishing sector.

The first study that employed comprehensive impact of client was conducted by (Hossain, 1988).The author noted that the majority direct effect of the Grameen bank has been on the growth of capital by the poor. The total of operational resources invested in client's microenterprise, increased by an average of three times within a period of 27 months. The expense in fixed assets is about 2.5 times higher for the clients with more than three years' membership than for those who joined during the year of the survey. About one third of the members were unemployed before joining microfinance program. Among them, regarding 7% are men and 50% are women. The study establishes that with loans, these members created self-employment activities and the significant effects on income were inspiring (Hossain, 1988).

In addition, the study conducted by Sutoro,(1990) illustrated that respondents business enterprise income increased by 93%, 26% raise in the ownership of productive machineries, about 16% raise in the ownership of business motor vehicle and 76% increase in household income. Also, Sebstad and Walsh, (1991) confirmed a positive impact of microcredit on microenterprise sales. Mosley, (1996) conducted a study in Bolivia noted that respondent's enterprise income increased by 91%, 39% borrowers

employed after contribution and 26% used loan for new technology – mostly stitching machines. However, Kamal (1999) deliberated the impact of ASA's (Association for Social Advancement) microcredit programs in Bangladesh, noted that 90.42% of the sampled respondents reported an increase in business capital after participation.

In addition, Latiffee, (2003) in his study on Grameen Bank's microcredit clients in Bangladesh noted that the role of Grameen loan on reducing unemployment rate among clients and on their households were inspiring. He also stated that regarding 90% of borrowers accounted a development in standard of income. Moreover, the author noted that poverty rate among borrowers declined considerably and as of 2002, over 46% borrowers have crossed the poverty line. In 2005, Elizabeth Dunn conducted an impact study on 'Local Initiative (Microfinance) Project II' clients in Bosnia and Herzegovina. The conclusion of her study nominated that microcredit had a significant positive impact on household income, employment, business investment, business registration and post-war transition.

Dunn, (2005) also noted that participation in microcredit program significantly reduced poverty rate among the clients from 51% to 46, 2002 in 2004 respectively. The study conducted by Rahman, Rafiq and Momen, (2009) stated that age, education and number of profitably employed members has a important positive effect on household income and asset. Panda, (2009) in his study conducted in India discussed that there is a significant amount increased in borrowers household income (11.41 percent), asset position was 9.75 percent higher than non-participants and savings increased by 42.53 percent. The study also found an increase in annual employment days among the clients.

2.5.Impact of MF programs in Malaysia Poverty

In Malaysia, the impact of AIM's microcredit programs pursues a similar prototype, as it does for other microfinance institutions that follow Grameen's microcredit model. However, the first domestic influence study conducted by Gibbons and Kasem,(1988) to examine the impact of AIM's microcredit program exposed a significant increase in client's monthly household income (55%).

Second Internal Impact Study, (1990) conducted by Research and Development Unit of AIM, conducted the second impact study (1990), and showed further overall improvement amongst participating households. It was found that around 98% of them experienced an increase in household income. Nonetheless, the per capita monthly income also increased from RM40 to RM73. The findings reflected the earlier study.

However, in mid-1990, the Malaysian government started an impact assessment study on AIM's microcredit programs by a team of Social Science and Economic Research Unit (SERU) of the Prime Ministers Department. Findings from SERU, (1990) impact study reconfirmed the findings of the first two impact studies. The study noted that the overall household income increased by more than double (from RM197.78 per month to RM465.66 per month) after participation. Household savings increased from an average of RM33.11 to RM211.25. The increase in household income also assisted an increase in disbursement on food, nutrition, education and reinvestment. As for cost effectiveness, with an operating cost of RM7, 056, AIM managed to liberate 249 poor families from poverty.

Moreover, the Third Internal Impact Study, (1994) conducted by AIM's Research and Development Unit and the findings reconfirmed the earlier studies trends in non-monetary impact of microcredit on poor household. This study showed an improvement in house ownership from 80% to 85% compared to prior participating AIM's microcredit schemes. In addition, the use of electrical household products demonstrated some minor developments. On the view of nutritional quality, 58% suffered there was an improvement, 34% suffered no change and remains were not sure about it. This study also showed that a 13% increase in household income from an average of RM309 per month to RM532 compared to RM223 before contribution. This study found a direct positive significant relationship between level of income and employment of loans.

That is, the more loans being developed, the higher the income. Salma, (2004) noted that among non-participating poor, 77% of them are static below poverty line. Among them, 32.7% are at the below half; and merely 23% handled to getaway beyond poverty without microcredit. On the contrary, among 244 vigorous and inactive members and loafer, 57% of them were no longer poor, 33% of them were quite poor and 11.5% are still at the below half of the nationwide poverty line. However, Findings from Salma (2004) confirmed that the household income, expenses, savings and assets increased for both AIM and PPRT (Projek Perumahan Rakyat Termiskin) participants contrasted to non-participants.

In addition, these increases are higher for AIM clients than PPRT clients. Therefore, Salma, (2004) concluded that the microcredit program has direct and higher involvement to create income than non-microcredit program like PPRT. Although the

positive impact of grouping based microcredit program practiced by AIM, many researchers question the effectiveness of microcredit program in improving the socioeconomic conditions of the hardcore poor borrowers. The hardcore poor are thoughtful in persistent deficiency due to the variation of poor health, poor education, broken families, cruel resource distribution, inadequate infrastructure, varied forms of elimination and limited employment opportunities. This distinctiveness of the hardcore poor requires the corresponding income that they can use to raise themselves out of the state of persistent deficiency (Matin & Begum, 2002).

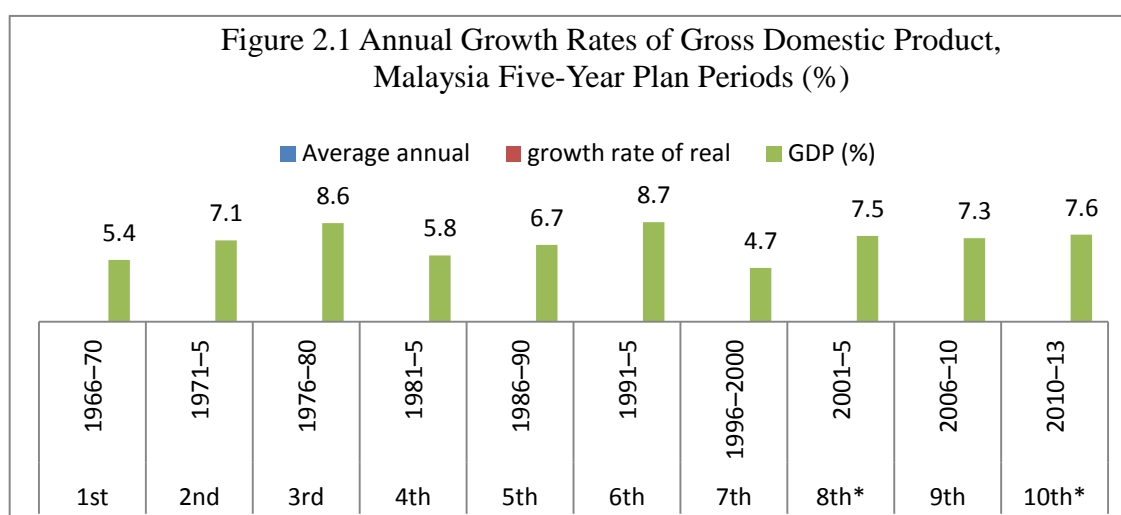
The impact of microcredit program depends on household's ability to make use of the credit in income generating activities and hardcore poor household's ability to raise income is not the same as high income group borrowers Rahman (1998) and Datta (2004). These characteristics of hardcore poor households make them more susceptible and diminish their ability to take any jeopardy. However, several studies conducted by Hashemi (1997) Rahman(1998), Datta (2004) and Rahman, Rafiq and Momen, (2009) confirmed that, the expected group based microcredit program have positive impact on high-income group borrowers. The Consultative Group to assist the (CGAP, 2006) mentioned that microcredit could even damage the poor who do not have ability to take up debts. Current impact study conducted Rahman, Rafiq and Momen, (2009) also concentrated on the significance of measure the impact on hardcore poor households.

2.6.Economic growth and poverty in Malaysia

Declining in poverty level can be accredited to two reasons. Firstly, to a rise in mean incomes will constantly decrease the total poverty rate if the allocation of relative incomes is unchanged. If economic growth raises the incomes of all households—that

is, shifts the entire income distribution to the right—then the percentage of households below an absolute poverty line will unavoidably fall. Secondly, poverty rates will fall if there is a positive change in relative household income distribution, even if the mean income level is unchanged. Since there is growing international evidence that economic growth has little discernible effect on relative income distribution, economic growth can confidently be expected to reduce poverty.

However, public policy can also force to strengthen the positive effects of economic growth. Therefore, in the Malaysian context, it is clear that all together aspect (economic growth and public policy) prepared significant contributions to the imposing reduction in the incidence of poverty. The Malaysian economy experienced fast economic growth over the last twentieth and twentieth century's. Between 1970 and 2010, real GDP per capita grew at an impressive 4.2 per cent per annum (figure 1.1), on average, as a result of effective public policy which played a direct and key function in alleviating poverty over the same period.



Moreover, according to (World Bank, 2001) recommended that, as a simple rule of thumb, a 1 per cent increase in mean income will reduce the incidence of poverty by 2

per cent. Therefore, that frequently referred to as the ‘growth elasticity’ of poverty reduction. The Malaysian context presents a greater paradigm. Over the period 1970–2010, the average percentage reduction in poverty was around 7.5 per cent per year; over the same period, real GDP per capita grew on standard at a rate of 4.2 per cent, giving a ‘growth elasticity’ of 1.8. This designates that for every 1 per cent growth in GDP per capita, poverty is reduced by 1.8 per cent. Over the post-2000 period, the elasticity was constant greater at 2.7.

Despite these successes, Malaysia is a good example of the ‘*growth elasticity*’ concept in practice. Economic growth was indubitably the key player of Malaysia’s successful poverty eradication program. Nevertheless, in addition to ensuring developing in microfinance programs using as tool for poverty alleviation, public policy had additional vital roles to play.

2.6.1. Impact of microcredit programs in poverty

‘If we are looking for one single action which will enable the poor to overcome their poverty, I would focus on credit’.

Grameen Bank's founder, Dr. Muhammad Yunus

Microcredit provides poor people access to credit from a variety of micro financial institutions (MFIs) they require to increase income-earning opportunities, meet life-cycle fundamental needs, manage with urgent situation such as natural disasters and defend them from further poverty throughout economic crisis (Rutherford, 2003). Microfinance and/or microcredit is not the solution for the elimination of global poverty as not all poor households owns an able bodied member to be engaged in

income-generating activities, have entrepreneurial abilities or the self discipline to make effective use of microcredit (Gibbons, 2002). One of the early and most widely cited of the poverty impact studies is Hulme & Mosley (1996) this employed a control group approach looking at the changes in income for households in villages, with microfinance programs and changes for similar households in non-program areas.

Programs in a number of countries considered including the Grameen Bank in Bangladesh and the Bank Rakyat Indonesia (BRI). In general a positive impact is found on borrower incomes of the poor (1988-92) with on average an increase over the control groups ranging from 10-12% in Indonesia, to around 30% in Bangladesh and India Hulme & Mosley, (1996) Gains are larger for non-poor borrowers, however, and within the group the poor gains are negatively correlated with income.

However, despite the breadth of the study and its use of control group techniques, it has been criticized for a possible 'placement' bias, whereby microfinance programs may be drawn to better placed villages, so that part of the advantage relative to the control group may be due to this more favorable location. Further, the quality and accuracy of some of the data, particularly in relation to the representative nature of the control groups, has been questioned (Morduch J. , 1999).

Another major early initiative that has provided some of the firmest empirical work were the surveys conducted in the 1990s by the Bangladesh Institute of Development Studies (BIDS) and the World Bank; these provided the data for several major analyses, such as Khandker and Pitt (1998). Khandker, (1998) Summarizes a number of different studies conducted in Bangladesh using the 1991/92 survey and focusing

on three major microfinance programs, including the Grameen Bank and the Bangladesh Rural Advancement Committee (BRAC).

Methodologically impact is assessed using a double-difference approach between eligible and ineligible households (with land holdings of more than half an acre making households ineligible) and between program and non-program villages. After controlling for other factors, such as various household characteristics, any remaining difference attributed to the microfinance programs. The study draws a number of conclusions, but the main one is that the program had a positive effect on household consumption, which was significantly greater for female borrowers. On average, a loan of 100 taka to a female borrower, after it is repaid, allows net consumption increases of 18 taka. In terms of poverty impact, it is estimated that 5% of participant households are pulled above the poverty line annually.

Khandker, (2003) follows up this earlier work by employing panel data. He uses the BIDS World Bank survey conducted in 1998-99 that traced the same households from the 1991-92 survey.⁷ He finds apparently strong and positive results. Whilst borrowing by males appears to have no significant impact on consumption, that by females, who are the dominant client group, does have a positive impact. From this analysis, a 100-taka loan to a female client leads to a 10.5-taka increase in consumption (compared with 18 taka in the earlier analysis). Allowing for the impact of higher consumption on poverty gives estimates of poverty impact.

It is estimated that the participation in microfinance programs has brought down the poverty level by 8.5 percentage points over a period of seven years and extreme

poverty has dropped by about 18 points over the same period.^{xi} He also finds evidence of positive spillovers on non-program participants in the villages with the impact greater for those in extreme poverty. Poverty among non-participants was found to decline by 1 percentage point due to the programs whilst extreme poverty declines by nearly 5 percentage points. This impact is due solely to female borrowing. The same data set has been used to identify health impacts as opposed to income changes.

Chowdhury, Khandker, & Millimet (2003) find that credit going to females has a large and significant impact in two out of three health measures for children. Male borrowing has no such effect. For example, a 10% increase in credit to females increases the arm circumference of daughters by 6.3%, the height of girls by 0.36 cm annually and of boys by 0.50 cms. The relations are stronger for daughters than sons. Hence, in Bangladesh, micro credit and improved family health appear to be related. These are strong and positive results and probably are the clearest evidence there is that micro finance is working in the way intended to bring sustained relief from poverty.

However, a couple of caveats are in order. First, the accuracy of the original results as presented in Pitt and Khandker (1998) has been disputed because the eligibility criteria of low land holdings were not enforced strictly in practice. In a reworking of the results focusing on what are claimed to be more directly comparable households, no impact on consumption from participation in a program is found Morduch J., (2003)^{xii}.

Second, in the BIDs-World Bank survey data, the ‘ultra poor’ (defined as those with less than 0.2 acres of land) form nearly 60% of participants and the likelihood of participation is strongly and negatively associated with level of land holding. Nonetheless, how much is borrowed depends principally on the entrepreneurship of households, so that the charge that the risk-averse very poor will benefit less has not been much dispelled. Furthermore, the panel data reveal a relatively high dropout rate of around 30%, indicating that there were problems for many households.

There are examples of many other studies that are either inconclusive or provide less convincing results. Coleman (1998) and McNelly, et al. (1996) both focus on experiences with village banking in Thailand. Coleman (1999) utilizes data on villages that had participated in village bank of microfinance schemes and those control villages that were assigned as participants but had not yet participated. This allows a double difference approach that compares the difference between incomes for participants and non-participants in program villages with the same difference in the control villages, where the programs were introduced later. From the results here, the poverty impact of the schemes appears highly dubious. Months of village bank membership have no impact on any asset or income variables and there is no evidence that village bank loans were directed to productive purposes.

The small sizes of loans mean that they were largely used for consumption, but one of the reasons there is a weak poverty impact is that there was a tendency for wealthier households to self-select into village banks. Coleman , (2004) uses the same survey data but reconsiders the estimation strategy to control for self-selection. He argues that the village bank methodology, which relies on self-selection by loan size and

monitoring by frequent meetings, may not reach the poorest. As many wealthy households tend to be on village bank committees, the failure to control for this leads to systematic biases.

The regression result of Coleman, (2004) indicates that there is a substantial difference between ordinary members and committee members of village banks. The impact of micro credits on ordinary members' well being is either insignificantly different from zero or negative. On the contrary, the impact of microfinance programs on committee members' measures of wealth, such as income, savings, productive expenses and labor time is positive, implying a form of program capture by the better off in the village, even though this group may not be well off by national standards. A similar result in terms of rationing micro credit in favor of better-off groups or members found by Duong and Izumida (2002) in a study of six villages in Viet Nam.

There whilst credit availability linked with production and income, household economic position and prestige in a village and the amount of credit applied for are the main determinants of how credit is allocated. (McNelly, B. et al. 1996) evaluated the Freedom from Hunger credit with education program in Thailand operated through village banks. The results show positive benefits, however, although non-participants in non-program villages are used as controls, there are problems in accepting the results. No statistical tests are reported, so one cannot judge whether differences between participants and non-participants are significant. There is also a potential measurement bias since the staff responsible for the program also did the interviewing.

Chen & Snodgrass, (2001) examine the operations of the Self Employed Women's Association (SEWA) bank in India, which provides low-income female clients in the informal sector with both saving and loan services. The study tests for the impact of these services by comparing the bank's clients against a randomly selected control group in a similar geographic area.

Two surveys were conducted two years apart. Average incomes rose over time for all groups—borrowers, savers and the control—although the increase was less for the latter. In terms of poverty incidence there was little overall change, although there was substantial 'churning', in that amongst the clients of SEWA there was quite a lot of movement above or below the poverty line. In interpreting these results Meyer (2002) argues that the evidence on the counterfactual, that is what would have happened to the clients in the absence of the services of SEWA, is not sufficiently strongly established to draw any firm conclusions on poverty impact.

The smoothing of consumption over time to protect the poor against adverse shocks is one of the principle objectives of micro credit. Using data again for Bangladesh (Amin S., et al. 2003) compute several measures of vulnerability.¹⁰ They find that the micro credit participants in the two villages covered are more likely to be below the poverty line than if they had been selected at random, so that the programs have reached the poor. However, the vulnerable are more likely to join a micro credit program in only one of the two villages. Further, for the vulnerable below the poverty line in one village, there is no evidence that they are more likely to be members of a program, and in the other village there is evidence that they have either chosen not to

join or are actively excluded, presumably on the grounds that they are a poor credit risk.

Hence the very poor and vulnerable do not appear to be reached. More positive conclusions in terms of the ability of micro finance to reduce vulnerability are found for Indonesia by (Gertler, P., Levine, D.I., and Moreti, E., 2003) who find that access to micro finance helps households to smooth consumption in the face of declines in health of adult family members. Having established an empirical relationship between health condition and consumption, the authors test for a relation between access to a financial institution and consumption shortfalls associated with ill health. Using geographic distance as a measure of access, they find that for households in an area with a BRI branch, health shocks have no effect on consumption. This study does not differentiate within the group of the poor.

2.6.2. Poverty Definition in Malaysian Context

In Malaysia, the incidence of **absolute poverty** has traditionally been determined by reference to a threshold poverty line income (PLI). This PLI is based on what is considered the minimum consumption requirements of a household for food, clothing, and other non-food items, such as rent, fuel, and power (Box 1.1). There is no separate PLI for urban and rural households.

The proportion of all households living below this threshold is the proportion living in poverty—that is the **poverty rate**. Poverty rates are available for household categories only: they are not available for individuals separately. The concept of **hard-core poverty** was first used by the Malaysian government in 1989 to help identify and target poor households whose income is less than half of the PLI. It is one indication

of the severity of poverty. The term hard-core poverty in Malaysia does not, however, indicate the duration of time spent living below the poverty line.

In addition to absolute poverty, the concept of **relative poverty** is used to assess income differences between income groups. It is measured here by using income difference ratios of income groups (top 20 per cent and bottom 40 per cent), and urban and rural dwellers. The Gini coefficient is also used to assess, in summary form, trends in income distribution^{xiii}. Of course, many welfare measures can be used in poverty assessments. Each has its strengths and limitations, and no one measure can capture the many dimensions of poverty.

The basic indicators used in this study are built upon in later chapters, which focus on other dimensions of poverty. For example, the percentage change of Microfinance programs specifically, microcredit schemes on income of household, used in the study to provide information about deficiency requiring policy support in those sectors. While there is overlap in the composition of the household members suffering various types of deficiency, the policy recommendation differ.

(Box 1.1). MALAYSIA'S POVERTY LINE

Malaysia's Poverty Line Income (PLI) is based on the minimum requirements of a household for three major components: food, clothing, and footwear, and other non-food items such as rent, fuel, and power; furniture and household equipment; medical care and health expenses; transport and communications; and recreation, education, and cultural services.

The incidence of poverty is monitored through the Malaysian Household Income Survey (HIS). The HIS is conducted once in every two to three years and is primarily designed to collect information on household earnings, income sources, and other social data, such as education, health, water supply, electricity, housing, and mode of transport. The current methodology classifies households as poor if their incomes are insufficient to meet the needs of around *five* persons. This may well exaggerate poverty rates of small households and underestimate the poverty rates of larger ones. The methodology for computing the PLI and poverty measures in Malaysia is under review.

2.7.Poverty in Malaysia

“Global poverty today continues to haunt us, while global peace and security is threatened at the same time, all leading to schisms that are growing wider... We have managed to build a Malaysian society, with its rich diversity, into a single Malaysian nation. Perhaps Malaysia’s experience can also be a guide to a world that is facing trouble in dealing with difference and diversity”

Dato’ Seri Abdullah Haji Ahmad Badawi, Global, 2004

Langkawi International Dialogue, 29 July 2004.

Malaysia had successfully reduced the incidence of poverty from 52.4-5.1% between 1970 and 2002. Total number of poor households fell from 1.6 million to 267,000 over this period (Ahmad, 2005). This trend was however getting disturbed, unnoticed at the time, by the country’s fast economic growth and rapid urbanization of the 1990s. The urban population swelled from 30% in 1960 to 40% in 1980 and to 60% in 2000 (Ahmad, 2005). Malaysia experienced rapid macro-economic development with sharp decline in poverty since 1970.

The GDP per capita income had increased from RM 1022 in 1970 to RM 3599 in 1985 to RM 4426 in 1990 to RM 14582 in 2000; consequently poverty level declined from 49.3% in 1970 to 16.5% in 1990 to 5.1% in 2002 (Malaysia, 1971; Malaysia, 1991; Malaysia, 2003). In 1970, 907,120 households were estimated to be poor. By 1990, it went down to 574,500 households. At the beginning of the eighth Plan, the estimated poor households stood at 281,000 declining further to 267,000 by the Mid-term review of the eighth Malaysia Plan. A few macro-economic indicators of the 14 states of Malaysia are shown in.

According to the United Nations Population Division, 78% of the country's population will be urbanized in 2030. The acceleration of urbanization has been accompanied by increase of urban poverty together with crowding, uneven distribution of development benefits and change in the ecology of urban environments. When the economic boom (late 1980s and the (1990s) ended with the Asian financial crisis (1997), the country found itself in economic hardship, high unemployment and growing income inequality. The crisis of 1997 adversely affected the urban poor and migrant workers through job loss, rise of food prices and general inflation. Overall incidence of poverty increased from 6.8% in 1997 to 8.1% in 1999. The number of poor households increased to 393,900 in 1999 (Nair, 2005).

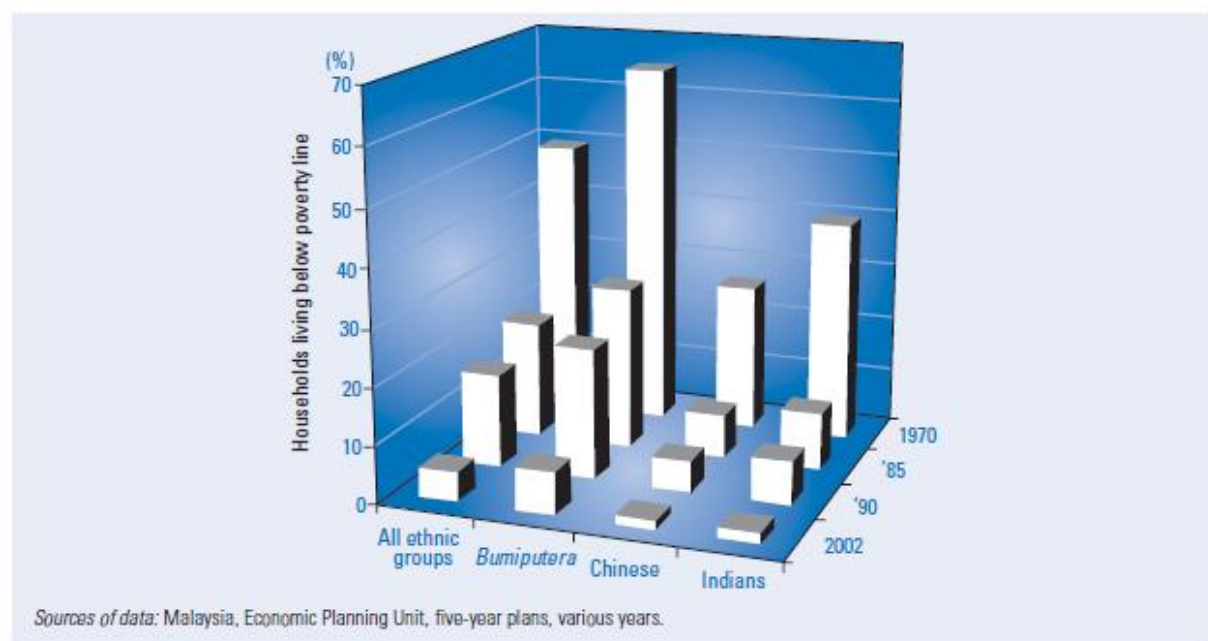


Figure 2.2 Poverty Rates by Ethnic Groups, Malaysia, 1970–2002

However, the unemployment rate increased from 2.6- 3.9% between 1996 and 1998 as the number of retrenched workers more than doubled from 8,000-19,000 between 1996 and 1997. Most retrenched workers were from manufacturing and construction sectors, thus affecting female workers, the urban poor and foreign workers who make

up large parts of the labor force in these sectors (Nair, 2005). In the country as a whole, income share of the bottom 40% fell from 14.5-13.5% while that of the top 20% increased from 50-51.2% between 1990 and 2004 (Malaysia, 2006).

2.8.Providers of microfinance

There are three basic types of financial services providers: informal, semi-formal, and formal providers. The poor are likely to engage with both informal and semi-formal providers. Informal providers are useful for emergencies because the transaction can be quick, while semi-informal providers are often used for longer-term projects like investment in income-generating activities or meeting basic household needs like school fees.

- Informal providers refer to traditional credit like moneylenders, pawnbrokers, and traders with unregistered sources of credit. Informal microfinance also includes loans from friends and relatives or microcredit based on traditional informal groups.⁵ Informal providers tends not to have a formal workplace and maintain few records. Loans are usually in small amounts (relative to other providers) but they are almost available immediately.
- Formal providers refer to formal financial sectors that are subject to the banking laws of the country of operation. These can be government institutions or private banks. Some factors that prevent access to this type of credit by the poor are urban biased credit allocation, poor's lack of collateral, higher transaction costs faced by small borrowers, restrictions on formal lenders' interest rates (disincentive to serve the poor), patronage and corrupt practices.
- Semi-informal providers refer to microfinance institutions (MFIs) that have a commitment to serving clients that have been excluded from the formal

banking sector. MFIs are usually registered as non-governmental organizations (NGOs) or are banks with a special charter (i.e. Grameen Bank). MFIs function by allowing borrowers to access useful lump sums through loans, which are then repaid in small frequent manageable installments. Borrowers are encouraged to repay through accountability and incentives such as larger repeat loans, access to loans for other group members, and access to cash-back and saving services. (Lee, 2006). Some NGOs include microfinance services in their programs, but are not primarily MFIs. These NGOs can work independently or in partnerships with MFIs or commercial banks.

2.9. Malaysian Development Plans

Since independence in 1957, Malaysia has embarked on a progressive path to improve the social and economic standing of the country and its citizenry. Steady development and high annual growth rates since 1970 to 2010 (see table 1.2) combined to significantly reduce poverty and unemployment levels, as well as address other socio-economic imbalances. The force behind these early achievements were laid out under the nation's comprehensive Outline Perspective Plans, which included detailed Five-Year Malaysia Plans and strategic policy initiatives that sought to eradicate poverty, restructure society, sustain growth and maintain national unity.

As Malaysia built its economic foundations, the concern for the environment and sustainability was firmly rooted in the Third Malaysia Plan (1976-1980). Not only were a set of guiding principles established to maintain a healthy environment for human habitation, but also the need to preserve natural heritage and take into account the impact of population growth and industrialisation was clearly recognized.

By the time of the Fifth Malaysia Plan (1986-1990), environmental protection was already a key factor in the equation for national progress. Among the many efforts to sustain both economic and environmental soundness were actions to minimise the impact of human activities related to deforestation, urbanisation and tourism; emphasising prevention through conservation instead of curative measures; and incorporate environmental planning in development projects.

The 1992 United Nations Conference for Environment and Development (UNCED) stimulated the international community to review their policies and practices for sustainable development. In a similar vein, Malaysia realised the shortcomings of merely pursuing economic goals, and in 1970 formulated the New Economic Policy (NEP), which had the two-pronged objectives of poverty eradication irrespective of race and the restructuring of society to eliminate the identification of race with economic functions. The promulgation of the NEP addressed ethnic and regional imbalances and ensured national unity. Then in 1990, Malaysia build upon the NEP by embarking upon a strategic planning mission to achieve a wide range of economic objectives and social transformations to further decrease the incidence of poverty and ensure a higher quality of life. This national programme, known as Vision 2020, seeks to establish Malaysia as a developed country in its own mould by the year 2020.

Table 2.2 Annual Growth Rates of Gross Domestic Product, Malaysia Five-Year

Plan Periods (%)

Plan	1st	2nd	3rd	4th	5 th	6th	7th	8th*	9 th	10th*
Year	1966–70	1971–5	1976–80	1981–5	1986–90	1991–5	1996–2000	2001–5	2006–10	2010–13
Average annual growth rate of real GDP (%)	5.4	7.1	8.6	5.8	6.7	8.7	4.7	7.5	7.3	7.4

Sources: Malaysia Five-year Plan, 8MP and 9MP

Guided by the Sixth and Seventh Malaysia Plans (1991-2000), the last decade was characterized by the concept of balanced development as a major feature of the National Development Policy. Of primary concern were strategies to generate sustained rapid economic growth as well as to ensure that the benefits were equitably shared among Malaysians of all states, ethnic groups and rural and urban populations. A critical acknowledgement, apart from economic growth, was the need to continue to protect the environment and Malaysia's natural resource base.

Table 2.3 Population and urbanization rate by state, 2000-2010

State	Population(million)			Urbanization Rate (%)			AAGR of Urban Population (%)	
	2000	2005	2010	200	2005	2010	8MP	9MP
North Region				39.1	39.8		2.4	2.2
Kedah	1.67	1.85	2.04	59.1	59.3	59.3	1.6	1.6
Perak	2.09	2.28	2.44	34	35.1	35.9	2.2	2.2
Perlis	0.21	0.23	0.25	79.7	79.8	80	2	1.9
Palau Pinang	1.33	1.5	1.6					
Central Region								
Melaka	0.65	0.72	0.79	67.5	70.6	73.4	2.9	2.7
Negara Sembilan	0.87	0.96	1.03	54.9	56.3	57.4	2.3	2.1
Selangor	4.19	4.87	5.31	87.7	88.4	89.1	2.7	2.4
Wilayah persekutuan	1.42	1.62	1.7	100	100	100	1.9	1.5
Kuala Lumpur								
Southern Region								
Johor	2.67	3.17	3.46	64.8	66.5	67.7	2.9	2.6
Eastern Region								
Kelantan	1.36	1.51	1.67	33.5	33.4	33.3	2	2.1
Pahang	1.3	1.45	1.57	42	43.5	44.6	2.7	2.5
Terengganu	0.9	1.02	1.12	49.4	49.8	50.3	2.6	2.6
Sabah	2.6	3.13	3.33	48.1	49.8	51.6	3.1	2.9
Wilayah persekutuan Labuan	0.08	0.09	0.09	76.3	77.6	78.6	2.2	1.8
Sarawak	2.07	2.34	2.56	48.1	49.5	50.6	2.8	2.4
Malaysia	23.49	26.8	29	62	63	63	2.5	2.3

Source: Malaysia (2006): The Ninth Malaysia Plan (2001-2005)

Table 2.4 The development expenditure and allocation for rural development projects, 2001-2010 (RM billion)

Program/Project	8MP Expenditure	9MP Allocation
Economic Projects	5.9	10.1
Education and Training	10.4	10.2
Health	0.9	2
Road	2.3	3.6
Water Supply	0.7	1.2
Electricity	0.6	1
Housing	0.2	0.3
Total	21	28.4

Source: Malaysia (2006): The Ninth Malaysian (2001-2005)

CHAPTER THREE

3.0.Millennium Development Goals

3.1.Millennium Development Goals (MDGs)

This chapter starts with the overview of MDGs, which is followed by the schedule of the objective UN MDGs. This chapter also focuses on the major of Malaysia's MDG performance and their role in poverty alleviation. There is a sight into their organizational structure, working methodology, and their role in eradication of poverty.

Millennium Development Goals (MDGs)	
Goals and Targets (from the Millennium Declaration)	Indicators for monitoring progress
Goal 1: Eradicate extreme poverty and hunger	
Target 1: Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day	1. Proportion of population below \$1 (PPP) per day a 2. Poverty gap ratio [incidence x depth of poverty] 3. Share of poorest quintile in national consumption
Target 2: Halve, between 1990 and 2015, the proportion of people who suffer from hunger	4. Prevalence of underweight children under-five years of age 5. Proportion of population below minimum level of dietary energy consumption
Goal 2: Achieve universal primary education	
Target 3: Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling	6. Net enrolment ratio in primary education 7. Proportion of pupils starting grade 1 who reach grade 5 8. Literacy rate of 15-24 year-olds
Goal 3: Promote gender equality and empower women	
Target 4: Eliminate gender disparity in primary And secondary education preferably by 2005 and to all levels of education no later than 2015	9. Ratios of girls to boys in primary, secondary and tertiary education 10. Ratio of literate females to males of 15-24 year-olds 11. Share of women in wage employment in the nonagricultural sector 12. Proportion of seats held by women in national Parliament

Target 5: Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate	13. Under-five mortality rate 14. Infant mortality rate 15. Proportion of 1 year-old children immunized against Measles
Goal 5: Improve maternal health	
Target 6: Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio	16. Maternal mortality ratio 17. Proportion of births attended by skilled health personnel
Goal 6: Combat HIV/AIDS, malaria and other diseases	
Target 7: Have halted by 2015 and begun to reverse the spread of HIV/AIDS	18. HIV prevalence among 15-24 year old pregnant women 19. Condom use rate of the contraceptive prevalence rate ^b 20. Number of children orphaned by HIV/AIDS ^c
Target 8: Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases	21. Prevalence and death rates associated with malaria 22. Proportion of population in malaria risk areas using effective malaria prevention and treatment measured 23. Prevalence and death rates associated with tuberculosis 24. Proportion of tuberculosis cases detected and cured under directly observed treatment short course(DOTS)
Goal 7: Ensure environmental sustainability	
Target 9: Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources	25. Proportion of land area covered by forest 26. Ratio of area protected to maintain biological diversity to surface area 27. Energy use (kg oil equivalent) per \$1 GDP (PPP) 28. Carbon dioxide emissions (per capita) and consumption of ozone-depleting CFCs (ODP tons)

	29. Proportion of population using solid fuels
Target 10: Halve, by 2015, the proportion of People without sustainable access to Safe drinking water	30. Proportion of population with sustainable access to an improved water source, urban and rural
Target 11: By 2020, to have achieved a Significant improvement in the lives of at least 100 million slum dwellers	31. Proportion of urban population with access to improved sanitation 32. Proportion of households with access to secure tenure (owned or rented)
Goal 8: Develop a global partnership for development	
<p>Target 12: Develop further an open, rule-based, predictable, non-discriminatory trading and financial system Includes a commitment to good governance, development, and poverty reduction both nationally and internationally</p> <p>Target 13: Address the special needs of the least developed countries Includes: tariff and quota free access for least developed countries' exports; enhanced program of debt relief for HIPC and cancellation of official bilateral debt; and more generous ODA for countries committed to poverty reduction</p>	<p>Some of the indicators listed below are monitored separately for the least developed countries (LDCs), Africa, landlocked countries and small island developing States.</p> <p>Official development assistance</p> <p>33. Net ODA, total and to LDCs, as percentage of OECD/DAC donors' gross national income</p> <p>34. Proportion of total bilateral, sector-allocable ODA of OECD/DAC donors to basic social services (basic education, primary health care, nutrition, safe water and sanitation)</p>

<p>Target 14: Address the special needs of landlocked countries and small island developing States (through the Program of Action for the Sustainable Development of Small Island Developing States and the outcome of the twenty-second special session of the General Assembly)</p> <p>Target 15: Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term</p>	<p>35. Proportion of bilateral ODA of OECD/DAC donors that is untied</p> <p>36. ODA received in landlocked countries as proportion of their GNIs</p> <p>37. ODA received in small island developing States as proportion of their GNIs</p> <p>Market access</p> <p>38. Proportion of total developed country imports (by value and excluding arms) from developing countries and LDCs, admitted free of duties</p> <p>39. Average tariffs imposed by developed countries on agricultural products and textiles and clothing from developing countries</p> <p>40. Agricultural support estimate for OECD countries as percentage of their GDP</p> <p>41. Proportion of ODA provided to help build trade capacity^e</p> <p>Debt sustainability</p> <p>42. Total number of countries that have reached their HIPC decision points and number that have reached their HIPC completion points (cumulative)</p> <p>43. Debt relief committed under HIPC initiative, US\$</p>
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	44. Debt service as a percentage of exports of goods and Services
Target 16: In co-operation with developing countries, develop and implement strategies for decent and productive work for youth	45. Unemployment rate of 15-24 year-olds, each sex and total ^f
Target 17: In co-operation with pharmaceutical companies, provide access to affordable, essential drugs in developing countries	46. Proportion of population with access to affordable essential drugs on a sustainable basis
Target 18: In co-operation with the private sector, make available the benefits of new technologies, especially information and communications	47. Telephone lines and cellular subscribers per 100 population 48. Personal computers in use per 100 population and Internet users per 100 population

“The Millennium Development Goals and targets come from the Millennium Declaration signed by 189 countries, including 147 Heads of State, in September 2000 (www.un.org/documents/ga/res/55/a55r002.pdf - A/RES/55/2). The goals and targets are inter-related and should be seen as a whole. They represent a partnership between the developed countries and the developing countries determined, as the Declaration states, “to create an environment – at the national and global levels alike – which is conducive to development and the elimination of poverty.”

a For monitoring country poverty trends, indicators based on national poverty lines should be used, where available.

b Amongst contraceptive methods, only condoms are effective in preventing HIV transmission. The contraceptive prevalence rate is also useful in tracking progress in other health, gender and poverty goals. Because the condom use rate is only measured amongst women in union, it will be supplemented by an indicator on condom use in high risk situations. These indicators will be augmented with an indicator of knowledge and misconceptions regarding HIV/AIDS by 15-24 year-olds (UNICEF – WHO).

c To be measured by the ratio of proportion of orphans to non-orphans aged 10-14 who are attending school.

d Prevention to be measured by the % of under 5s sleeping under insecticide treated bed nets; treatment to be measured by % of under 5s who are appropriately treated.

e OECD and WTO are collecting data that will be available for 2001 onwards.

f An improved measure of the target is under development by ILO for future years.

3.2.Malaysia's MDG performance

The recent explicitly, the evidences base of Malaysia's progress towards the MDGs—the policies, strategies, and programs that were adopted to achieve them and the challenges that lie ahead. The following pages outline the challenges facing Malaysia in 1970 with respect to each of these goals, and briefly summarize the main elements of progress.

3.2.1. MDG 1 Eradicate extreme Poverty and hunger

Poverty eradication is the super goal among the MDGs, and Malaysia's story in this regard is remarkable. Just below half of all households were poor in 1970. By 2002, just 5.1 per cent of households were poor. This success is not merely a 'statistical' one based on setting the poverty line very low. Malaysia sets its poverty line at a higher standard of living than the US\$1 PPP standard poverty line used by many countries and, in comparison with these countries, overestimates rather than underestimates the incidence of poverty.

Although poverty varies considerably by state and ethnic group, in no part of the country is there any longer a very high incidence of poverty. The highest incidences are in Sabah (16 per cent) and Kelantan (12 per cent). Ethnic differences remain marked (poverty incidence in 2002 being 7.3 per cent for Bumiputera, 1.5 per cent for Chinese, and 1.9 per cent for Indians), but at a much lower level of incidence of poverty than previously. The measureless majority of remaining poor households are Bumiputera, with a significant proportion of these being the Orang Asli and the indigenous communities of Sabah and Sarawak. Sustained economic growth and a commitment by the government to poverty elimination were crucial elements in this success story. Three strategic poverty-reducing approaches were employed.

The first was a strong emphasis on agricultural and rural development to raise the income of poor farmers and agricultural workers by raising their productivity. This included inside agricultural development and the opening of new agricultural land. The second was the emphasis on labor-intensive export industrialization to absorb poor workers from both rural and urban areas. The third was the channeling of public investment into education, health, and basic infrastructure, especially in rural areas, to raise the living levels of the poor. The government's steady revenue growth and continued political stability have enabled these policies to be pursued uninterruptedly.

During the 1970–90 periods, poverty reduction occurred in tandem with the reduction in personal, ethnic group, and geographical income inequalities. Over the 1990–2002 periods, poverty reduction was accompanied by some increase in inequalities within each of these three categories. This is a key challenge. Other challenges relate to specific categories of the poor, requiring different approaches. These include female-headed households and the isolated elderly, non-citizens (unskilled foreign workers, both legal and illegal), and Orang Asli, 51 per cent of whom live in poverty. With continuing urbanization, there are substantial numbers of poor in urban areas, even though urban poverty rates overall are low (UNDP, 2008).

Although Malaysia has achieved the aggregate MDG 1 objective of halving poverty, rural Sabah is not on path to achieve this MDG by 2015 with poverty levels that are still in high level of 30 % of the population in 2009. In addition, income inequality has remained high and inflexible in Malaysia as a whole over the last twenty years (UNDP, 2010).

As a result, it is time for Malaysia to prioritize family poverty as a most important strategy alignment in order to guarantee that it maintains the wellbeing and health of marginalized groups and to concentrate on its comparatively high level of inequality. However, the prioritization of the bottom 40% in the 10 the Malaysia Plan should be welcomed, specific strategic plans will need to be designed and effectively implemented for different sub-groups because different segments in the bottom 40 per cent will need different approaches best suitable to their needs. (UNDP, 2010).

3.2.2. M D G 2 Achieve universal primary education

In 1970, one-third of Malaysia's population age six and over had never attended school, with some 12 per cent of all primary school-age children not in school. Nevertheless, by 1990, Malaysia had essentially achieved the goal of universal primary education—not only in terms of enrolment ratios, but also in terms of the number of primary school children completing primary school education (which was above 97 per cent). (UNDP, 2010)

This was accomplished despite the continuing increase in the number of school-aged children. The provision of educational infrastructure to ensure access of the rural poor to education was central to this success. Specific programs included an ongoing textbook loan scheme for which the great majority of primary pupils are eligible; supplementary feeding scheme, school health program, and school milk program, which have both improved health and raised the attendance of children from poor families; and provision of hostels, mainly in Sabah and Sarawak (UNDP, 2010). However, quality of the teaching force has been upgraded, with the current goal of raising the proportion of primary teachers with a university degree to 50 per cent.

The costs of education to poor families have been kept low by making education free and providing assistance for indirect costs, such as school uniforms and shoes, besides providing scholarships and other financial assistance to poor families. Nevertheless, the major faces now for Malaysia at the primary and secondary school levels is not the quantity measure but the quality of education, especially given the country's goals to become a high-income country and fully developed by 2020 (Malhotra, 2011).

Though the MDG goal has been reached, however, the indefinable goal may be that of ensuring access of the poor to quality education. The Malaysian education sector's strategic drive is now to reduce the gap in student performance between the urban and rural areas and among the states, to improve the delivery system in line with technological change, and to create a knowledge-based economy. A number of programs are directed to quality enhancement in rural schools. These include building extra classrooms and consolidating rural schools with low enrolments to provide better service.

Many issues remain; however, the digital divide between rural and urban children is wide. Access of rural children to pre-schools is low. Keeping good teachers in rural areas, as well as providing good education in isolated areas, remains a challenge, (UNDP, 2008). Achieving universal primary education does not greatly reduce the pressure on educational budgets. These have continued to rise as a share of development expenditure, mainly because of the continuously increasing investment in secondary and higher education (Malaysia, 2006).

Figure.3.1 DEVELOPMENT EXPENDITURE AND ALLOCATION FOR EDUCATION

<i>Programme</i>	<i>8MP Expenditure</i>	<i>9MP Allocation</i>
Education	37,922.0	40,356.5
Pre-school	215.7	807.3
Primary Education	5,369.3	4,837.3
Secondary Education	8,748.1	6,792.8
Government & Government-aided Schools (Academic)	7,931.2	5,549.1
MARA Junior Science Colleges	433.1	614.5
Government & Government-aided Schools (Technical & Vocational)	383.8	629.2
Tertiary Education	13,403.9	16,069.0
Teacher Education	1,368.1	577.7
Other Educational Support Programmes	8,816.9	11,272.4
Training	4,450.9	4,792.6
Industrial Training	3,930.6	4,103.6
Commercial Training	158.6	179.5
Management Training	361.7	509.5
Total	42,372.9	45,149.1

Figure 3.2 STUDENT ENROLMENT IN PUBLIC EDUCATION INSTITUTIONS, 2000-2010

<i>Level of Education</i>	<i>Number of Students</i>			<i>% of Total</i>			<i>Increase (%)</i>	
	<i>2000</i>	<i>2005</i>	<i>2010</i>	<i>2000</i>	<i>2005</i>	<i>2010</i>	<i>8MP</i>	<i>9MP</i>
Pre-school² (4-6)	539,469	702,897	784,200	9.8	11.6	11.9	30.3	11.6
Primary	2,907,123	3,044,977	3,195,977	52.6	50.0	48.3	4.7	5.0
Lower Secondary	1,256,772	1,330,229	1,425,231	22.7	21.9	21.6	5.8	7.1
Government & Government-aided Schools	1,251,466	1,322,212	1,412,235					
MARA Junior Science Colleges	5,306	8,017	12,996					
Upper Secondary	707,835	763,618	881,247	12.8	12.6	13.3	7.9	15.4
Government & Government-aided Schools (Academic)	637,292	678,646	774,550					
MARA Junior Science Colleges	10,118	12,145	21,470					
Government & Government-aided Schools (Technical & Vocational)	60,425	72,827	85,227					
Post-secondary	94,544	199,636	277,904	1.7	3.3	4.2	111.2	39.2
Government & Government-aided Schools	48,035	144,194	202,904					
Pre-Diploma & Pre-University Courses	46,509	55,442	75,000					
Teacher Education	23,740	34,672	45,899	0.4	0.6	0.7	46.0	32.4
Total	5,529,483	6,076,029	6,610,458	100.0	100.0	100.0	9.9	8.8

3.2.3. MGG 3 Promote gender equalities and empowerment women

The single target of the MDG is to eliminate disparities in primary and secondary education. Additional ones used in the Malaysian assessment are the share of women in wage employment in the non-agricultural sector and the proportion of seats held by women in national parliaments. Historically, girls had unequal access to primary and secondary schooling.

This gender disparity had largely disappeared at the primary level by 1970, and in the most recent years girls outnumber boys both in secondary school enrolment (in all states) and more conspicuously at the tertiary level, reflecting in part the much greater number of females than males seeking tertiary teaching and nursing qualifications. This has flowed through to some extent into employment and political life. The picture provided by female labor force participation rates is a rather static one, with rates remaining unchanged over the past quarter century at around 47 per cent. Women's share of non-agricultural employment has risen, however, marked by a sharp increase in female manufacturing employment in the 1980s and in services in the 1990s.

The proportion of all employed women who were in the key occupational sectors for well-educated workers (professional, managerial, and clerical) rose sharply between 1980 and 2000. This is an encouraging sign, though in the professions, women were concentrated in teaching, nursing, and accounting. In political life, although women's share of appointed seats in the Senate has risen substantially, their numbers as elected members in Parliament, and especially in state legislatures, remain very small.

Administratively, the aim of women's advancement has received considerable attention.

The five-year development plans from the Third Malaysia Plan on have paid increasing attention to gender issues, various groups advising the government on women's affairs were appointed, the National Policy for Women was adopted in 1989, and the Ministry of Women, Family and Community Development established in 2001. A number of measures to improve the legal status of women have been adopted, and gender analysis training and sensitization has been conducted with policy makers and program implementers, officers from the Islamic Shari'ah courts, and law enforcers. Many issues remain, in particular enabling women to better balance their work, childcare, and household duties and changing men's attitudes to sharing family responsibilities.

3.2.4. MDG 4 Reduce child mortality

Infant and child mortality rates have been reduced from already moderately low levels in 1970 to levels prevailing in highly developed countries (6.2 and 8.6 per 1000 live births, respectively, in 2002). Ethnic differentials have been sharply reduced, especially in the 1990s, and rural–urban differences have also narrowed. State differences in infant mortality rates (IMR), though still quite large in relative terms, are quite small in absolute terms, because mortality rates have reached such low levels (Malaysia, 2006). The core of Malaysia's success has been a well-developed primary health care system, capable of bringing medical advances, including vaccines and oral rehydration for the treatment of diarrhea, to the poor. Nonetheless, recognizing that it is unlikely that Malaysia will meet its MDG target of 11 per 100,000 live births by 2015, the Ministry of Health has set a target of 20 per 100,000 live births by 2015 (Malhotra, 2011).

On the other hand, together with improved access to clean water, improved sanitation, and better child nutrition, reinforced by programs to reduce poverty, increase literacy, and the provision of modern infrastructure, these health benefits have had a demonstrable impact. Increasing access to basic child health care has been made possible by the extensive network of health centers and clinics, supported by trained midwives and other health workers, and delivered through an integrated maternal and child health (MCH) program. Upgrading the training level of public health nurses and midwives to the community nurse conversion program has served to bring child health services closer to homes and communities.

As health is closely related to socio-economic development and empowerment of women, the increased education of women, later marriage, and lower fertility rates achieved over the period indisputably played an important part in achieving declines in infant mortality (UNDP, 2008). A relatively high proportion of the development budget has been spent on health. The Malaysian government saw promotion of health as an integral component of its rural development strategies and programs, with prevention of communicable diseases, including malaria and tuberculosis, clean water and sanitation, maternal and child health, and nutrition and health education, as major health elements. Major causes of child mortality were identified and targeted through nutrition program, immunization (measles immunization for infants was made a national program from 1986, as part of the Expanded Program of Immunization for Children), management of childhood diarrhea with oral rehydration therapy from the mid 1980s, and management of acute respiratory infections.

3.2.5. MDG 5 Improved maternal health

The maternal mortality rate (MMR) in Malaysia fell from 141 per 100,000 live births in 1970 to 20 in 1990, with not much change since then. This rate is less than one-tenth of that in a number of neighboring countries. The overall decline has been accompanied by a narrowing of differentials between Bumiputera and other ethnic groups, and between states (Malaysia, 2006).

However, almost all births in Peninsular Malaysia are now attended by skilled health personnel schools and midwifery has been professionalized, with the establishment of midwifery schools and the consequent improvement of midwives to community nurses, who are in turn supervised by a trained nurse or midwife and public health nurse at the health centre, who attends to medical appointments. Traditional birth attendants (TBAs) have been trained to evade damage traditional practices, to distinguish the hazard signs of pregnancy and delivery, and to work in associations with government midwives. The real participation of TBAs in deliveries has diminished noticeably. A remaining challenge is to lower the Bumiputera MMR to that of the Chinese. While it is unmet, desires for family planning stay superior and are rising, resulting in unplanned pregnancies and unwanted births, mainly for women with less education and rural areas (Malhotra, 2011).

3.2.6. MGD 6 Combat HIV/AIDS, Malaria, and other diseases

Malaysia has had great success in virtually eliminating malaria from urban and other densely populated areas, and achieving a particularly notable reduction in incidence of the disease over the 1990s, especially in the two states of Peninsular Malaysia with

the highest rates, Pahang and Kelantan. Malaria remains much more of a problem, however, in Sabah and Sarawak (Malaysia, 2006). Malaysia's success in combating malaria resulted from sympathetic the location-specific epidemiology of malaria around the country; adopting a combination of strategies targeting the host, parasite, mosquito, and environment; incorporating, collaborating, and organizing resources; and having a clear policy, defined targets, and governmental support.

The picture with respect to HIV/AIDS and tuberculosis is less encouraging. In Malaysia, detected cases of HIV are predominantly male (93 per cent), and predominantly Malay, and they mainly occur among injecting drug users (Malaysia, 2006).

The cumulative number of reported HIV cases doubled between 1992 and 1994; it doubled again in 1997, and yet again in 2002. This is what the World Health Organization (WHO) calls a intense epidemic: low HIV occurrence among the general population, but constantly higher than 5 per cent among injecting drug users. The principal modes of transmission are sharing of needles by drug users (76 per cent) and sex between men (12 per cent). Therefore, though Malaysia is increasingly rousing towards achieving MDG 6, but it is doubtfully whether this goal can be achieved by 2015. In addition, MDG 6 target of doubtful and eradicating the spread of HIV/AIDS by 2015 therefore, it seems extremely challenging as well (UNDP, 2010)

Tuberculosis (TB) remains a difficult disease for Malaysia to overcome. It registers the highest number of deaths from any infectious disease, and the number of deaths rose steadily in the mid to late 1990s. WHO ranks Malaysia as a country with an

‘intermediate’ burden of TB, and describes its TB notification rate as ‘high relative to its level of development’. A sustained and effective TB control program is essential (UNDP, 2010). Strategies adopted include BCG vaccination for all newborn babies; screening of symptomatic and high-risk groups; rising of awareness of the disease through the mass media; training of health staff about the disease; further research on prevalence and resistance; and case detection and free treatment using WHO’s DOTS strategy (UNDP, 2010).

However, both HIV/AIDS and TB are related to social problems, namely, rural and urban poverty, and intravenous drug use. They have no easy technological ‘fix’, and efforts to tackle both must deal with ignorance and an ‘image’ problem because of their relationship to drug addiction and poverty respectively. The increased number of TB with HIV co-infection cases is a matter of concern.

3.2.7. MDG 7 Ensure environmental sustainability

Fast economic development in both urban and rural areas has led to environmental challenges. As in other countries, dealing with these has been a sophistication process, but the principles of

Sustainable developments have gradually been integrated into national development policies at the highest level of planning and policymaking (UNDP, 2010). Since the Third Malaysia Plan (1976–80), principles of sustainable development have been incorporated into national development and sector strategies. Forest cover in Malaysia has been retained at 59.5 per cent, in adherence with Malaysia’s commitment towards retaining at least 50 per cent forest cover (Malaysia, 2006). In the field of energy, the use of which is increasing with economic growth, there have been efforts at

promoting efficient utilization, discouraging wasteful patterns of energy consumption, and diversifying energy sources.

Clean water supply can be refer to a huge success in Malaysia, as 98 per cent of urban and 87 per cent of rural populations are now served with clean piped water. There has been a problem, though, of water pollution in some districts, mainly attributable to opening up of land for housing development, rural development (especially large-scale land settlement schemes), active logging and mining activities, and general infrastructure development.

3.2.8. MDG 8 Development global partnership for development

Malaysia conventional mainly non-concessional loans from the 1970s beyond, largely from multilateral financial institutions, such as the World Bank (WB), the Asian Development Bank (ADB), and the Islamic Development Bank (IDB).

These loans reached insignificant levels by the 1990s, but were resumed to finance development needs during the 1997 regional financial and economic crisis. At the same time, technical assistance was also received from bilateral sources, predominantly from Japan, as well as from multilateral sources. Malaysia has participated actively in regional groupings such as the Association of South-East Asian Nations (ASEAN) and of Asia-Pacific Economic Cooperation (APEC) to enhance interregional trade, investment opportunities, and production networks, and to increase financial and industrial cooperation among countries of the region.

CHAPTER FOUR

4.0.RESEARCH FRAMEWORK AND METHODOLOGY

The purpose of this chapter is to present the methodology used to test the hypotheses in this research. Methodology describes the methods and techniques as follows; research framework, hypotheses/propositions development, research design, operational definition, measurement of variables/instrumentation, data collection (sampling and data collection procedures) and techniques of data analysis. Furthermore, this study also will use the conceptual framework.

4.1.Introduction

Researchers (such as (Neuman, 1997), (Sekaran, 2003); (Creswell J. W., 2003) suggested that suitable methodology and data collection method affect research results. The use of any methodology, more specifically, any data collection method depends on the aim, the scope, the budget, the research population of the study, and the resources available for the study (Sekaran, 2003).

This chapter discusses the research model, data collection and research methods used in the study. The first phase of the discussion will contain initial questionnaire and second phase will contain the main questionnaire design, classification of questionnaire sections, population of study, selection of the respondents, reliability and validity. Third phase will contain the survey processes and analysis methods.

4.2.Research Design

Previous researchers and practitioners (such as, (Neuman, 1997); (Sekaran, 2003); (Creswell J. W., 2003); (Bouma & Ling, 2004) suggested that most of social science research is conducted by using one of the two research approaches: quantitative research and qualitative research. Following explanations are given, for these two

research approaches (quantitative and qualitative). The strengths and weaknesses of each will also be identified.

4.2.1. Quantitative Approach

Quantitative approach is usually based on questionnaire method or experimental method of data collection followed by the use of scientific method to analysis in the numerical form (Sekaran, 2003) ; (Bouma & Ling, 2004). In general, quantitative method tries to respond the questions starting with ‘what’, ‘how’ and ‘how many’ (Creswell, 1998). Normally, in this method, the percentage and frequency, or proportion, of responses is determined. In other words, the quantitative approach or questionnaire involves collecting numerical data that can be tabulated, charted, graphed and analyzed using suited statistical methods (Sekaran, 2003).

In quantitative Approach, questionnaire must be send to all of the study population to get suited data about the research variables in order to quantify the relationships among these variables. This involves the test of hypotheses derived from determinant theories that may be accepted or rejected based on comparative and statistical analyses (Bouma & Ling, 2004). According to (Sekaran, 2003) the quantitative approach is a deductive method; it starts from general theory and ends with specific or small observations. In other words, the researcher firstly determines the theory, which could explain the phenomenon, then, collects necessary data to examine or test the hypotheses. Creswell, (2003) stated that the technique of traditional quantitative method is questionnaire or survey, face-to-face, administered by mail or more recently by the internet, to collect information about the phenomenon or population.

4.2.2. Qualitative Approach

This method is a process of investigation to know or understand a social or human problem from different perspectives in a natural setting with the goal of building a complex holistic picture of the phenomenon of interest (Mason, 2002). According to Carson, Gilmore, and Perry, (2001) the purpose of qualitative researchers is collecting information from large number of context stripped cases and seeking statistical significance. Another difference of qualitative researchers is they work with small sample of studies to collect in depth information about the sample or phenomenon of the study.

Cassel, Buehring, Symon and Johnson (2006) said that the qualitative approaches is *“.... useful as aids or tools to help the respondents think about their own worlds and consider, possibly for the first time, the way they construct their reality” (p.71).*

Many researchers such as (Gummeson, 2000); (Carson, et al. 2001) and (Sekaran, 2003) suggested that qualitative approach is inductive research of the phenomenon or reality in nature. Usually, qualitative researchers and practitioners use fieldwork research method, observations and primary case studies within natural settings. Qualitative approach is concerned with qualities and non-numerical characteristics (Black, 1999; Carson et al., 2001).

The limitation is also in the form that the results are not generalizable. Another problem of qualitative research is using Likert-type scales, or reliability tests are not possible because data sets do not contain multiple measures (Sekaran, 2003). In sum, two approaches of research methods, quantitative and qualitative, vary in terms of study or population size, in the measures and statistical techniques.

In the study, we will use the quantitative method. Hence, this study will also focus on the numerical data and perform the statistical tests. Thus, the result of our research depends on numerical, using quantitative methodology.

4.3.SAMPLE SELECTION AND DATA COLLECTION

PROCEDURE

The population for my study encompasses the people who have been engaged in microfinance activities for at least two years and live in Kedah state. I chose the people with a long experience in microfinance activities because they are well informed and know much about the pros and cons about its activities, so they can reflect better to my questionnaire. I have used close end questionnaire for collecting the data by surveying the clients attached to the MFIs. The people for the interview were selected randomly. To get the address and particulars of the interviewees in different areas, I took help from the local branches of MFIs and from the local people of the particular areas.

4.3.1. QUESTIONNAIRE DESIGN

The questionnaire comprised of background questions about *gender, age, education, number of family members* and *living standards*, and questions related to *income, saving capital* etc., close end questions were asked to collect the information from the respondents. The same context of questions was given to all respondents and they received exactly the same interview stimulus. Questions were very specific with a fixed range of answers. The closed end questionnaire had multiple-choice questions in which the researcher provided a choice of answers and respondents were asked to select one or more of the alternatives. We used 'Likert Scale' (considered on 1-5 points scale) to measure the respondents' perceptions based on few statements to perceive the *impact of microfinance on their overall living standards*. The points of

the scale indicate the degree of satisfaction or agreement level of the household or a person after he or she has received loan from a MFI. '1' represents the lowest level of satisfaction or high disagreement, whereas '5' represents the highest level of satisfaction or high agreement.

The data collected by the mail questionnaires was tabulated and analyzed statistically. The main advantage of the mail questionnaires is that a wide geographical area can be covered in the survey. According to Sekaran (2003), questionnaires are in common use in surveys, thus it is necessary to know how to design them effectively. Effective way can be employed for improving the rate of response to mail questionnaires by sending follow-up letters, providing the respondent with self-addressed and stamped return envelopes. The conceptual framework seeks to offer a general framework for determining the pattern and extant of the impact of MF on living standards. The main question here is what the relationship between Microfinance program and living standards. Therefore, this study examines the role of MF on four aspects of poor people: Loan satisfaction, Empowerment, Improvement of education and Endocement in poverty alleviation of poor people.

4.3.2. Questionnaire Language

The questionnaire was first developed in English by virtue of the fact that most of the scales were obtained from English literature. However, it is necessary to translate the questionnaire into Malay language to ease the communication and overcome the language barrier while collecting the data. It was necessary to translate the questionnaire form English to Malay and to ascertain that the translation was equivalent.

Cooper & Schindler, (1998) suggest question transformation whereby participants do not necessarily process every word in the question. When this happens, participants modify the question to make it fit their own frame of reference or simply change it to that it makes sense to them. Probing is necessary to discover how participants have transformed the question when this suspected.

4.3.3. Population and Sample

The population for this study consists of the MF clients in the Kedah state of Malaysia that are registered with the MFIs. The data was collected from Microfinance clients (MFC) because MFC is one of the recognized key. Nowadays, the MFIs is a critical sector in poverty alleviation in Malaysia and it has high potential for creation employment and income opportunities on a sustained basis. Therefore, the pioneering factor and *role of Microfinance on living standards, Empowerment and poverty alleviation of the poor people in Kedah* in the MFIs was studied.

This study is cross sectional study because the researcher is interest in ascertaining the critical role factors in MFIs and the situation of client analysis for this study is each of individual in MFI. The aim of this study is to explore the role of MFIs in poverty all reduction in Kedah state among poor people in Malaysia. The data will be gathered just once. The population for the study will comprise MFC in the northern region of Malaysia namely Kedah. There are a total 180 MFC will be selected as a sample from the overall population of MFC in Kedah state.

The sample size in this study was determined by using the table provided by (Krejcie, R V & Morgan, D W., 1970). According to Lau & Idris, (2001) generalizations can only be drawn when random samples are used. The data will be analyzed using the

SPSS software program. Pearson's correlation analysis was conducted to test the correlation of each of variables (*Loan satisfaction, Empowerment, Improvement of education and Improvement of health on poverty alleviation of the poor people in Kedah*) with role MFIs.

4.3.4. Sample Size

According to Hair ,et al. (2006) stated that sample can defined as portion or subject of a large group or population. For this study, if we based our calculation on the total population of MFC in Kedah state 180 is adequate. However, this is achieved based on simplistic rule of thumb table for determination of sample size in table 4.

Table 4.1

Rule thumb (determination of sample size)

N	S
20000	377
30000	382
40000	380
50000	381
60000	379
75000	384

N= is population size S= is sample size Source (Sekaran, 2003)

4.4.Research Framework

The research framework for this study is shown in Figure 3. The independent variable is the role of MFIs with dimensions such as loan satisfaction, empowerment, improvement of education and improvement of health , and the dependent variable for this study is job satisfaction. The theoretical framework of this study focuses on the development of a model to examine the role of MF in poor people. Examining the relationship between MF and poor people, should contribute to our knowledge of the relationship that exists between them. Therefore, the link between the dimensions of MF and poor people is illustrated in Figure 3. In this framework:

- Poverty alleviation dependent variables
- Loan satisfaction, Empowerment, improvement of education and improvement of health are the independent variable.

However, the present study tries to link the gap by providing a basis thorough and insightful judgment of MF and situations of poor people. The model suggests that there is a strong relationship between the dimensions of MF and situations of poor people.

4.4.1. Theoretical Framework

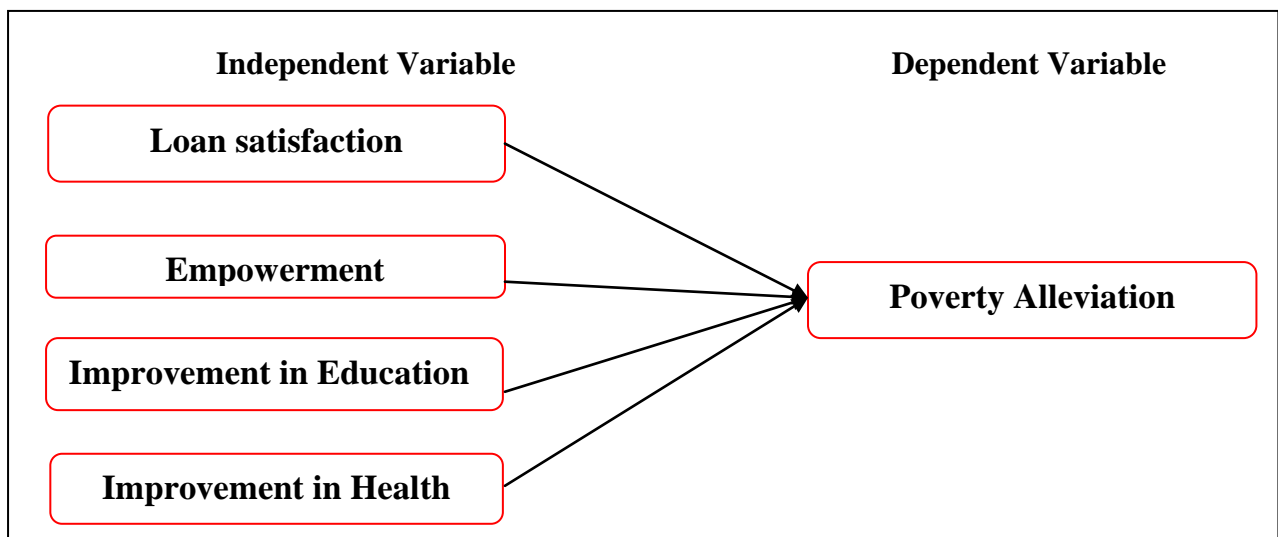


Figure 4.1 Research Framework

4.5.Hypotheses Statement

There are usually two approaches used in conducting a scientific research. One is deductive approach and another is inductive approach. All scientific theories involve both induction and deduction and they sometimes differ in the degree to which they emphasize one over the other. A researcher examines and then accurately report what is observed, without any unfairness. Several of these statements of assessment are recognized as accurate and serve as the basis for theories and regulations. In order to create what is true or false, and to describe conclusion, two ways are applied:

induction and deduction. The basis of induction is experiential confirmation, whereas that of deduction is judgment (Ghauri, P; Gronhaug, K, 2002).

If the deductive approach is used, the researchers create hypothesis from theory. Following with the aim of theory, they use experiential research and data collection to test the hypothesis (Bryman & Bell, 2003). Within a deductive approach, conclusions appear from the confirmation of the data.

The conclusions will be true when the confirmations of data are right and reliable mentioned that the deductive approach emphasizes on deductions from constructs. The deductions are started as hypotheses and then empirically tested for the research (Graziano et al., 2004). According to Anthony & Michael (2004) states deductive approaches are frequently used when a positivistic model is engaged. Hence, here the researcher uses the theory to make the assumptions from the objective point of view.

In addition, Bryman & Bell, (2003) argues that in an inductive approach, researchers must create effective theory with experiential observations. Based on these, the researchers could build hypotheses that are used to develop new theories and afterward these new theories are further to the recognized ones. Inductive approach highlights on induction and resides very close to the empirical data (Graziano et al., 2004).

Therefore, an inductive approach focuses on developing new theories, which are then used to elaborate general statements, coming from empirical observations.

Creswell, (1994) has suggested several of experimental principles to differentiate between the deductive and the inductive approach. Possibly the mainly important of

these measurement, is the character of topic of research. That is, a topic on which there is a riches of literature from which one can define a theoretical framework, and a hypothesis leads itself more willingly to deduction. When the topic of research is new, there exists much discuss, and on which there is slight literature available, it may be more suitable to work inductively by creating data, analyzing and reflecting on what theoretical themes, the data point's to.

The purpose of this research is not to develop a new theory, but to investigate the research questions based on empirical research and primary data. Moreover, in this paper, we will generate hypotheses from theories and then, we will use empirical research and primary data to test the hypotheses. However, when we will describe our conclusions, we will also apply our finding. Therefore, based on research question and scientific ideal, we chose to follow the deductive approach. Finally, we took the null hypothesis will be the following:

H1₀ Loan satisfaction has negative effect on poverty alleviation

H1₁ Loan satisfaction has positive effect on poverty alleviation

H2₀ Empowerment has negative effect on poverty alleviation

H2₁ Empowerment has positive effect on poverty alleviation

H3₀ Improvement of education has negative effect on poverty alleviation

H3₁ Improvement of education has positive effect on poverty alleviation

H4₀ Improvement of health has negative effect on poverty alleviation

H4₁ Improvement of health has positive effect on poverty alleviation

4.6. Development of the instrument

Constructs were created from a comprehensive survey of the MFC to examine the role of MF on four aspects of poor people: Loan satisfaction, Empowerment, and improvement of education improvement of health of poor people. We address the question of whether these effects are positive or negative by using data obtained from the MFC. The final sample for the study consisted of 180 of MFC.

4.7. Construction of questionnaire

4.7.1. The structure of the questionnaire

Ways of collecting data by having questionnaire methods. The questionnaire will be distributed to the MFC. There will be 8 structure questions and 15 multiple questions being prepared in the sheet whereby the questions was categorized into four variables, which consisted of clientele satisfaction, living Standard of the household and role of decision-making process. In designing and administering the questionnaires, various suggestions for improving the response rate were incorporate as much as possible. The cover letter accompanying the questionnaires was printed on the university letterhead. The samples of questionnaires have been enclosing in the appendix as references and guidance.

This case analysis research for the role of MFIs in poverty alleviation north Malaysia conducted using the model. The dependent variables performance construct was Role in decision-making process. The independent variables were improvement in living standard, better access to education better access to healthcare and better financial situation.

The measurement used in that questionnaire is the Likert Scale Method of summated ratings. For examples, it consists of statements where respondents indicate their degree of agreement or disagreement on a five-point scale such as:

- i. Strongly Disagree, Disagree, Neutral, Agree, and Strongly Agree
- ii. Extremely Low Use, Low Use, Neither High Use nor Low Use, High Use and High Use
- iii. Poor, Moderate, Good, Very Good and Excellent
- iv. Not Important At All, Not Important, Moderate Important, Important and Very Important

4.7.2. Pilot Study

This study was conducted in two phases; phase 1 is pilot study to examine the reliability of the instrument. Then, phase 2 is main study using the revised instrument to examine the relationship among the variables. A pilot study was conducted to pretest the validity and reliability of the questionnaire's instrument. The sample was chosen using random sampling methods from the 180 MFC. A classical measure of reliability, cronbach's alpha was used to examine the internal consistency and reliability of the items within each scale. Cronbach's alpha is a reliability coefficient that reflects how well the items are correlated to one another. Cronbach's alpha is computed in terms of average intercorrelation among the items measuring the concept. According to Sekaran, the closer cronbach's alpha to 1, the higher the internal consistency reliability. Sekaran (2003) 0.6

4.8. Multiple Regression Analysis

Refer to Hair et al., (2006), four basic analyses were conducted to test the assumption of the multiple regressions as follows; normality test, linearity test, homoscedasticity test and multicollinearity. In order to test the hypotheses and understand the amount of

correlation between the dimensions of role of MFIs and poverty alleviation, Pearson correlation was utilized. The regression analysis was used to find out how much of the role of MFIs for alleviating poverty in poor people in Kedah state were explained by the set of independent variables factors selected by the researcher's study.

Besides, the aim of this study was to resolve the gaps that existed in the related literature. With the working different research methodologies combined from previous studies, the study had answered the question about significant and insignificant relationships between the four factors of role of MF that affected in poverty alleviation.

4.9.Data Collection Methods

The method been use for collecting data for this study data are from MFIs across the Northern state of Malaysia particularly Kedah and from Library of Sultan Bahiyah. A questionnaire is used to get the information regarding to the critical success factors covered in this study. Almost all of the journals are getting from Sultanah Bahiyah Library, UUM and some of the data are from State Library and British council library. Other than that, data collected from internet also been use in this study.

4.9.1. Data Type and Research Design

The major aim of this study is to investigate the relationship between variables of **the role of Microfinance (Loan Satisfaction, Empowerment, improvement of education and endocement of Health) on poverty alleviation in the poor people in Kedah**. Therefore, this study is a correlational study. According to (Zikmund W. G., 1997) and (Sekaran, 1992), the data for this study was collected at a single point in time, thus the study is a cross-sectional study in that time horizon. This is the best way because the focus of this study is to explain the factors contribute to poverty

alleviation, by examining four variables (loan satisfaction, empowerment improvement of education and improvement of health; a survey method using questionnaires was chosen for data collection. According to Zikmund, (2003), the selection of the survey approach design was done according to the following reason:

- i. The organization will be the unit of analysis
- ii. Interest in collecting the original data from a population is too large to observe
- iii. Lower cost of time and money
- iv. Minimize the personal bias in providing a greater degree of objectivity
- v. Usefulness of testing hypotheses

According to Zikmund, (1997), the use of survey precludes the ability to establish the causal priorities of the independent and dependent variables. On the other hand, this study is also using secondary views and information from others research. All resources and data are referring to the Journal. Furthermore, these study also using the theoretical framework (see the framework of study p 104). Each type of general method may involve various specific techniques for collecting data. For example, a general quantitative method may operationalise through experiment and/or survey.

A basic qualitative method can be followed by simple observations, and/or by interview. Based on the methods of data collection, (Hussey & Hussey, 2003) classified research into two types: observation and survey. Gummesson (2000) and De Vaus, (2007) argued that it is difficult to decide which method is the best. The best method depends on the purpose of the study, sample size and distribution, time and money available, and the environment and conditions under which the study is conducted (Sekaran, 2003). The next section discusses the suitability of the approach

and methodology selected for this study through quantitative methods of data collection.

Secondly, collecting data through multi-methods will give deeper understanding to the phenomenon especially to the change in accounting systems. Creswell, (1994) add that the:

“Use of multiple methods may provide a means of not only achieving the objectives of generalizability and limiting interview bias but also of enhancing the meaningfulness of the measures to those completing the survey. This is at the heart of issues relating to construct validity”(p. 7).

4.10. Summary

This chapter presented the research methodology for this study. The chapter describes the procedures used to conduct the study, including the research design, selection of survey sample, the instrument that was used to collect data, the development of the instrument and the pilot study result. The procedure for data collection includes a survey of population, and sample size procedure. In the data analysis section, the statistical technique (SEM) used for data analysis was explained for propose and benefit of this study. Finally, in the following analysis of data, results and discussion, data examination, validation process of the instrument used and the research findings for this research are presented.

CHAPTER FIVE

5.0.DATA ANALAYSIS AND FINDING

5.1.Chapter summary

This chapter presents the results of data analysis. It describes the statistical tests and results of the hypotheses of this study. The results are organized into five sections. This section provides data on the demographic characteristics of the respondents. The second section provides the statistical analyses on the hypotheses. The third section provides results of other statistical tests of this study. The validity of measures was analyzed next using factor analysis, correlation validity analysis. The final section provides the key findings and the summary of the chapter. The results are presented in the concluding section. The flow of this chapter is shown below in

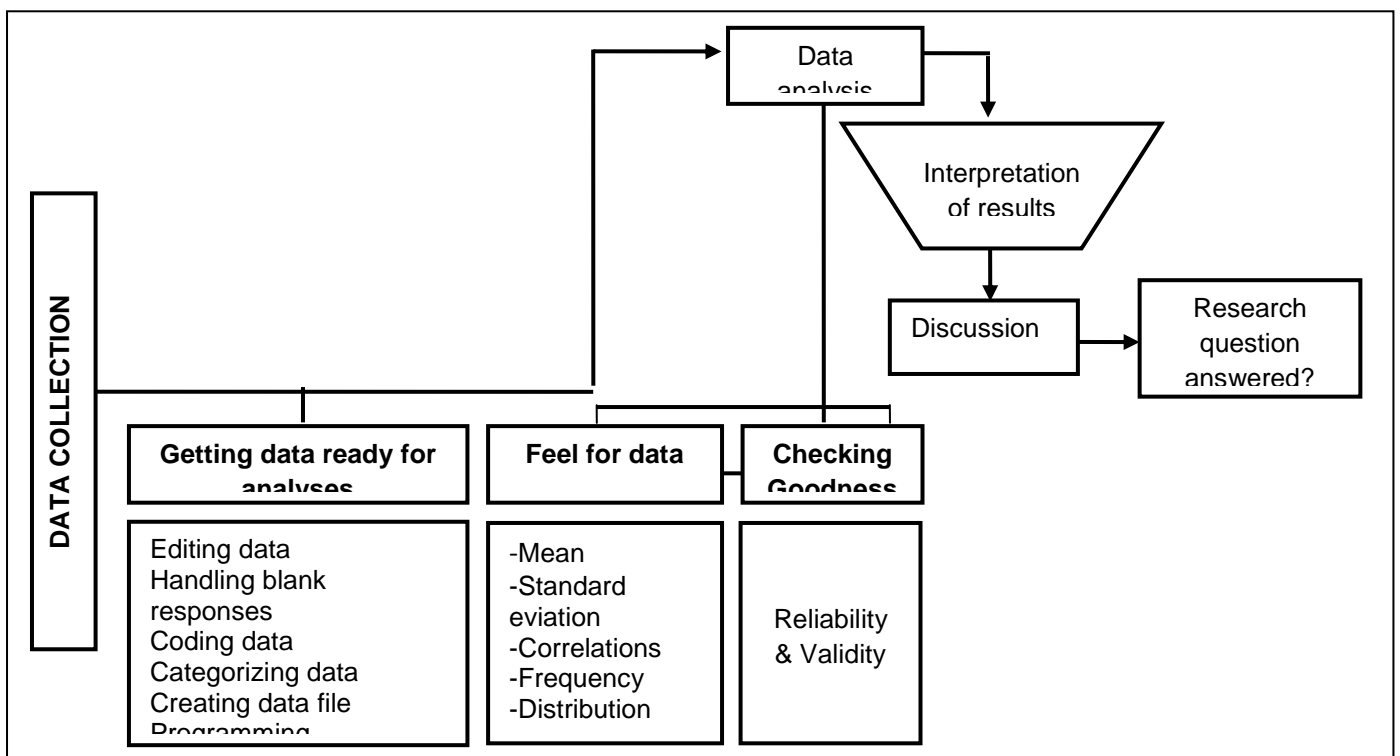


Figure 5.1 Flow diagram of data analysis process (source): Adapted from (Sekaran, 2006)

5.2.Demographic Profile of Respondents

The demographic profile of the respondents included in this comprised of the following eight items: (1) gender, (2) ethnicity (3) age, (4) years of MFC (5) education (6) family member (7) business experience and (8) initial capital. The primary data for this research was collected through a field study by using an instrument in the form of a questionnaire monitored on 180 respondents consisting of members of MFC of various ranks disproportionately, systematically sampled from a population of 4000 people. The result obtained from analysis the above-mentioned variables are shown in the Table 5.1. The results are presented as frequency and percentage.

Table 5.1
Result of Demographic Profile of Respondents (n=180)

Gender					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Female	140	77.8	77.8	77.8
	Male	40	22.2	22.2	100.0
	Total	180	100.0	100.0	

From table 5.1, we can conclude the following. Overall, 140 (77.8%) of respondents were female and 40 (22.2%) were male. This is a rather common phenomenon in a MF environment.



Figure 5.2 Gender distribution based on respondents

Table 5.2
Summary of Demographic Data: ethnicity

Ethnicity					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Malay	111	61.7	61.7	61.7
	Chinese	20	11.1	11.1	72.8
	Indian	46	25.6	25.6	98.3
	Other	3	1.7	1.7	100.0
	Total	180	100.0	100.0	

The above table 5.2 indicates that from the analysis for ethnicity, the question was grouped into three types, Malay, Chinese and Indians. However, most of the respondents were Malay with 61.7%, Chinese 11.1% and Indians 25.6% while other 3%.

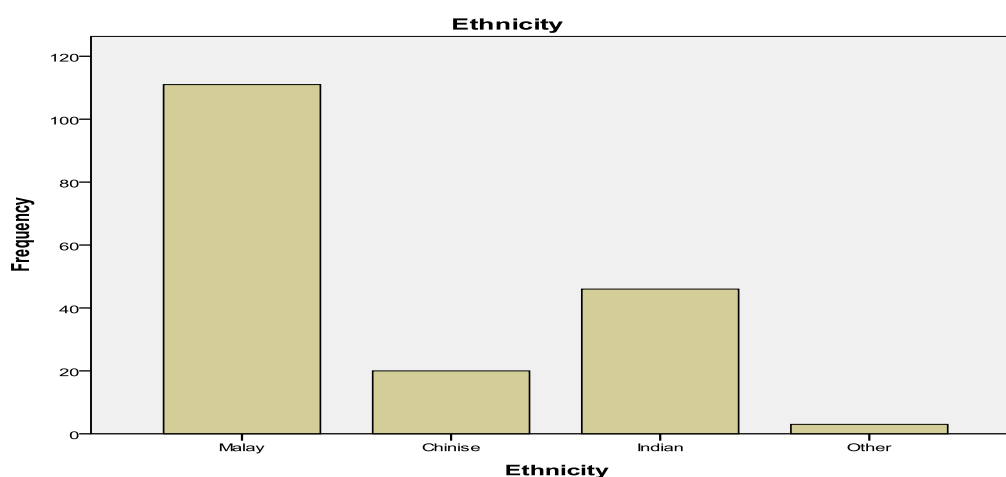


Figure 5.3 MFC based on Ethnicity respondents in Kedah State

Table 5.3
Summary of Demographic Data: Age

Age					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 25 years	3	1.7	1.7	1.7
	(25-40)	128	71.1	71.1	72.8
	40 and above	46	25.6	25.6	98.3
	5	3	1.7	1.7	100.0
	Total	180	100.0	100.0	

There are three different categories of respondents' age, comprising below (25) years (1) and (25-40) years (2) and 40 and above (3). The people joined MF were at 25-40 years old at frequency 128 (71.1%) and which is the most effective members in the society. However, the second highest members joined by MFIs are above 40 aged people at frequency 46 (25.6) and lowest part of members join MFIs are less 25 years old which somehow very small number in the society.

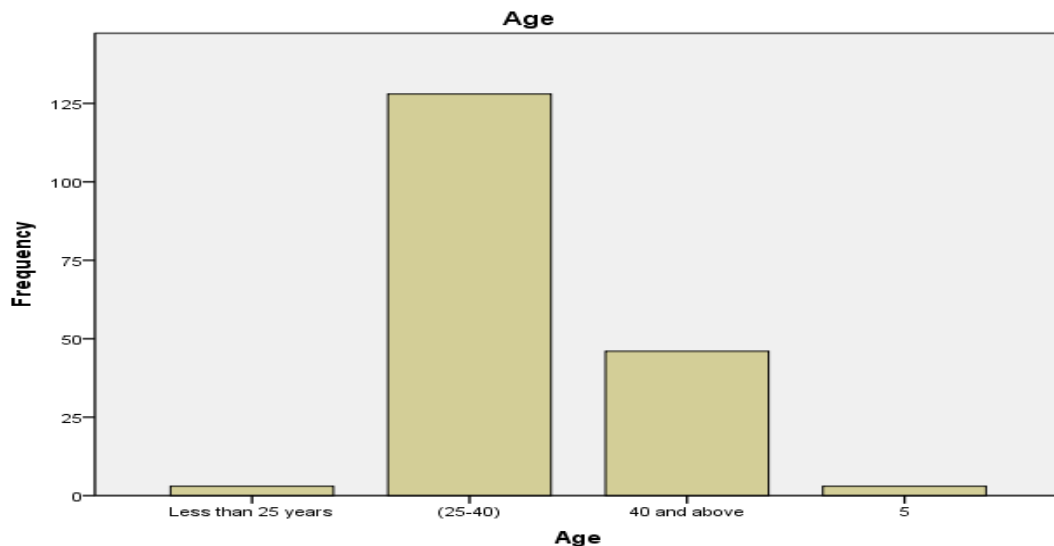


Figure 5.4 Respondents Age distributions in Kedah State

Table 5.4

Summary of Demographic Data: (Years of member of MF)

Ymmicrof					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 2 years	13	7.2	7.2	7.2
	(2-5) years	122	67.8	67.8	75.0
	More than 5 years	40	22.2	22.2	97.2
	4	5	2.8	2.8	100.0
	Total	180	100.0	100.0	

In table, 5.4 we divided into three categories based on years of clients' membership in MF program. (1) Less than 2 years (2) 2-5 years and more than 5 years. However, based on the above table indicates that most of respondents of this study have had 2-5 years experience in MF program. Yet, it show us the frequency 122 (67.8%) over all respondents. Also, the second category have had more than 5 years experience in MF program at frequency 40 (22.2%) and finally, the respondents from the first category had experience in MF less 2 years at frequency 13 (7.2). (See figure 5.5.).

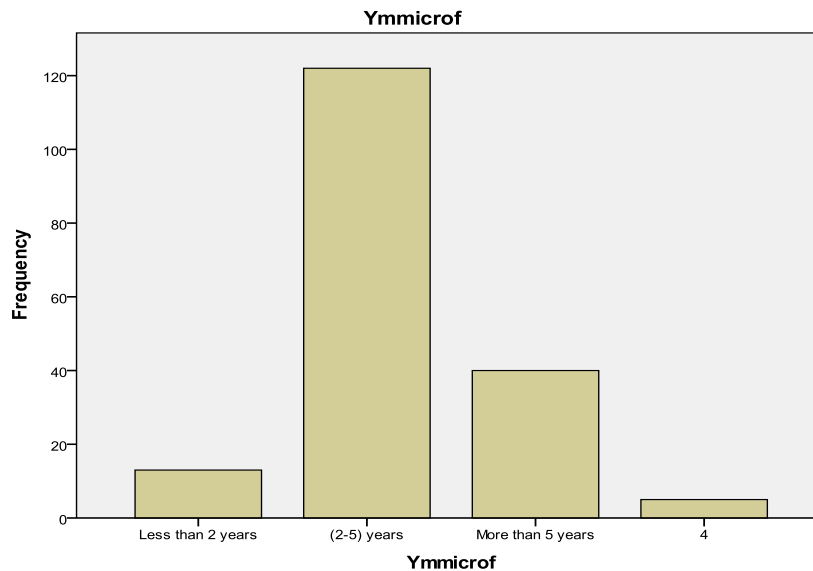


Figure 5.5 respondents experience based on year of participation in MF programs

With the exception of the years of experience (1-5) which have almost double the frequency compared to other member experience, the distribution among various branches in the MFIs was quite low in Kedah state.

Table 5.5
Summary of Demographic Data: (Educational experience)

Education					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not at all	1	.6	.6	.6
	(1-5) Years	115	63.9	63.9	64.4
	(6-10) Years	49	27.2	27.2	91.7
	More than 10 Years	15	8.3	8.3	100.0
	Total	180	100.0	100.0	

From Table 5.5, A 15 respondents (8.3%) had more than 10 years of educational experience. Overall, 164 respondents (91.1%) have educational experience 1-10. Looking at this from a more pertinent objective to this study, 179 respondents (99.4%) had at least five years of educational, or to put it differently, only 1 respondent (0.6%) has not educational experience at all.

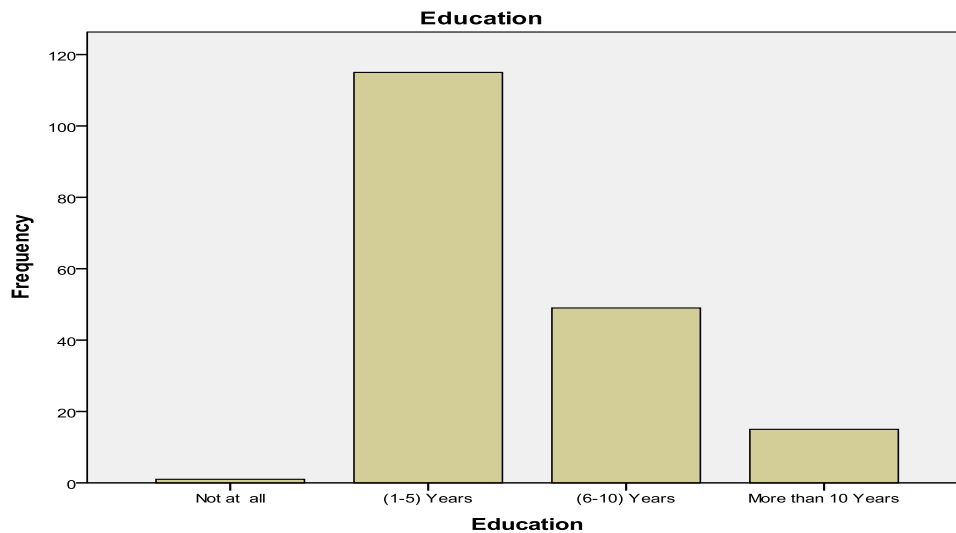


Figure.5.6 respondents' educational experience rate

Table 5.6
Summary of Demographic Data: (Family members)

Fmembers					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 2 members	9	5.0	5.0	5.0
	(2-5) Members	140	77.8	77.8	82.8
	More than 5 Members	29	16.1	16.1	98.9
	4	2	1.1	1.1	100.0
	Total	180	100.0	100.0	

Our analysis shows that 5.0% of respondents had less than two members in their family, which indicates that respondents were either unmarried, or had no children. 77.8% had 2 to 5 members and rest of the 16.1% had more than five members. We tried to find out how many family members each respondent have because a large family size usually has higher expenses than a smaller family. In microfinance field most of the business have sole proprietors. Family members contribute to this small-scale business as additional workers.

Table 5.7
Summary of Demographic Data: (Years of Business Experience)

Bexperience					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	36	20.0	20.0	20.0
	No	132	73.3	73.3	93.3
	3	12	6.7	6.7	100.0
	Total	180	100.0	100.0	

The data on respondents' involvement in the subject of the survey (MFC) in Table 5.7 was also collected. It shows that only about 36 (20.0%) has had business experience before joining any MF program while 132 (73.3%) with the majority of respondents having not any business experience before joining any MF programs in villages see figure 5.1. between one and three years of involvement.

It indicates that MFIs are contributing a lot to start the new small-scale businesses as well as in the expansion of old businesses. As a result, we can see that more than 50% of the respondents were part of the large families, and at the same time higher proportion of the people did not have any business experience before joining MFI. So indirectly, MFIs were able to reach and benefit more people than those formally linked to them, as when they provide the business opportunity to a large family, other members are also benefited naturally. However, examining the statistics here and those from Table 5.4, we can deduce that despite having a new MF branches in the Kedah state can decrease unemployment rate as well as creating a new opportunities to poor people by start-up their own business, yet, by doing that, finally will reduce the rate of poverty in the whole sate.

Therefore, this prospective phenomenon points to various possibilities regarding the Empowerment, improvement of education, and other antecedents of living-standards and involvement of the MF programs will also increase.

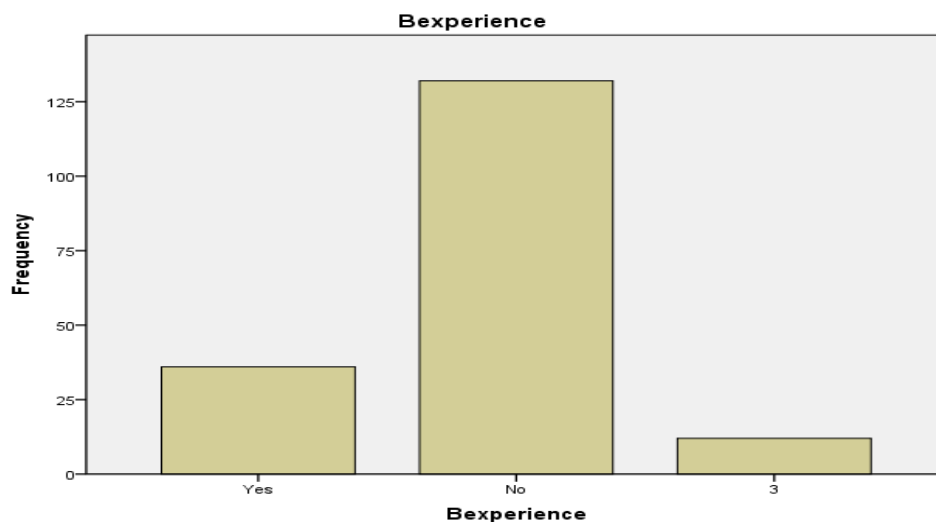


Figure 5.7 Respondents rate based on years of Business Experience

Table 5.8
Summary of Demographic Data: (Source of Initial Capital)

Capital					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Personal serving	5	2.8	2.8	2.8
	Friends and relatives	27	15.0	15.0	17.8
	Loan from MFIs	145	80.6	80.6	98.3
	Others	3	1.7	1.7	100.0
	Total	180	100.0	100.0	

Source of initial capital of MFC was measured according four stages from; (1) personal serving, (2) Friends and relatives (3) Loan from MFI and (4) other. Most of respondents started their business after getting loan from MF program. Therefore, the table 5.8 shows the 145 (80%) over all respondents obtain their initial money the loan they borrowed from MFIs. Yet, this statistical indicates that offering the MFIs loans to poor people could increase the possibilities of starting business.

However, a 27 (15.0) of respondents started their business a money gained from friends and their relatives. While a few number of respondents were created their business from their saving account which 5 (2.8%) of whole respondents. It implies that MFIs is the major source of initial capital and is playing a significant role in helping poor people to start their own business. It is also visible clearly in figure See figure 5.7

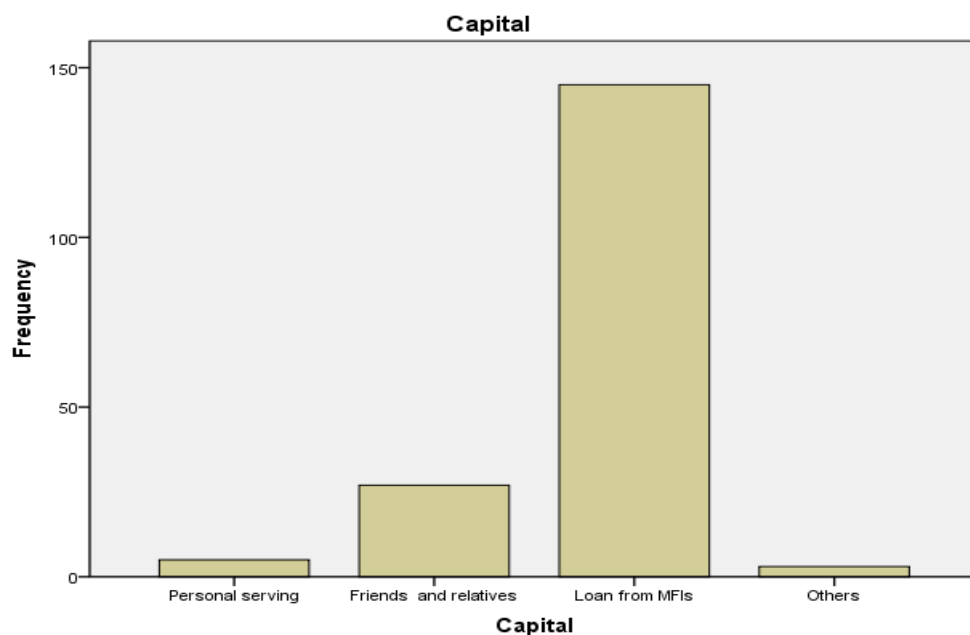


Figure 5.8 Source of initial capital

5.3.ONE SAMPLE STATISTICS AND T-TEST OF DIFFERENT VARIABLES

The following table (5.9) displays the mean, standard deviation and for five variables, *poverty alleviation*, *loan satisfaction* of interest rate of micro credit, *empowerment* and *improvement of education* and *improvement of health*. All the variables have shown very high satisfaction level to be more than average level of satisfaction (4.2)

Table 5.9 General Descriptive Statistics

Descriptive Statistics			
	Mean	Std. Deviation	N
Poverty alleviation	4.1700	.86792	180
Loan satisfaction	4.1306	.82829	180
Empowerment	4.1903	.78497	180
Improvement of education	4.1458	.79930	180
Improvement of health	4.1458	.83058	180

To examine the statement, interest rate of micro-credit is reasonable or not, we developed hypotheses and agreed upon the level of significance for rejecting/accepting the hypothesis. Survey respondents indicated their perceptions using the scale, with 5 = strongly agree and 1 = strongly disagree. We took the null hypothesis to be, borrowers are less satisfied than the average level of satisfaction (4.2), in terms of the interest rate of micro credit. Therefore, the alternative hypothesis is the borrowers are satisfied more than the average satisfaction level.

The analysis in the table 5.9 demonstrates that the null hypothesis is rejected and it is very high strongly significant. Therefore, our results are in favor of alternative hypotheses. This means that the satisfaction level of the respondents, about the interest rate of micro-credit, is more than average satisfaction level. From this study, we can conclude that the level of average satisfaction is very high. A t-test is used to determine whether there is a significant difference between two sets of scores. The one-sample t-test determines whether the mean of the population from a single source of participants like in this study, is the same as the hypothesized mean. The t-test is used when the population SD is unknown and the sample size is 30 or less (Zikmund, 2007).

Table 5.10
One Sample T-Test

One-Sample Test						
	Test Value = 0					
	T	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
The rate of interest of micro credit is reasonable	53.058	179	.000	4.156	4.00	4.31
The procedure of obtaining loans from MFIs is easier than conventional banking	57.957	179	.000	4.156	4.01	4.30
The loan size of micro credit is reasonable	49.861	179	.000	4.167	4.00	4.33
The loan repayment schedule of MFIs is well reasonable	50.380	179	.000	4.044	3.89	4.20

To examine the statement ‘‘the procedure of obtaining loans from MFIs is easier or not than conventional banking’. We developed statistical test to check the comfort level of the people in obtaining the loans from MFIs in comparison to the traditional banking.

We took null hypothesis considering the procedure of obtaining loans from MFIs, is not easier than conventional banking. The alternative hypothesis is the procedure of obtaining loans is easier than conventional banking. From the above table we can draw conclusion that our null hypotheses will be rejected because the mean level of obtaining loan procedure compared to conventional banking is above 4 and it is statistically strongly significant. So our decision will go in favor of alternative a hypothesis which indicates that people think loan taking procedure from MFIs is easier than traditional banking.

However, the mean level of operational assistance from respondents according to degree of satisfaction with five-scale ranking is 3.39. We assumed that our null hypothesis is the mean response to operational assistance is 3. The t-test statistics for operational assistance is 4.156 and the significance level is 0.000. This means that the null hypothesis is rejected and the alternative hypotheses accepted with a high level of confidence. From a practical standpoint, the result of the univariate hypothesis test indicates that respondents felt the loan size of micro credit is reasonable was helpful to the loan repayment schedule of MFIs.

Table 5.10, shows mean and standard deviation for the satisfaction level for the loan repayment schedule of MFIs is well reasonable, here we can see that the mean value is little above the midpoint of scale of satisfaction. We took the null hypothesis to be equal to 2 (i.e. people on average are less than satisfied). The t-test statistics for the statement “The loan repayment schedule of MFIs is well reasonable” is 4.044 and the significance level 0.000.

This means that null hypotheses is rejected and the alternative hypotheses is accepted significantly. We can conclude our decision from the analysis that due to the microfinance activities people feel that the loan repayment schedule of MFIs borrower has increased but not so highly, which is also indicated in table 5.10.

5.4.Reliability Analysis

The purpose of the reliability test is to find out whether the data collecting means prove their validity, accuracy, stability, or consistency level in revealing particular indications of a group of people, though the test is done in different time. The test was

done by finding the Cronbach alpha all the valid questionnaires. If the Cronbach alpha is greater than 0.7 (Nunnally, 1978), the question will be admitted as reliable. The Cronbach's alpha coefficients of the reliable test are table in table 5.11.

However, the reliability of a measure indicates the extent to which it is without bias (error-free), thus ensures measurement consistency across times and various items in the instrument. Reliability is a measure indicating the stability and consistency with which the instrument measures the concepts and helps to assess the "goodness" of a measure. Cronbach's alpha scores were computed for each construct ("soft" EPC, "hard" EPC, types of EPC training, and EPC performance) to measure the internal consistency or inter-item scale reliability and to indicate how different items can reliably measure the construct.

In almost every case, Cronbach's alpha is an adequate test of internal consistency reliability, and the closer the alpha value is to 1.0, the higher the internal consistency reliability (Sekaran, 2006). A Cronbach's alpha of 0.6 or higher is generally considered to indicate that the internal reliability of a scale is adequate or better (Sekaran (2003); Saunders, M; Lewis, P; Tronhill, A;, (2007). Table 5.11 below summarizes the values of alpha for all variables in this study which are well above the 0.7 value.

Sekaran (2003), pointed out that a reliability coefficient of around 0.90 can be considered "excellent", values of around 0.80 as "very good," and values of around 0.70 as "adequate", depending on the questions. In this research, scales for overall, the total coefficient measured by Cronbach's Alpha for instruments was found to be.

Separate analysis for each of the instruments gave the figures: loan satisfaction (.793); empowerment (.796); improvement of education (.802); improvement of health (.812) and poverty alleviation (.905). Thus, the scales used in this research could be considered as reliable with Cronbach's alpha values of 0.6 or better (e.g. Sekaran, 2006).

Table 5.11
Reliability values of instrument by Dimension

Dimension	Reliability Value
loan satisfaction	.793
empowerment	.796
improvement of education	.802
Improvement of health	.812
poverty alleviation	.905

Based on the test result using software aid SPSS 16.0, the researcher found that the Cronbach's alpha of the variables used in this study were more than 0.7 (Nunnally, 1978). This shows that the questions used in the survey instruments process high validity, accuracy, stability, or consistency.

5.5. Correlation Analysis

The Pearson's correlation matrix obtained for the five interval-scaled variables is shown in Table 5.12. The coefficients indicate the strength and direction of a linear relationship between two random variables. The correlation is +1.0 in the case of a perfect positive correlation or an increasing linear relationship, -1.0 in the case of a decreasing linear relationship or a perfect negative correlation, and some value in between in all other cases, indicating the degree of linear dependence between the variables. The correlation coefficients indicate the strength of the association between two variables and the direction of that association (Zikmund, 2007). The closer the coefficient is to either -1.0 or +1.0, the stronger the correlation between the variables.

However, correlation analysis was performed to determine if there were any relationships between the independent variables and the dependent variables. Following are the results of the correlation tests.

5.5.1. Correlation between loan satisfaction and poverty alleviation

Based on the result of the correlation test which tested the correlation between loan satisfaction and poverty alleviation, the researcher found that there is a positive correlation between loan satisfaction and poverty alleviation with coefficient correlation of .933** at significant value of 0.000 (sig=0.000 (<0.05)). Since sig < 0.05 and the coefficient correlation is positive, thus the result of the test shows that there is a significant positive correlation between loan satisfaction and poverty alleviation.

5.5.2. Correlation between empowerment and poverty alleviation

Based on the result of the correlation test which tested the correlation between empowerment and poverty alleviation, the researcher found that there is a positive correlation with coefficient correlation of .264** at significant value of 0.000(sig=0.000 (<0.05)). Since < 0.05 and the coefficient, correlation is positive, thus the result of the test shows that there is a significant positive correlation between empowerment and poverty alleviation.

5.5.3. Correlation between improvement of education and poverty alleviation

Based on the of the correlation test which tested the correlation between improvement of education and poverty alleviation, we find that there is positive correlation between education and poverty alleviation with coefficient correlation of .587** at significant

value of 0.000 (sig= 0.000 (<0.05)). In view of the fact that sign <0.05 the coefficient correlation is positive, result of the test shows there is a significant positive correlation between **improvement of education** and poverty alleviation.

5.5.4. Correlation between improvement health and poverty alleviation

Referring to Table 5.12, the correlation coefficients for the improvement of health and poverty alleviation under investigation were relatively highest ranging from study .940**. The level of improvement of health and Result was highly correlated with poverty alleviation ($r = .940^{**}$, $p < 0.01$).

5.5.5. Correlation between empowerment and improvement of health

According to the result of table 5.12, the correlation coefficients between the empowerment and improvement of health , we found that there is positive correlation between empowerment and improvement of health , however, the relationship point of the correlation were moderately .278** at significant value of 0.000 (sig=0.000 (0.05)). Therefore, in view of the fact of table 5.12, the coefficient correlation is positive; in conclusion, the result of the test shows there is significant positive correlation between empowerment and improvement of health.

5.5.6. Correlation between improvement of education and improvement of health

Based on the table 5.12, the result of correlation test which tested the correlation between improvement of education and improvement of health, the researcher found that there is a moderate correlation between improvement of education and improvement of health with coefficient correlation of .636** at sig value of 0.000 (sig =0.000 (<0.0.5)). In addition, the coefficient correlation is quite high, while the result

of the test shows that there is a positive significant correlation between improvement of education and improvement of health.

5.5.7. Correlation between improvement of health and loan satisfaction

Based on the result of study, the correlation coefficient between the two variables of improvement of health and loan satisfaction which tested in this study, we found that there is a positive correlation between improvement of health and loan satisfaction with coefficient correlation of .992** at significance value of 0.000 (sig=0.000 (<0.05)). Therefore, <0.05 and the coefficient correlation is positive, the result of the test shows there is a strong significant positive correlation between improvement of health and loan satisfaction.

5.5.8. Correlation between improvement of education and loan satisfaction

Referring the result of our study (Table 5.12), the correlation coefficient test which tested the correlation between variables of improvement of education and loan satisfaction, however, we found that there is a positive correlation between improvement of education and loan satisfaction with coefficient correlation of .641** at significant value of 0.000 (sig=0.000 (<0.05)). So that <0.05 and the coefficient correlation is positive, the result of the test shows there is a significantly positive correlation between improvement of education and loan satisfaction.

Table 5.12 Correlation significant between variables

		Correlations					
		Respondents	Loan Satisfaction	Empowerment	Improvement of education	Improvement of health	Poverty alleviation
Respondents	Pearson Correlation	1	.119	-.017	.086	.147*	.121
	Sig. (1-tailed)		.056	.409	.126	.024	.053
	N	180	180	180	180	180	180
Loan Satisfaction	Pearson Correlation	.119	1	.270**	.641**	.992**	.933**
	Sig. (1-tailed)	.056		.000	.000	.000	.000
	N	180	180	180	180	180	180
Empowerment	Pearson Correlation	-.017	.270**	1	.233**	.278**	.264**
	Sig. (1-tailed)	.409	.000		.001	.000	.000
	N	180	180	180	180	180	180
Improvement of education	Pearson Correlation	.086	.641**	.233**	1	.636**	.587**
	Sig. (1-tailed)	.126	.000	.001		.000	.000
	N	180	180	180	180	180	180
Improvement of Health	Pearson Correlation	.147*	.992**	.278**	.636**	1	.940**
	Sig. (1-tailed)	.024	.000	.000	.000		.000
	N	180	180	180	180	180	180
Poverty Alleviation	Pearson Correlation	.121	.933**	.264**	.587**	.940**	1
	Sig. (1-tailed)	.053	.000	.000	.000	.000	
	N	180	180	180	180	180	180

*. Correlation is significant at the 0.05 level (1-tailed).

**. Correlation is significant at the 0.01 level (1-tailed).

5.6. Testing the Model Using Regression Analysis

Multiple regression analysis was conducted in order to provide the researcher with a variety of outcomes that can help him (the researcher) to answer the study question and to test the research hypothesis. Multiple regressions provide the relative contribution for the each and show which variable between set of variables the best predictor of an outcome. For instance, R^2 indicates how well a set of variables (contingency variables) are able to predict a particular outcome (poverty alleviation). The standard value for R^2 is 1 which means that there is a perfect linear relationship the dependent variables and independent variables. On contrary, R^2 value equal to 0 indicates that there is no relationship between the dependent variables and independent variables. However, in this model, R^2 value for the first stage of analysis regression model .883 (refer to table 5.13), which means that the contingency factors (loan satisfaction, empowerment, improvement of education and improvement of health) explain 88.3 per cent of variance in poverty alleviation.

Using multiple regressions, poverty alleviation scores were then regressed on the linear combination of loan satisfaction, empowerment, improvement of education, and improvement of health. The equation containing these four variables accounted for approximately 88.3% of observed variance in poverty alleviation. Standard multiple regression also provides an adjusted R^2 value. “The adjusted R static ‘corrects’ R^2 value to provide a better estimate of the true populations value (pallant 2001, p .145). ANOVA was used to asses that statistical significance of the result. The result in Table 5.13 demonstrates that null hypothesis (That the multiple R in the population is equal to 0) is rejected since the model of this study is statistically at $P = 0.000$).

5.7.Evaluation each of Independent Variables Using Regression

analysis

This section aims to identify and compare the strength of prediction of the independent variables on the dependent variables. In other words, this study aims to identify which variables in the model contributed to the prediction of the dependent variable using Beta value. In this study, we are interested to compare the contribution of each independent variable in the model. The result in (Table 5.13 a, b) show that all variables contributed positively significant to the poverty alleviation. Improvement of health is has the highest contribution on poverty alleviation amongst the independent variables (. Other variables also significantly and positively contributed to poverty alleviation except improvement of education with has negative significant Table 5.13 c.

Table 5.13 a

Result of multiple Regression between Independent and Dependent variables

Model Summary ^b										
Mo del	R	R Squa re	Adjusted R Square	Std. Error of the Estima te	Change Statistics					Durbin- Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.940 a	.883	.880	.30021	.883	330.274	4	17 5	.000	2.239
a. Predictors: (Constant), Improvement health, Empowerment, Improvement education, Loan satisfaction										
b. Dependent Variable: Poverty alleviation										

Table 5.13 (b)
Result of multiple Regression between Independent and Dependent variables

ANOVA ^b						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	119.066	4	29.766	330.274	.000 ^a
	Residual	15.772	175	.090		
	Total	134.838	179			
a. Predictors: (Constant), Improvement health, Empowerment, Improvement education, Loan Satisfaction						
b. Dependent Variable: Poverty alleviation						

Table 5.13 (c)
Result of multiple Regression between Independent and Dependent variables

Coefficients ^a								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.117	.156		.749	.455		
	Loan satisfaction	.058	.220	.055	.263	.793	.015	66.208
	Empowerment	.005	.030	.004	.164	.870	.914	1.094
	Improvement education	-.021	.037	-.019	-.574	.567	.585	1.708
	Improvement health	.936	.219	.896	4.273	.000	.015	65.741
a. Dependent Variable: Poverty alleviation								

5.8.Summary

A very good response rate was (100%). Factor analysis was conducted in order to test the construct validity for all interval scale variables; Reliability was also tested for all interval scale variables to see how free it is from error.

To understand better the nature of the relationship among the five variables presented in this study, the data are analyzed using two SPSS software Vol 16. First, PROC CORR was computing by Pearson correlations between variables. This is useful for understanding the big picture: the simple bivariate relations among the variables. Next, PROC REG is used to perform a multiple regression in which commitment is

regressed on the four-predictor variables simultaneously. This provides a number of important pieces of information. First, we recognize whether there is a significant relationship between poverty alleviation and the linear combination of predictors (i.e., whether there is a significant relationship between poverty alleviation and the four variables taken as a group). In addition, we determine analysis the multiple regression coefficients for each of the four predictors to determine which are statistically significant and which standardized coefficients are relatively large.

Finally, the SELECTION=RSQUARE option is used with PROC REG in a separate analysis to determine the amount of variance in poverty alleviation that is accounted for by every possible combination of predictor variables. Results from this analysis are used to determine the uniqueness index for each of the four predictors (refer to Appendix B). The formula for testing the significance of the difference between two R^2 values are then used to determine which of the uniqueness indices significantly differ from zero.

CHAPTER SIX

6.0.Discussion and conclusion

6.1.Chapter introduction

In this chapter, key findings of our work and study have been discussed. The aim of this research was to study the role of microfinance on poverty alleviation through improvement of living standards and increasing empowerment of poor and marginalized quarter of the society.

6.2.Discussion

The analysis of data using the survey we had done shows that 77.8% clients of MFIs are women and the majority of them had education background. The majority of the women started their business by taking loan from MFIs as compared to other sources. However, they were capable to increase their income and offered not only with the financial aid to their children but also had positive impact on other factors of living standards namely: accessing education for children and access better health. These poor women realized about a positive transform to their financial and social position and started taking active part in the decision making process of their families and society.

Therefore, the results found from the analysis about the success of increasing role in decision making process in the family and society, determines that microfinance scheme are highly related to build up of social and economic empowerment.

Furthermore, the analysis of the data found in this study shows that the process of getting loans from MFIs is easier than conventional banking. Based on our first hand experience MF methodology and from my observation it can be no requirement of collateral to get the loan from MFIs have prepared it potential for everybody to join

the formal financial procedure. It is one of the mainly promising reasons to obtain loan from MFIs dissimilar the conventional banking where guarantee was the primary and prime obligation.

In addition, the findings of this study, it can generally be concluded that the contribution of micro finance institutions on poverty reduction among poor, is quite high, due to favorable conditions in accessing and servicing loans that poor people can afford. However, it recommended that microfinance institutions should improve accessibility of their services to poor by relaxing their terms and conditions on accessing services, especially loans. Microfinance should expand their market by introducing new products, such as house loans, agricultural loans, education loans and loans for initial capital.

This will make borrowers access relevant loan products to meet appropriate objectives. There is also a need for the Bank to formulate flexible payment conditions and payment schedules to help poor customers afford loans, and make success out of them. Payment schedule should be flexible to observe with borrowers economic activities. Furthermore, a grace period for group loans should be extended from two weeks to at least one month and for individual and salary loans bank at least two months, so that money returned to the bank may come from the profit generated by loan investments.

6.3.Conclusion

Microfinance it is just a tool regarding poverty alleviation. It is mitigating the indicator and not the real cause of poverty. This calls for more state involvement to

reinforce itself and have the vitality to build the essential infrastructure, institutions (legitimate and financial) high-quality authority and empower profoundly in rural development infrastructure where the greater part of the poor struggle with biting poverty. Microfinance is not a destination for poverty alleviation and development but what Malaysia requires is their possess combining with policies to reduce poverty. These should reflect a number of mechanisms like national priorities, local dependability, political and cultural background of the country and economic, as well as individual communities.

Poverty once again is broad issue all over the world. It involves a deeper understanding at micro and micro- level. Therefore, the poverty in rural areas difficult complicated and cannot simply to be reduced through MF. As mentioned before, MF is just the just tool for alleviating poverty but the actual roots of poverty remain.

Special requirements to be very careful in over-emphasizing the role of microfinance for poverty reduction since it requires support of other factors most importantly entrepreneurial skills. There is need not only to create a development environment for microfinance with favorable conditions like access to knowledge and information, infrastructure like good roads, markets but also to build local institutional capacity in rural communities and public investment in rural infrastructure.

6.4.Limitation of study

Nowadays, microfinance is becoming one of the most energetic and successful sector in the alleviation against poverty not only in Bangladesh and Indonesia but also in Malaysia.

However, this study will neither focus on microfinance sector in Bangladesh nor Indonesia but in this will focus on the role of microfinance on poverty alleviation in Malaysia specifically those household clients in Kedah state in north Malaysia. The non-participating groups are excluded in this study. I have excluded also the control group method, which compares a population that had benefited from MFIs to another group, which had not because of time constraint. The reason I choose to limit myself on Kedah state because Kedah state is the most vulnerable area while poverty level is quite high comparing to other states in Malaysian.

To conclude, microfinance programs would be unsuccessful most of the time in countries with poor control and high corruption; however, microfinance programs such as micro credits are more perceptible and valuable to the poor population. Even though microfinance programs are meaningful, micro credit programs have more effects that are positive for the poor people. In general, access to income for the relatively poor, commitment of politicians to poverty reduction, as well as males and females' efficient and effective participation in society are all equally important to build social and economic development in urban and rural areas of Malaysia. On a large scale, empowerment through microfinance may not be a magic case to fight poverty; at microfinance, it is a precondition to offer essential and effective tools to build regularly sustainable livelihoods and to empower women so that they achieve equality in society.

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Appendix A



Instructions: This questionnaire comprises of two (2) main sections. Please read carefully before answering them. For multiple choices please circle the numbers that best corresponds for your answer. For the remaining of the questions, please answer the interview questions.

Dear Respondent

Congratulation! You have been chosen to be a respondent in this study. The questionnaire is designed to study the critical role and impact of Microfinance Institutions among poor people in northern Malaysia. This research is being conducted as a partial fulfilment to complete the Master of Business Administration program.

I am studying Masters Program at Collage of Business, Universiti Utara Malaysia. I have designed the following questionnaire for the study of the role and impact of Microfinance on the marginalized and unprivileged section of the society in Malaysia and further scope of development, which required for my thesis work as an integral part of my study. I would highly appreciate if you fill this two-page questionnaire. It will take approximately 10-15 minutes. I expect your kind cooperation in this respect.

Field Questionnaire for the interview

QUESTIONNAIRE

This survey forms parts of a study on the role of Microfinance Institutions among poor people in Northern Malaysia. The aim is to investigate critical role and impact of poor people in their living standards, income and empowerments in poor people. The information obtained will be useful in devising suitable approaches that will benefit for Microfinance Institutions as well as policy makers. All responses given will be treated with the utmost confidence. The results will be used for research purposes only and no

attempt will be made to identify any individual or organizations in any publications.

1. What is your gender?

Female (Perempuan)

Male (laki-laki)

Ethnicity (Etnisitas)

☐ Malay ☐ Chinese ☐ Indian ☐ Other

2. Age (usia)

☐ Less than (Kurang dari) ☐ 25years ☐ (25-40) years ☐ 40 and above (atas)

3. How many years you are member of a microfinance program

(Berapa tahun anda ahli dari programkewangan mikro)

☐ Less than (Kurang dari) ☐ 2 years ☐ (2-5) years ☐ More than

(Lebih dari) 5 Years

4. Do you have any educational experience?

(Adakah anda mempunyai pengalamanpendidikan?)

☐ Not at all (Sama sekali tidak) ☐ (1-5) Yea ☐ (6-10) Year ☐ Morethan (Lebih dari)10 Years

5. How many family members do you have?

(Berapa banyak ahli keluarga yang andamiliki?)

☐ Less than (Kurang dari) ☐ 2 members ☐ (2-5) Members

More than (Lebih dari) 5 Members

6. Did you have any business experience before entering this program?

(Adakah anda mempunyai pengalaman perniagaan sebelum memasuki progr amm ini?)

Yes

N

7. What is the source of your initial capital?

Apakah sumber modal awal anda?

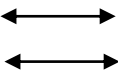
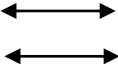
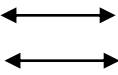
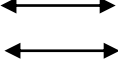
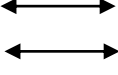
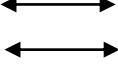
☐ Personal Savings ☐ Friends and relatives ☐ Loan from MI ☐
Others

☐ Tabungan Peribadi ☐ ☐ Teman dan kerabat
Pinjaman dari LKM

☐ Lain-lain

- 7. The numbers of following table indicates the degree of satisfaction or agreement level (on a scale of 1-5*) of the household or a person after he or she has received. Loan from a microfinance institution. Please circle the number, which accurately reflects your opinion.**

Jumlah Jadual yang
berikut menunjukkan tahap kepuasan atautahap kesepakatan (pada sk
ala 15 *) rumah tangga atau orangsetelah ia telah menerima. Pinjaman
dari institusi kewangan mikro.Sila lingkaran nombor, yang secara tepa
t mencerminkan pendapatanda.

Loan Satisfaction/ Pinjaman Kepuasan						
1	The rate of interest of micro credit is reasonable Ting katbunga kredit mikro adalah Wajar Sangat tidak setuju	Strongly disagree Sangat tidak setuju		Strongly agree Sangat setuju		
		1	2	3	4	5
2	The procedure of obtaining loans from MFIs is easier than conventional banking Prosedur untuk mendapatkan pinjaman dari LKM lebih mudah daripada perbankan konvensional	Strongly disagree Sangat tidak setuju		Strongly agree Sangat setuju		
		1	2	3	4	5
3	The completion of loan application process is easy Penyelesaian proses aplikasi pinjaman mudah	Strongly disagree Sangat tidak setuju		Strongly agree Sangat setuju		
		1	2	3	4	5
4	The loan size of micro credit is reasonable Saiz pinjaman kredit mikro adalah wajar	Strongly disagree Sangat tidak setuju		Strongly agree Sangat setuju		
		1	2	3	4	5
Empowerment/ Pemberdayaan						
1	Role in decision making process has increased Hebat dalam proses pengambilan keputusan telah meningkat	Strongly disagree Sangat tidak setuju		Strongly agree Sangat setuju		
		1	2	3	4	5
2	Increase rate and access to public and common property resources after joining MF program Meningkatkan tahap dan akses kepada sumber daya milik awam dan umum selepas bergabung dengan program MF	Strongly disagree Sangat tidak setuju		Strongly agree Sangat setuju		
		1	2	3	4	5
3	Increase the standard of living of family after joining MF program Meningkatkan taraf hidup keluarga selepas bergabung	Strongly disagree Sangat tidak setuju		Strongly agree Sangat setuju		
		1	2	3	4	5

	denganprogram MF	
4	Easy to run business after joining MF program Mudah untuk menjalankan perniagaan selepas bergabung denganprogram MF	Strongly disagree ←→ Strongly agree Sangat tidak setuju ←→ Sangat setuju 1 2 3 4 5
Improvement of Education/ Peningkatan Pendidikan		
1	Incomplete Primary Education Lengkap Pendidikan Dasar	Strongly disagree ←→ Strongly agree Sangat tidak setuju ←→ Sangat setuju 1 2 3 4 5
2	Complete primary education Lengkap pendidikan dasar	Strongly disagree ←→ Strongly agree Sangat tidak setuju ←→ Sangat setuju 1 2 3 4 5
3	Incomplete university/college degree (Bachelors/masters equivalent) Lengkap universiti / institusi pendidikan tinggi gelaran (Sarjana /master setar a)	Strongly disagree ←→ Strongly agree Sangat tidak setuju ←→ Sangat setuju 1 2 3 4 5
4	Complete university/college degree (Bachelors/masters equivalent) Lengkap universiti / institusi pendidikan tinggi gelaran (Sarjana /master setar a)	Strongly disagree ←→ Strongly agree Sangat tidak setuju ←→ Sangat setuju 1 2 3 4 5
Improvement in Health/ Perbaikan Kesihatan		
1	Hard to access medical service Sulit untuk mengakses perkhidmatan perubatan	Strongly disagree Sangat tidak setuju 1 2 3 4 5
2	There is no Immunization of children in the family Tidak ada imunisasi anak-anak dalamkeluarga	Strongly disagree Sangat tidak setuju 1 2 3 4 5

3	Level of children diarrhea in each year is high Tingkat diare anak anak di setiap tahun tinggi	Strongly disagree Sangat tidak setuju	↔	Strongly agree Sangat setuju
		1 2 3 4 5		
4	Access to medical services far away kilometers Akses kepada perkhidmatan perubatan jauh kilometer	Strongly disagree Sangat tidak setuju	↔	Strongly agree Sangat setuju
		1 2 3 4 5		
Poverty Alleviation/ Kemiskinan Pengurangan				
1	Improvement in the living standard of the family Peningkatan taraf hidup keluarga	Strongly disagree Sangat tidak setuju	↔	Strongly agree Sangat setuju
		1 2 3 4 5		
2	Employment opportunities have increased Peluang kerja telah meningkat	Strongly disagree Sangat tidak setuju	↔	Strongly agree Sangat setuju
		1 2 3 4 5		
3	The income has increased Pendapatan meningkat	Strongly disagree Sangat tidak setuju	↔	Strongly agree Sangat setuju
		1 2 3 4 5		
4	Better Financial situation of the family Situasi kewangan yang lebih baik ke keluarga	Strongly disagree Sangat tidak setuju	↔	Strongly agree Sangat setuju
		1 2 3 4 5		
5	The savings has increased tabungan telah meningkat	Strongly disagree Sangat tidak setuju	↔	Strongly agree Sangat setuju
		1 2 3 4 5		

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Appendix B

Reliability

Scale: ALL VARIABLES

Case Processing Summary			
		N	%
Cases	Valid	180	100.0
	Excluded ^a	0	.0
	Total	180	100.0
a. Listwise deletion based on all variables in the procedure.			

Reliability Statistics	
Cronbach's Alpha	N of Items
.793	4

Item Statistics			
	Mean	Std. Deviation	N
The rate of interest of micro credit is reasonable	4.16	1.051	180
The procedure of obtaining loans from MFIs is easier than conventional banking	4.16	.962	180
The loan size of micro credit is reasonable	4.17	1.121	180
The loan repayment schedule of MFIs is well reasonable	4.04	1.077	180

Item-Total Statistics				
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
The rate of interest of micro credit is reasonable	12.37	6.703	.583	.752
The procedure of obtaining loans from MFIs is easier than conventional banking	12.37	6.870	.631	.731
The loan size of micro credit is reasonable	12.36	5.951	.689	.696

The loan repayment schedule of MFIs is well reasonable	12.48	6.877	.521	.783
--	-------	-------	------	------

Scale Statistics			
Mean	Variance	Std. Deviation	N of Items
16.52	10.977	3.313	4

Reliability

Scale: ALL VARIABLES

Case Processing Summary			
		N	%
Cases	Valid	180	100.0
	Excluded ^a	0	.0
	Total	180	100.0
a. Listwise deletion based on all variables in the procedure.			

Reliability Statistics	
Cronbach's Alpha	N of Items
.796	4

Item Statistics			
	Mean	Std. Deviation	N
Role in decision making process has increased	4.23	.939	180
Increase rate and access to public and common properly resources after joining MF program	4.20	.948	180
Increase the standard of living of family after joining MF program	4.23	1.077	180
Easy to run business after joining MF program	4.11	1.017	180

Item-Total Statistics				
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Role in decision making process has increased	12.53	6.116	.617	.742

Increase rate and access to public and common properly resources after joining MF program	12.56	5.946	.652	.724
Increase the standard of living of family after joining MF program	12.53	5.256	.697	.697
Easy to run business after joining MF program	12.66	6.372	.478	.808

Scale Statistics			
Mean	Variance	Std. Deviation	N of Items
16.76	9.859	3.140	4

Reliability

Scale: ALL VARIABLES

Case Processing Summary			
		N	%
Cases	Valid	180	100.0
	Excluded ^a	0	.0
	Total	180	100.0
a. Listwise deletion based on all variables in the procedure.			

Reliability Statistics	
Cronbach's Alpha	N of Items
.802	4

Item Statistics			
	Mean	Std. Deviation	N
Incomplete primary Education	4.24	.978	180
Complete primary education	4.18	.936	180
Incomplete University/college degree (Bachelors/masters equivalent)	4.13	1.083	180
Complete university university/ college degree (Bachelors?masters	4.03	1.033	180

equivalent)			
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Item-Total Statistics				
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Incomplete primary Education	12.34	6.248	.617	.752
Complete primary education	12.40	6.342	.637	.744
Incomplete University/college degree (Bachelors/masters equivalent)	12.46	5.769	.630	.746
Complete university university/ college degree (Bachelors?masters equivalent)	12.56	6.159	.585	.768

Scale Statistics			
Mean	Variance	Std. Deviation	N of Items
16.58	10.222	3.197	4

Reliability

Scale: ALL VARIABLES

Case Processing Summary			
		N	%
Cases	Valid	180	100.0
	Excluded ^a	0	.0
	Total	180	100.0
a. Listwise deletion based on all variables in the procedure.			

Reliability Statistics	
Cronbach's Alpha	N of Items
.812	4

Item Statistics			
	Mean	Std. Deviation	N
Hard to access medical service	4.20	.994	180
There is no	4.17	.956	180

Immunization of children in the family			
Level children diarrhea each year is high	4.17	1.121	180
Access to medical services far away kilometers	4.04	1.077	180

Item-Total Statistics				
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Hard to access medical service	12.38	6.718	.647	.756
There is no Immunization of children in the family	12.41	6.858	.652	.755
Level children diarrhea each year is high	12.42	5.954	.699	.729
Access to medical services far away kilometers	12.54	6.864	.534	.810

Scale Statistics			
Mean	Variance	Std. Deviation	N of Items
16.58	11.038	3.322	4

Reliability

Scale: ALL VARIABLES

Case Processing Summary			
		N	%
Cases	Valid	180	100.0
	Excluded ^a	0	.0
	Total	180	100.0
a. Listwise deletion based on all variables in the procedure.			

Reliability Statistics	
Cronbach's Alpha	N of Items

.905	5
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Item Statistics			
	Mean	Std. Deviation	N
Improvement in the living standard of the family	4.18	1.022	180
Employment opportunity have increased	4.13	.997	180
The income has increased	4.20	.994	180
Better financial situation of the family	4.17	.956	180
The savings has increased	4.17	1.121	180

Item-Total Statistics				
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Improvement in the living standard of the family	16.67	12.101	.800	.876
Employment opportunity have increased	16.72	12.381	.777	.881
The income has increased	16.65	12.139	.824	.871
Better financial situation of the family	16.68	12.443	.812	.874
The savings has increased	16.68	12.631	.620	.917

Scale Statistics			
Mean	Variance	Std. Deviation	N of Items
20.85	18.832	4.340	5

Correlations

Descriptive Statistics			
	Mean	Std. Deviation	N

Gender	1.22	.417	180
Ethnicity	1.67	.914	180
Age	2.29	.584	180
Ymmicrof	2.21	.604	180
Education	2.43	.652	180
Fmembers	2.13	.489	180

Bexperience	1.87	.500	180
Loansatisfaction	4.1306	.82829	180
Empowerment	4.1903	.78497	180
Improvededucation	4.1458	.79930	180
Improvementhealth	4.1458	.83058	180
Povertyalleviation	4.1700	.86792	180
overallindependent	4.1531	.64683	180

Capital	2.81	.493	180

Correlations															
		Gender	Ethnicity	Age	Ymmicrof	Educational	Fmembers	Bexperience	Capital	Loansatisfaction	Empowerment	Improvededucation	Improve menthealth	Poverty alleviation	overall independent
Gender	Pearson Correlation	1.000	-.072	.171*	.062	.014	.210**	-.071	.042	.009	-.036	-.056	.007	-.015	-.023
	Sig. (2-tailed)		.339	.022	.411	.855	.005	.341	.573	.909	.631	.456	.929	.837	.756
	N	180.000	180	180	180	180	180	180	180	180	180	180	180	180	180
Ethnicity	Pearson Correlation	-.072	1.000	.032	-.080	.136	.023	.087	-.076	-.017	.041	-.005	-.008	-.038	.003
	Sig. (2-tailed)	.339		.671	.288	.068	.756	.245	.310	.821	.588	.948	.911	.614	.971
	N	180	180.000	180	180	180	180	180	180	180	180	180	180	180	180
Age	Pearson Correlation	.171*	.032	1.000	.559**	.506**	.197**	-.288**	.074	.049	.074	.005	.085	.097	.067
	Sig. (2-tailed)	.022	.671		.000	.000	.008	.000	.323	.517	.321	.947	.254	.197	.370
	N	180	180	180.000	180	180	180	180	180	180	180	180	180	180	180
Ymmicrof	Pearson Correlation	.062	-.080	.559**	1.000	.623**	.152*	-.094	.000	.035	.188*	.024	.068	.093	.098
	Sig. (2-tailed)	.411	.288	.000		.000	.041	.211	.998	.637	.012	.746	.365	.216	.192
	N	180	180	180	180.000	180	180	180	180	180	180	180	180	180	180
Educational	Pearson	.014	.136	.506**	.623**	1.000	.256**	-.199**	-.076	.122	.122	.116	.151*	.145	.160*

on	Correlati on								.091						
	Sig. (2- tailed)	.855	.068	.000	.000		.001	.008	.222	.102	.104	.119	.043	.051	.031
	N	180	180	180	180	180.000	180	180	180	180	180	180	180	180	180
Fmemb ers	Pearson Correlati on	.210**	.023	.197**	.152*	.256**	1.000	-.087	- .080	.040	-.023	-.043	.041	.049	.006
	Sig. (2- tailed)	.005	.756	.008	.041	.001		.247	.284	.598	.761	.568	.582	.514	.939
	N	180	180	180	180	180	180.000	180	180	180	180	180	180	180	180
Bexper ience	Pearson Correlati on	-.071	.087	-.288**	-.094	-.199**	-.087	1.000	- .193**	-.177*	-.020	-.140	-.188*	-.169*	-.166*
	Sig. (2- tailed)	.341	.245	.000	.211	.008	.247		.009	.018	.786	.061	.011	.023	.026
	N	180	180	180	180	180	180	180.00 0	180	180	180	180	180	180	180
Capital	Pearson Correlati on	.042	-.076	.074	.000	-.091	-.080	-.193**	1.00 0	-.042	.072	-.025	-.035	-.008	-.011
	Sig. (2- tailed)	.573	.310	.323	.998	.222	.284	.009		.577	.339	.735	.644	.914	.888
	N	180	180	180	180	180	180	180	180.00 0	180	180	180	180	180	180
Loansa tisfacti on	Pearson Correlati on	.009	-.017	.049	.035	.122	.040	-.177*	- .042	1.000	.270**	.641**	.992**	.933**	.919**
	Sig. (2- tailed)	.909	.821	.517	.637	.102	.598	.018	.577		.000	.000	.000	.000	.000
	N	180	180	180	180	180	180	180	180	180.00 0	180	180	180	180	180
Empo werme	Pearson Correlati	-.036	.041	.074	.188*	.122	-.023	-.020	.072	.270**	1.000	.233**	.278**	.264**	.551**

nt	on														
	Sig. (2-tailed)	.631	.588	.321	.012	.104	.761	.786	.339	.000		.002	.000	.000	.000
	N	180	180	180	180	180	180	180	180	180	180.000	180	180	180	180
Improv ement educatio n	Pearson Correlati on	-.056	-.005	.005	.024	.116	-.043	-.140	-.025	.641**	.233**	1.000	.636**	.587**	.789**
	Sig. (2-tailed)	.456	.948	.947	.746	.119	.568	.061	.735	.000	.002		.000	.000	.000
	N	180	180	180	180	180	180	180	180	180	180	180.000	180	180	180
Improv ement health	Pearson Correlati on	.007	-.008	.085	.068	.151*	.041	-.188*	-.035	.992**	.278**	.636**	1.000	.940**	.919**
	Sig. (2-tailed)	.929	.911	.254	.365	.043	.582	.011	.644	.000	.000	.000		.000	.000
	N	180	180	180	180	180	180	180	180	180	180	180	180.000	180	180
Povert y allevi ation	Pearson Correlati on	-.015	-.038	.097	.093	.145	.049	-.169*	-.008	.933**	.264**	.587**	.940**	1.000	.862**
	Sig. (2-tailed)	.837	.614	.197	.216	.051	.514	.023	.914	.000	.000	.000	.000		.000
	N	180	180	180	180	180	180	180	180	180	180	180	180	180.000	180
overall independ ent	Pearson Correlati on	-.023	.003	.067	.098	.160*	.006	-.166*	-.011	.919**	.551**	.789**	.919**	.862**	1.000
	Sig. (2-tailed)	.756	.971	.370	.192	.031	.939	.026	.888	.000	.000	.000	.000	.000	
	N	180	180	180	180	180	180	180	180	180	180	180	180	180	180.000
*. Correlation is significant at the 0.05 level (2-tailed).															
**. Correlation is significant at the 0.01 level (2-tailed).															

Regression

Descriptive Statistics			
	Mean	Std. Deviation	N
Povertyalleviation	4.1700	.86792	180
Loansatisfaction	4.1306	.82829	180
Empowerment	4.1903	.78497	180
Improvementeducation	4.1458	.79930	180
Improvementhealth	4.1458	.83058	180

Correlations						
		Povertyalleviation	Loansatisfaction	Empowerment	Improvementeducation	Improvementhealth
Pearson Correlation	Povertyalleviation	1.000	.933	.264	.587	.940
	Loansatisfaction	.933	1.000	.270	.641	.992
	Empowerment	.264	.270	1.000	.233	.278
	Improvementeducation	.587	.641	.233	1.000	.636
	Improvementhealth	.940	.992	.278	.636	1.000
Sig. (1-tailed)	Povertyalleviation	.	.000	.000	.000	.000
	Loansatisfaction	.000	.	.000	.000	.000
	Empowerment	.000	.000	.	.001	.000
	Improvementeducation	.000	.000	.001	.	.000
	Improvementhealth	.000	.000	.000	.000	.
N	Povertyalleviation	180	180	180	180	180
	Loansatisfaction	180	180	180	180	180
	Empowerment	180	180	180	180	180
	Improvementeducation	180	180	180	180	180
	Improvementhealth	180	180	180	180	180

Variables Entered/Removed ^b			
Mode 1	Variables Entered	Variables Removed	Method
1	Improvement health, Empowermen t, Improvement education, Loansatisfacti on ^a	.	Enter
a. All requested variables entered.			
b. Dependent Variable: Povertyalleviation			

Model Summary ^b										
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.940 _a	.883	.880	.30021	.883	330.274	4	175	.000	2.239
a. Predictors: (Constant), Improvementhealth, Empowerment, Improvementeducation, Loansatisfaction										
b. Dependent Variable: Povertyalleviation										

ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	119.066	4	29.766	330.274	.000 ^a
	Residual	15.772	175	.090		
	Total	134.838	179			

a. Predictors: (Constant), Improvementhealth, Empowerment, Improvementeducation, Loansatisfaction

b. Dependent Variable: Povertyalleviation

Coefficients^a

Model		Unstandardized Coefficients		Standard ized Coeffi cients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolera nce	VIF
1	(Constant)	.117	.156		.749	.455		
	Loan satisfaction	.058	.220	.055	.263	.793	.015	66.208
	Empowermen t	.005	.030	.004	.164	.870	.914	1.094
	Improvement education	-.021	.037	-.019	-.574	.567	.585	1.708
	Improvement health	.936	.219	.896	4.273	.000	.015	65.741

a. Dependent Variable: Poverty alleviation

Collinearity Diagnostics^a

Model	Dim ensi on	Eigen value	Conditio n Index	Variance Proportions				
				(Const ant)	Loan satisfacti on	Empow erment	Improveme nt education	Improvem ent health
1	1	4.928	1.000	.00	.00	.00	.00	.00
	2	.039	11.221	.07	.00	.38	.02	.00
	3	.019	16.316	.19	.00	.30	.49	.00
	4	.014	18.763	.74	.00	.32	.48	.00
	5	.000	129.677	.00	.99	.01	.00	.99

a. Dependent Variable: Poverty alleviation

Residuals Statistics^a

	Minimu m	Maximu m	Mean	Std. Deviation	N
Predicted Value	1.2706	5.0363	4.1700	.81558	180
Residual	-.88905	1.03108	.00000	.29684	180

Std. Predicted Value	-3.555	1.062	.000	1.000	180
Std. Residual	-2.961	3.435	.000	.989	180
a. Dependent Variable: Poverty alleviation					

Frequencies

Statistics		
Gender		
N	Valid	180
	Missing	0
	Mean	1
	Median	1
	Mode	1
	Std. Deviation	0
	Range	1
	Minimum	1
	Maximum	2

Frequencies

Statistics		
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Gender					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Female	140	77.8	77.8	77.8
	Male	40	22.2	22.2	100.0
	Total	180	100.0	100.0	
Gender					
N	Valid	180			
	Missing	0			
	Mean	1			
	Median	1			
	Mode	1			
	Std. Deviation	0			
	Range	1			
	Minimum	1			
	Maximum	2			

Gender					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Female	140	77.8	77.8	77.8
	Male	40	22.2	22.2	100.0
	Total	180	100.0	100.0	

Frequencies

Statistics		
Ethnicity		
N	Valid	180
	Missing	0
	Mean	2
	Median	1
	Mode	1
	Std. Deviation	1
	Range	3
	Minimum	1
	Maximum	4

Ethnicity					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Malay	111	61.7	61.7	61.7
	Chinese	20	11.1	11.1	72.8
	Indian	46	25.6	25.6	98.3
	Other	3	1.7	1.7	100.0
	Total	180	100.0	100.0	

Frequencies

Statistics		
Age		
N	Valid	180
	Missing	0
	Mean	2
	Median	2
	Mode	2
	Std. Deviation	1
	Range	4
	Minimum	1
	Maximum	5

Age					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 25 years	3	1.7	1.7	1.7
	(25-40)	128	71.1	71.1	72.8
	40 and above	46	25.6	25.6	98.3
	5	3	1.7	1.7	100.0
	Total	180	100.0	100.0	

Frequencies

Statistics	
Ymmicrof	

N	Valid	180
	Missing	0
	Mean	2
	Median	2
	Mode	2
	Std. Deviation	1
	Range	3
	Minimum	1
	Maximum	4

Ymmicrof					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 2 years	13	7.2	7.2	7.2
	(2-5) years	122	67.8	67.8	75.0
	More than 5 years	40	22.2	22.2	97.2
	4	5	2.8	2.8	100.0
	Total	180	100.0	100.0	

Frequencies

Statistics		
Education		
N	Valid	180
	Missing	0
	Mean	2
	Median	2
	Mode	2
	Std. Deviation	1
	Range	3
	Minimum	1
	Maximum	4

Education					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not at all	1	.6	.6	.6
	(1-5) Years	115	63.9	63.9	64.4
	(6-10) Years	49	27.2	27.2	91.7
	More than 10 Years	15	8.3	8.3	100.0
	Total	180	100.0	100.0	

Frequencies

Statistics

Fmembers		
N	Valid	180
	Missing	0
	Mean	2
	Median	2
	Mode	2
	Std. Deviation	0
	Range	3
	Minimum	1
	Maximum	4

Fmembers					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 2 members	9	5.0	5.0	5.0
	(2-5) Members	140	77.8	77.8	82.8
	More than 5 Members	29	16.1	16.1	98.9
	4	2	1.1	1.1	100.0
	Total	180	100.0	100.0	

Frequencies

Statistics		
Bexperience		
N	Valid	180
	Missing	0
	Mean	2
	Median	2
	Mode	2
	Std. Deviation	1
	Range	2
	Minimum	1
	Maximum	3

Bexperience					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	36	20.0	20.0	20.0
	No	132	73.3	73.3	93.3
	3	12	6.7	6.7	100.0
	Total	180	100.0	100.0	

Frequencies

Statistics		
Capital		
N	Valid	180
	Missing	0
	Mean	3
	Median	3
	Mode	3
	Std. Deviation	0
	Range	3
	Minimum	1
	Maximum	4

Capital					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Personal serving	5	2.8	2.8	2.8
	Friends and relatives	27	15.0	15.0	17.8
	Loan from MFIs	145	80.6	80.6	98.3
	Others	3	1.7	1.7	100.0
	Total	180	100.0	100.0	

Endnotes

ⁱ The average annual output growth rates in industry and services sectors in the period 1998-2007 are 3.1 per cent 5.6.

ⁱⁱ The **Millennium Development Goals (MDGs)** are eight international development goals that all 192 United Nations member states and at least 23 international organizations have agreed to achieve by the year 2015. They include eradicating extreme poverty in the world countries.

ⁱⁱⁱ The **Malaysian New Economic Policy** is replaced from National Development Policy and it is contentious economic policy first implemented by the Malaysian government lead by Tun Abdul Razak in 1971. Originally planned to end in 1999, the NEP is presently in its eighth representation and scheduled to run until the year 2010. http://www.wordiq.com/definition/Malaysian_New_Economic_Policy

^{iv} Muhammad Yunus Bengali (born 28 June 1940) is a Bangladeshi economist and founder of the Grameen Bank, an institution that provides microcredit (small loans to poor people possessing no collateral) to help its clients establish creditworthiness and financial self-sufficiency. <http://en.wikipedia.org/wiki/MuhammadYunus>

^v For discussion of the emergence of AIM in the context of the New Economic Policy, see the government's Tenth Malaysia Plan, presented to Parliament in June 2010

^{vi} Daley-Harris, S. (2006), The State of the Micro-Credit Summit Campaign Report 2006, <http://www.microcreditsummit.org/pubs/reports/socr/2006/SOCR06.pdf> (consulted September 2007).

^{vii} Matin I, Hulme, D and Rutherford, S. (2002) "Finance for the poor: from microcredit to micro financial services." *Journal of International Development* 14: 273-294.

^{viii} The initial objective was to reach 100 million people by 2005 but at the Latin America/Caribbean Microcredit Summit in April 2005 these objectives were changed (Microcredit Summit, 2005).

^{ix} The Millennium Development Goals are: (1) eradicate extreme poverty and hunger; (2) achieve universal primary education; (3) promote gender equality and empower women; (4) reduce child mortality; (5) improve maternal health; (6) combat HIV/AIDS, malaria, and other diseases; (7) ensure environmental sustainability; and (8) develop a global partnership for development.

^x Credible measurement of the impact of financial services is challenging. Correlation does not prove causality. For example, merely showing that clients in one village are better off than those in another village does not prove that the financial services caused them to be better off: it is possible, after all, that the financial services only attracted or selected clients who were likely to be better off in the first place, even if they had not received the service. Studies that do not deal with biases have little

power to prove causality. Few studies include fully rigorous controls for selection biases, but all of the studies cited in this paper have addressed this issue by trying to select control groups whose observed characteristics were comparable except for their participation in microfinance. The authors believe that the general pattern of results sheds valid light on the question of impact—that is, does availability of financial services for the poor actually cause improvements in the achievements of MDGs?

^{xi} Poverty was based on a daily calorie intake of 2112 and extreme poverty on one of 1739.

^{xii} This debate, which in part centers around details of econometric estimation, has not been resolved. An unpublished paper by Pitt reworks the original analysis to address the concerns of Morduch and is said to confirm the original results (Khandker 2003, footnote).

^{xiii} The Gini coefficient is a number between zero and one, where zero means perfect equality (everyone has the same income) and 1 means perfect inequality (one person has all the income, everyone else has nothing). The lower the Gini coefficient, the more equal the distribution of income of a country.