

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

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DEDICATION

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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

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