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

ABDIRAHIM IBRAHIM SHEIKH HEILE
FSGUN
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MASTER OF BUSINESS ADMINISTRATION (MBA)
UNIVERSITI UTARA MALAYSIA
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06010 UUM Sintok

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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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<td>Asian Development Bank</td>
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<tr>
<td>AIM</td>
<td>Amanah Ikhtiar Malaysia</td>
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<tr>
<td>AIDS</td>
<td>Acquired Immune Deficiency Syndrome</td>
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<tr>
<td>APEC</td>
<td>Asia-Pacific Economic Cooperation</td>
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<tr>
<td>ASEAN</td>
<td>Association of South-East Asian Nations</td>
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<tr>
<td>BIDS</td>
<td>Bangladesh Institute of Development Studies</td>
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<tr>
<td>BRAC</td>
<td>Bangladesh Rural Advancement Committee</td>
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<tr>
<td>BRI</td>
<td>Bank Rakyat Indonesia</td>
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<tr>
<td>CGC</td>
<td>Credit Grantee Cooperation</td>
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<tr>
<td>DAC</td>
<td>Development Assistance Committee</td>
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<tr>
<td>DOA</td>
<td>Department of Agriculture</td>
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<tr>
<td>DOTS</td>
<td>Directly Observed Treatment, Short Course</td>
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<td>GDP</td>
<td>Growth Domestic Product</td>
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<td>GNI</td>
<td>Gross National Income</td>
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<td>GNP</td>
<td>Growth National Profit</td>
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<td>HIV</td>
<td>human immunodeficiency virus</td>
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<td>Abbreviation</td>
<td>Full Form</td>
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<tr>
<td>IDB</td>
<td>Islamic Development Bank</td>
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<td>IMR</td>
<td>Infant Mortality Rates</td>
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<td>LDCs</td>
<td>Least Developed Countries</td>
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<td>MAC</td>
<td>Malaysian AIDS Council</td>
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<td>MCH</td>
<td>Maternal and Child Health</td>
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<td>Microfinance Institutions</td>
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<td>MMR</td>
<td>Maternal Mortality Rate</td>
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<td>MOH</td>
<td>Ministry of Health</td>
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<td>NDP</td>
<td>National Development Policy</td>
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<td>NEP</td>
<td>New Economic Policy</td>
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<td>NGOs</td>
<td>non-governmental organizations</td>
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<td>OECD</td>
<td>Organization for Economic Cooperation and Development</td>
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<td>PLI</td>
<td>Poverty Line Income</td>
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<td>PPP</td>
<td>purchasing power parity</td>
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<td>PROSTAR</td>
<td>Program Sihat Tanpa AIDS untuk Remaja</td>
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<td>Abbreviation</td>
<td>Full Form</td>
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<tr>
<td>PPRT</td>
<td>Projek Perumahan Rakyat Termiskin</td>
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<td>ROA</td>
<td>Return on Assets</td>
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<td>SERU</td>
<td>Social Science and Economic Research Unit</td>
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<td>SMEs</td>
<td>small and medium Enterprises</td>
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<td>TB</td>
<td>Tuberculosis</td>
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<td>TBAs</td>
<td>Traditional Birth Attendants</td>
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<td>UN</td>
<td>United Nations</td>
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<td>UNDP</td>
<td>United Nations Development Program</td>
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<td>WB</td>
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<td>World Health Organization</td>
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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.\(^1\)

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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