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**MICROFINANCE REPAYMENT PERFORMANCE IN  
BANK RAKYAT KANGAR BRANCH**

**ANAS RADHI BIN BAKAR**



**MASTER OF ISLAMIC BUSINESS STUDY  
UNIVERSITI UTARA MALAYSIA  
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**MICROFINANCE REPAYMENT PERFORMANCE IN  
BANK RAKYAT KANGAR BRANCH**

**BY**

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**Research Paper Submitted to the:  
Othman Yeop Abdullah Graduate School of Business  
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In Partial Fulfilment of the Requirement for the  
Master of Islamic Business Study**





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## ABSTRACT

Microfinance is offered by Bank Kerjasama Rakyat Malaysia Berhad to the customers who want to expand their business. However, there are existing customers facing problems in resolving the repayment of microfinance as per agreed period. This poses a risk of overdue payments that may affect the performance of the customer as well as the bank. Thus, this study was conducted to achieve three main objectives. Firstly, to identify the main process of microfinance in Bank Rakyat Kangar. Secondly, to explore factors affecting the repayment performance of microfinance among Bank Rakyat Kangar customers. Thirdly, to identify business problems faced by Bank Rakyat Kangar microfinance customers. Fourthly, to examine the mechanisms used by Bank Rakyat to address the problem of microfinance repayment among Bank Rakyat Kangar customers. The method of qualitative research is applied and data collection is in-depth interviews and guided by documents related to microfinancing. The interview process involves eight customers and two microfinance officers at Bank Rakyat Kangar. Content analysis is done on the data and information obtained from the interview. The findings show that the main process of microfinance in Bank Rakyat Kangar is based on certain condition. The main factors affecting repayment performance are the decreasing of income in business, family problems, and influenced by another financing factors. All informants interviewed revealed different business problems such as business competitors, the problem of customers and low marketing product sales. Bank Rakyat runs two mechanisms system to overcome the problem. Firstly, the system of monitoring and online action updating. Secondly, reporting for follow up action on the customer. This study contributes significantly to knowledge on microfinance scheme, in general, to facilitate customers and other entrepreneurs to capitalize the business in order to ensure the repayment consistency in the future.

**Keyword:** microfinance repayment, business, financing, mechanism

## ABSTRAK

Pembiayaan mikro ditawarkan oleh Bank Kerjasama Rakyat Malaysia Berhad kepada pelanggan bank yang ingin mengembangkan perniagaan. Namun, terdapat segelintir pelanggan yang menghadapi masalah dalam menyelesaikan bayaran balik pembiayaan mikro dalam tempoh yang ditetapkan. Hal yang demikian menimbulkan risiko bayaran tertunggak yang boleh menjejaskan prestasi pelanggan dan juga pihak bank. Oleh itu, kajian ini dilakukan untuk memenuhi tiga objektif utama. Pertama, untuk mengenal pasti proses utama bagi pembiayaan mikro di Bank Rakyat Kangar. Kedua, untuk meneroka faktor-faktor yang mempengaruhi prestasi bayaran balik pembiayaan mikro dalam kalangan pelanggan Bank Rakyat Kangar. Ketiga, untuk mengenal pasti masalah perniagaan yang dihadapi oleh pelanggan pembiayaan mikro Bank Rakyat Kangar. Keempat, untuk menentukan mekanisme yang digunakan oleh Bank Rakyat bagi mengatasi masalah bayaran balik pembiayaan mikro dalam kalangan pelanggan Bank Rakyat Kangar. Kaedah kajian berbentuk kualitatif diaplikasikan dan pengumpulan data adalah secara temu bual mendalam dan berpanduan kajian dokumen yang berkaitan dengan pembiayaan mikro. Proses temu bual melibatkan lapan orang pelanggan dan dua orang pegawai pembiayaan mikro di Bank Rakyat Kangar. Analisis kandungan dilakukan ke atas data dan maklumat yang diperolehi daripada temu bual tersebut. Hasil kajian menunjukkan bahawa proses utama pembiayaan mikro di Bank Rakyat kangar adalah berdasarkan syarat tertentu. Faktor utama yang mempengaruhi prestasi bayaran balik adalah faktor pendapatan yang berkurangan dalam perniagaan, masalah keluarga, dan pengaruh pembiayaan lain yang diutamakan. Kesemua informan temu bual pula mendedahkan masalah perniagaan yang berbeza, antaranya persaingan perniagaan, masalah pelanggan, dan pemasaran produk jualan. Bank Rakyat menjalankan dua sistem dalam mengatasi masalah bayaran balik tersebut. Pertama, sistem pemantauan dan kemaskini tindakan dalam talian. Kedua, pelaporan untuk tindakan susulan ke atas pelanggan. Kajian ini menyumbang secara signifikan kepada pengetahuan mengenai skim pembiayaan mikro secara umum bagi memudahkan pelanggan dan usahawan lain untuk mendapatkan modal bagi memastikan prestasi bayaran balik pembiayaan secara konsisten pada masa hadapan.

**Kata kunci:** bayaran balik pembiayaan mikro, perniagaan, pembiayaan, mekanisme



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## LIST OF ABBREVIATIONS

AIM	Amanah Ikhtiar Malaysia
BNM	Bank Negara Malaysia
BR	Bank Rakyat
FRGS	Fundamental Research Grant Scheme
MFI	Micro Finance Institutions
MKM	Maktab Kerjasama Malaysia
NGO	Non-government organizations
RM	Ringgit Malaysia
SHG	Self Help Group
SME	Small and Medium Enterprises
SOP	Standard Operation Procedure
SSM	Suruhanjaya Syarikat Malaysia
SPSS	Statistical Package for Social Science
VIF	Variance inflation factor
YUM	Yayasan Usaha Maju



# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1 Introduction**

This chapter explains the overview of this study. The first part will review the microfinancing in Micro Finance Institutions (MFIs). Drawing on the literature review of determinant factors of microfinance repayment performance, the problem statement is elaborated in the second part. In the third part, the research questions and research objectives are identified. Finally, the significance and scope of the study, research framework, and organization of the study are discussed.

### **1.2 The history of Microfinance in Malaysia**

In Malaysia, the microfinancing scheme was introduced in 1987 as one of the strategies to eradicate the poverty issues in the country. Microfinance scheme started in Malaysia with the establishment of Amanah Ikhtiar Malaysia (AIM) as microfinance institution in 1987. Besides that, there is also another microfinance institution established in 1987 at Sabah state known as Yayasan Usaha Maju (YUM) with the intention of providing microfinance loans to the poor people in Sabah, Suraya Hanim Mokhtar et al 2012.

The third microfinance institution established in 1998 is The Economic Fund for National Entrepreneurs Group (TEKUN). It was only in 2006 that Bank Rakyat began looking at having its own microfinancing scheme by using some expertise and a replicated model from AIM. The process of developing a microfinance portfolio in Bank Rakyat was very much encouraged by Bank Negara Malaysia (BNM) and the Ministry of Finance. The summary of microfinance institutions is as in Table 1.1 below:

*Table 1.1*

*Summary of MFI in Malaysia*

<b>MFI</b>	<b>CHARACTERISTIC</b>	
	Target borrower	: Female only
	Service outreach	: All over Malaysia
<b>AIM</b>	Loan eligibility	: People who live at or below the poverty line.
	Lending design	: Group lending.
	Loan size	: From RM1,000 to RM50,000
	Loan installment	: Weekly
	Target borrower	: Both female and male.
<b>TEKUN</b>	Service outreach	: All over Malaysia.
	Loan eligibility	: People who live at or below the poverty line and not-so-poor people.
	Lending design	: Individual lending.
	Loan size	: From RM500 to RM50,000

<b>YUM</b>	Loan installment	: Weekly and monthly
	Target borrower	: Female only.
	Service outreach	: Sabah Only.
	Loan eligibility	: People who live at or below the poverty line.
	Lending design	: Individual lending.
	Loan size	: From RM100 to RM20,000
	Loan installment	: Weekly
<b>BANK RAKYAT</b>	Target borrower	: Both female and male.
	Service outreach	: All over Malaysia.
	Loan eligibility	: People who live at or below the poverty line and not-so-poor people.
	Lending design	: Group lending.
	Loan size	: From RM1,000 to RM50,000
	Loan instalment	: Weekly

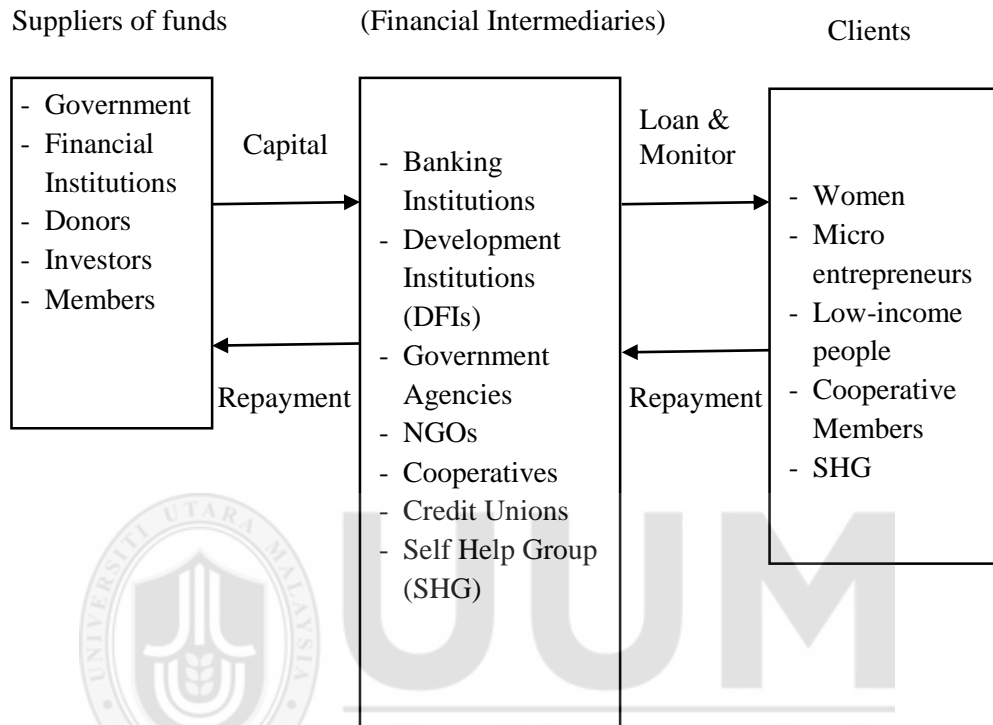
Source: Self Construct and Compilation

Majority of microfinance institutions are usually NGOs that are not profit-oriented organizations. Mostly this NGOs receive their funding from the government, local government and donors to support their microfinance program (Nawai & Shariff, 2013).

Diagram 1.1 shows the overall flow of microfinance model which is start with the supplier of funds provide the capital, MFIs will monitor and client repay their loan or financing.

*Diagram 1.1*

*The overall flow of microfinance model*



Source: Norhaziah Binti Nawai (2014)

### **1.3 Research Background**

The earliest and longer-lived microfinance organization that providing a small loan to rural poor without any collateral was the Irish Loan Fund system in the early of 1700s by the author and nationalist Jonathan Swift. In the 1800s, various types of credit institution began to emerge in Europe known as People's Banks, Credit Unions, and Savings and Credit Co-operatives.

In Malaysia, most of the MFI institution replicate the concept microfinance introduced by Professor Muhammad Yunus in 1976. He set up the Grameen Bank in Bangladesh to offer unsecured small financing to the poor (Gemunu and Steward, 2015). After 30 years, the Grameen bank kept growing until the customer base reached almost 6.9 million customers, with US\$5.9 million total disbursements (Gemunu and Steward, 2015).

Microfinance was created to help and provide rural areas or the urban poor with entrepreneurship opportunities; it can also create job opportunities and eliminate unemployment. The main purpose of microfinance facilities is to provide opportunities for lower-income or unemployed people who do not have any capital or collateral to apply for financing from any Islamic bank in order to develop their business. The other reason why MFI offer this kind of financing is mainly to prevent this group of people applying for loans from money lenders or loan sharks that charge unpredictable interest (Nawai & Shariff, 2013).

According to Heffernan (1996), a bank can be defined as financial intermediaries between depositors and borrowers. This definition has also been supported by similar research done by Bosseone (2001), who added that banks are special intermediaries as they perform finance production in the way of lending their own debt and used it as money.

Njanike (2009), claim that the traditional role of a bank is to give the loans that make up the bulk of the bank's assets. This claim also supported by Dell Ariccia and Marquez (2006). Furthermore, in the observation-based study by Dell Ariccia and Marquez (2006), the findings showed that bank lending and effective performance of loans has an effect on a bank's profit (performance).

According to Hamada (2010), a microfinance scheme is one of the initiatives used to provide poor people with access to finance. This scheme is a way of providing an opportunity to them because formal financial services are not available for the following reasons:

- i. high interest rates that will cause transaction costs;
- ii. the requirement for collateral, even for a small loan;
- iii. the complicated procedure set up by the financial institutions;
- iv. the long admission process for the approval of any loan.

Hamada (2010) also found that getting a good repayment record is achievable if an appropriate institution gives loans to poor people. Therefore, this research will explore the factors that affected the microfinance repayment performance in Bank Rakyat Kangar Branch. In addition, this research will determine the determinants of financing repayment problems among the Bank Rakyat Kangar Branch's microfinancing customers.

## **1.4 Problem Statement**

Over the last two decades, many Small and Medium Enterprises (SMEs) have come onto the market. One of their needs to make their business grow is financing. The only choice that this group of entrepreneurs has in order to get financing for business purposes is microfinancing. Qinlan & Izumida (2013) argue that “group lending” is an innovation in the microfinancing scheme. This model has been widely used, adopted and replicated in developing countries for over 30 years. As a result, the number of Microfinance Institutions (MFI) has significantly increased to fulfil this need.

In 2006, Bank Rakyat began the steps towards providing the proposed paper for the microfinancing product to Bank Negara Malaysia (BNM). The objective of the proposal was to fulfil the market demand and at the same time for the bank to make some profit. After almost 10 years, Bank Rakyat provided microfinancing all over Malaysia through about 60 chosen branches; it did not seem profitable and was quite bad in terms of repayment performance. Microfinance offered about RM 50 million per year for 60 selective branches. The allocation for Kangar Branch is about RM 1 million per year. The microfinance impairment as at 31 December 2017 only 11%, excluding charge off account. Figure 1.1 shows the yearly impairment budget and actual impairment among northern region branches. Impairment is defined as arrears for the whole payment of financial year.

*Figure 1.1*

*The Yearly Impairment Budget and Actual Impairment Among Northern Region Branches*

<b>BRANCH</b>	<b>Yearly Impairment Budget</b>	<b>Actual Impairment</b>
<b>Mergong</b>	5%	<b>10.76</b>
<b>Kulim</b>	5%	<b>16.2</b>
<b>Langkawi</b>	5%	<b>7.03</b>
<b>Bayan baru</b>	5%	<b>11.29</b>
<b>Sungai Petani</b>	5%	<b>15.66</b>
<b>Jitra</b>	5%	<b>14.91</b>
<b>Pendang</b>	5%	<b>10.31</b>
<b>Kuala nerang</b>	5%	<b>0</b>
<b>Kangar</b>	5%	<b>11.77</b>
<b>Baling</b>	5%	<b>19.62</b>
<b>Seberang Jaya</b>	5%	<b>38.53</b>

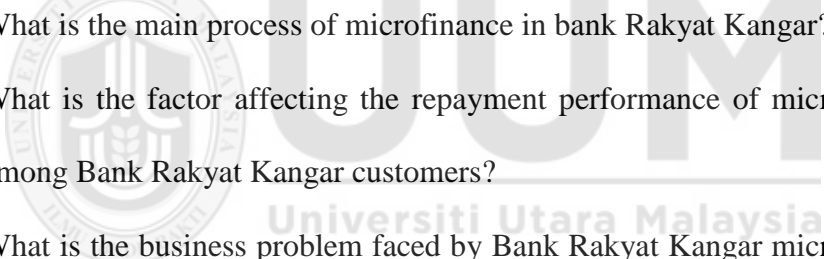
Source: Performance Presentation by Microfinance Performance Group

Based on Figure 1.1, it shows that only Kuala Nerang Branch achieve the targeted impairment setup by management which is below than 5%. Impairment can be used as an indicator as a repayment performance. Based on that, Kangar Branch actual impairment is 11.77% over than 5% targeted impairment. In another word, Kangar Branch has a bad repayment collection which is over the targeted impairment.



The gap between the targeted impairment and actual impairment and the budget of the microfinance collection portfolio in Kangar Branch is quite low compared to other branches; this may be for several reasons. This is the main reason why this research should be done in this area. The purpose of the research is to determine the factor that influences the microfinance repayment performance, the case of Bank Rakyat Kangar.

### **1.5 Research Question**

- 
- i. What is the main process of microfinance in bank Rakyat Kangar?
  - ii. What is the factor affecting the repayment performance of microfinance among Bank Rakyat Kangar customers?
  - iii. What is the business problem faced by Bank Rakyat Kangar microfinance customers?
  - iv. What is the mechanism Bank Rakyat Kangar used to overcome the problem of repayment among Bank Rakyat micro customers?

## **1.6 Research Objective**

- i. To identify the main process of microfinance in Bank Rakyat Kangar.
- ii. To explore the factors affecting the repayment performance of microfinance among Bank Rakyat Kangar customers.
- iii. To identify the business problem faced by Bank Rakyat Kangar microfinance customers.
- iv. To determine the mechanism Bank Rakyat Kangar used to overcome the problem of repayment among Bank Rakyat micro customers.

## **1.7 Significant of The Research**

This study is important for several reasons and it is hoped that this study will directly or indirectly benefit several parties that are involved. The significance of this study is divided into two categories.

Firstly, this study will contribute to new knowledge and understanding in the academic area specifically in microfinance repayment since the past researcher such Nawai & Shariff (2013) only focusing the microfinance repayment in AIM. Table 1.2 will summarize the research on microfinance repayment in Malaysia.

Table 1.2

*The Summary of Research On Microfinance Repayment in Malaysia*

<b>Year</b>	<b>Title</b>	<b>Author</b>	<b>MFI</b>
<b>2009</b>	Determinant of Microcredit repayment performance in Malaysia: the case of Agrobank	A.H Roslan, Mohd Zaini Abdul Karim	Agrobank
<b>2010</b>	Determinants of Repayment Performance in Microcredit Programs: A Review of Literature	Norhaziah Binti Nawai, Mohd Noor Bin Mohd Shariff	TEKUN
<b>2011</b>	Microfinance Performance in Malaysia: AIM, YUM and TEKUN	Suraya Hanim Mokhtar	AIM, YUM and TEKUN
<b>2011</b>	Examining the effect of participation in microcredit programs on assets owned by hardcore poor households in Malaysia – AIM	Abdullah- Al-Mamun, C. A. Malarvizhi, Sayed Hossain and Sazali Abdul Wahab	AIM
<b>2012</b>	Women Enterpreneurs in Micro Credit Performance: The Preliminary Study in Kelantan	Nor Haryanti Md Nor, Siti Norbaya Mohd Rashid, Rabihah Nawawi, Fadhilah Mohd Ishak, Mohd Sazali Mohd zain	AIM
<b>2012</b>	Factors affecting repayment performance in microfinance programs in Malaysia	Norhaziah Binti Nawai, Mohd Noor Bin Mohd Shariff	TEKUN
<b>2012</b>	Determinants of microcredit loans repayment problem among microfinance borrowers in Malaysia – Tekun and YUM	Suraya Hanim Mokhtar, Gilbert Nartea, Christopher Gan	TEKUN and YUM
<b>2013</b>	Success Factors of Successful Microcredit Entrepreneurs: Empirical Evidence from Malaysia – AIM Perak	A.H.Fatimah-Salwa, A. Mohamad-Azahari and B. Joni-Tamkin	AIM

<b>2013</b>	Determinants of Repayment Performance In Microfinance Programs in Malaysia	Norhaziah Binti Nawai, Mohd Noor Bin Mohd Shariff	TEKUN
<b>2013</b>	Zakat and Microfinance – AIM Malaysia	Rahana Abdul Rahman, Mohamad Faizal Kamarudin, Chamhuri Siwar, Abdul Ghafar Ismail, Hasan Bahrom, Mohammad Mahyuddin Khalid	AIM
<b>2014</b>	Operational Mechanism of Micro Credit Financing of Amanah Ikhtiar Malaysia (AIM): Analysis From Islamic Perspective	Raziah Binti Md Tahir	AIM
<b>2014</b>	Determinants of Repayment Performance in Microfinance Programs in Malaysia: The Case of Tekun Nasional Programs	Norhaziah Binti Nawai	TEKUN
<b>2015</b>	The Role of Microcredit in Promoting Women's Entrepreneurship Skills: Lesson from Amanah Ikhtiar Malaysia (AIM), Malaysia	Siti Noor Shamilah Misnan, Halimah Abdul Manaf and Pazim @ Fadzim Othman	AIM
<b>2016</b>	Challenges and solutions in Islamic microfinance	Rashidah Abdul Rahman and Faisal Dean	General research
<b>2016</b>	Performance of Islamic microcredit in perspective of Maqasid Al-Shariah A case study on Amanah Ikhtiar Malaysia	Md. Mahmudul Alam, Salwana Hassan, Jamaliah Said	AIM
<b>2016</b>	Microcredit position in micro and small enterprise performance: the Malaysian case – AIM and Tekun Kelantan	Rosman Mahmood and M. Mohd Rosli	AIM

Source: Self Construct

Secondly, customers play an important role in the banking business. The relationship between MFI and the customer is important in order to ensure the sustainability and profitability of the MFI. Therefore, it is important for the MFI and bank to know the factors that influence the performance of microfinance repayment. This is how MFI or the bank can sustain the business of microfinance and, at the same time, the bank can keep providing some amount for future financing.

### **1.8 Scope of The Research**

The scope of this research is focused on the process and repayment performance of microfinance customers in Bank Rakyat Kangar. Through this research, the main intention is to discover the real situation or the real cause why the percentage of default customers is higher than customers who do not default on payments. The Bank Rakyat Kangar microfinance portfolio is chosen to get the customer or informant list because in Perlis, there is only two branch allocated in Perlis. Only Kangar Branch provide microfinance scheme to the customer.

There are only 170 active customers for microfinance scheme. With the population, the researcher can identify the factors that influence the performance of microfinance repayment in Bank Rakyat Kangar.

Another reason behind the chosen of Bank Rakyat Kangar is, there is no research done in Perlis regarding the repayment performance of microfinance. Based on Table 1.2, most of the researcher have done their research in TEKUN and AIM institution. None of them have focused their research in Bank Rakyat and northern area, especially in Perlis. Therefore, this study will focus on microfinance repayment at Bank Rakyat Kangar

## **1.9 Organization of Study**

In order to achieve the objectives of this research, the researcher has organized this thesis into five chapters. The arrangement of each chapter is as follows:

Chapter 1 will discuss the introduction of microfinance, background of the research, problem statement, research questions, research objectives, the significance of the research, scope of the research, and a brief picture of the overall organization in this research.

Chapter 2 will focus on the conceptual framework developed for this study and literature reviews. It also displays the basic understanding of the theme of the research; microfinance, repayment, business, and institution.

The research methodology used in this study will be discussed further in Chapter 3. It will explain in detail about the qualitative, inductive and exploratory approach

taken for this research. This chapter also discusses the research design for the paper including population, sampling techniques, and data collection method. Detail steps on in-depth interview explained as well with interview protocol development, expert reviews, pilot study, fieldworks and preparing the transcript. Finally, it will end with analyzing data

The analysis of the data will be discussed in Chapter 4. The organization of the data analysis will follow the research method discussed in the previous chapter. All the research questions will also be answered according to the data analysis. After analysing the data, this chapter will discuss the results of this study.

Finally, Chapter 5 will conclude the findings of this research, as well as discussing the findings. This chapter will also present the implications and limitations of the study and will provide a suitable recommendation for future research.

## **1.10 Conclusion**

It can be concluded that this chapter gave an overall scenario regarding the background of the research concerns. Therefore, in the next chapter, the detailed review of the previous literature that relates to this study will be discussed.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter begins with literature reviews the underpinning concept that is utilized in this study. The basis for this study is the factors affecting the microfinance repayment performance and the mechanism to overcome the problem in Bank Rakyat, Kangar.

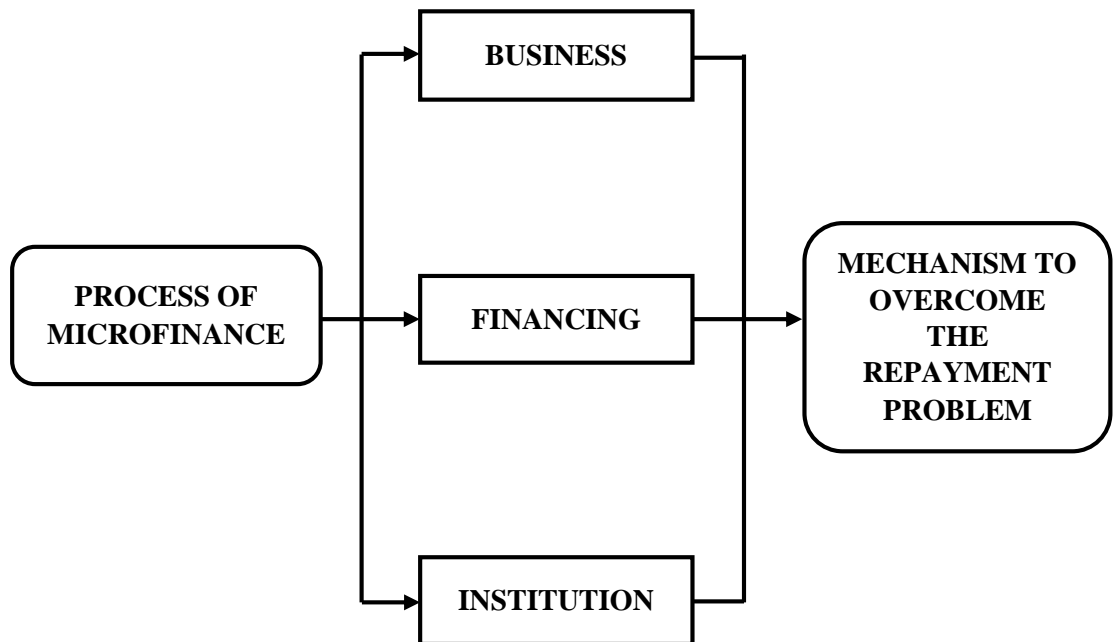
Firstly, this chapter will discuss the conceptual framework of the study. Then the overview of microfinance will be discussing including the role of microfinance, the process, it functions to the society and the past research on it. Apart from that this section also discovers how business, financing, and institution will influence the performance of microfinance repayment in Bank Rakyat, Kangar.

#### **2.2 Conceptual Framework**

*Diagram 2.1*

*Conceptual Framework of the Study*





Source: Self Construct

This study is to understand the process of microfinance, factors affecting the microfinance repayment performance and the mechanism to overcome the repayment problem in Bank Rakyat Kangar. Diagram 2.1 shows the conceptual framework for this study. The conceptual framework starts with identifying the above concepts.

The research begins with the process of microfinance in bank Rakyat Kangar. There are three main factors affecting the repayment performance such as business, financing and institution. The business factor will be examined more than its definitions. The financing factor was investigated after business factor. For this factor, the researcher will identify the detail financing factor that contributes to

repayment performance of microfinance customers. The study continued with the institution factor. At this stage, the researcher will identify the step that institution takes in microfinance repayment. Lastly, this study will examine the mechanism in order to overcome the problem occurred.

### **2.3 Microfinance**

Microfinance is a financial instrument that used to help the low-income people. This instrument is to build up their lives through business without relying on working with others and subsidies from the government only. Microfinance is created in the economy for the purpose of economic benefit to eradicate the poverty of the poor (Mokhtar, Nartea, and Gan, 2011). In other words, the goals of microfinance are to increase the household income together with the business scale in improving the standard of living.

According to Armendariz and Labie (2011) microfinance is defined as “a set of financial practices designed to serve the unbanked poor”. They also summarized a few characteristics of microfinance which includes:

- a. Small loan.
- b. Informal appraisal of borrowers and investments.

- c. Collateral substitutes such as group guarantees or compulsory savings, progressive lending, streamlined loan disbursement and monitoring and secure savings products.

Robinson (1998), defined microfinance as “*a small-scale financial service that provide the people credits and deposits including*” for the people as follows:

- a. Operate farm, fish or herd.
- b. Operate small or microenterprises where goods are produced.
- c. Provide services to the public
- d. Work for wages and gain income from renting out small amounts of land.

Microfinance is a small business loan ranging from RM 1, 000 to RM 50, 000 and the loan tenure vary from one month to seven years. Microfinance has been recognized as a vital socio-economic and financial mechanism to alleviate poverty and to promote entrepreneurship. This indicates that higher micro-financing leads to the lower poverty level in Malaysia. Shu Teng et al (2015) mentioned that microfinance given to the entrepreneurs can help them to improve their business and to stimulate the poor to be involved in business activities.

Microfinance plays a role as a tool to eradicate poverty and promote entrepreneurship. A study conduct by Shu Teng et al (2015), found that the higher micro-financing to the poor people leads to lower poverty level in Malaysia. This

is because the entrepreneur used the microfinance to improve their business and stimulate the poor people using micro financing to enter into business activity.

The origin ideas of microfinance are through group financing. Bank Rakyat in entry-level also starting with group base financing but with individual liability. However, in recent two years, back Bank Rakyat started to finance individually. A research conducted in China by Zhang Qinlan and Yoichi Izumida (2013) found that a “*joint liability*” or group may lead to excessive tensions among the members and may even worsen the dropout rate.

Morduch (2000) categorizes microfinance funding as an alternative aid to those in low-income levels and the distribution of small-scale capital is able to promote economic development and reduce poverty. The effectiveness of the microfinance program in producing the poor from the hardships was also proven in other countries such as Bambang Ismawan (2003) in Indonesia, Aminur Rahman (2000) and Kaniz Famida Ahmed (2003) in the interior of Bangladesh, Barboza & Barreto (2006) in Chiapas Mexico, Abouguendia (2006) in Cairo Egypt and Sarla (2007) in Kerala of India.

Rosman Mahmood and M. Mohd Rosli (2013) also see the role of microfinance in the performance of small and medium enterprises in Malaysia. The study found that microfinance had a significant positive relationship to the performance of small and

medium enterprises. In addition, entrepreneurial values and management practices are also an important factor in improving firm performance. This microfinance role is also seen through the involvement of a single mother. It is evidenced by Zarina Md Noor (2011) study which examines the role of microfinance in empowering single mothers in Malaysia to produce high-profile, high-income women, increase savings opportunities, increase productive assets and meet basic needs. The study found that most single mothers obtained microfinance from AIMs which were a more prominent institution than other institutions offering microfinance schemes in Malaysia.

The involvement of women in business through micro-credit programs was also a major goal of the study by Aladuwaka (2003). He also sees the impact of women's engagement in various locations and socio-economic. In addition, studies by Cotler (2005) also examine how low-income women are able to succeed in economic development programs through microfinance loans. This shows that the ability of women in the success of the microfinance program has become the main focus of the study.

However, the study by Abouguendia (2006) on microfinance and women is different. He looks at strategies and barriers to solving gender issues at the organizational level that exploits women in obtaining loan facilities. If viewed from the aspect of attitude, the women are usually very concerned about the welfare of

their families and their children. For that factor, Downs (2007) has conducted a study to determine whether women are in power to change their behavior and attitude after participating in micro-credit programs. Its objective similar study was conducted by Rajouria (2008) to determine whether the involvement in the microfinance program had a positive impact on self-esteem among low-income women in Nepal.

A study on the involvement of women in microfinance programs continues to attract researchers in the West. For example, Salt (2007) study analyzes an ethnographic study on the involvement of women in the United States in microfinance programs. Sarla's study (2007) also looks at microfinance from different aspects, which examines the ability of microfinance lending under the Self Help Group (SHG) lending program to improve women's health. The study attempts to assess the role of microfinance especially for women in improving their standard of living and socio-economic status.

### **2.3.1 Overview of Microfinance Scheme in Bank Rakyat**

Microfinance at Bank Rakyat started their operating in April 2007. In the beginning, it only operated in 50 selected Branches in Malaysia. On October 2012, another 3 new branches started their microfinance scheme. The reasons Bank Rakyat offers microfinance scheme are:

1. To provide financing facilities to small-medium entrepreneur.
2. As a part of a social business to a community.
3. It is national agenda and Bank Rakyat has given the mandate to help the cooperative members.

The objective of Bank Rakyat Microfinance Scheme is to provide working capital to entrepreneurs in all business activities that a deem to be permissible with Shariah. The maximum financing amount is RM50,000. The General features of Bank Rakyat Microfinance scheme are given in Table 2.1.

*Table 2.1*

*General features of Bank Rakyat Microfinance Scheme.*

NO	ITEM	DESCRIPTION
1	<b>Objective</b>	To provide working capital to the entrepreneur
2	<b>Financing Scope</b>	All business activities that do not contradict with Shariah
		Viable project
3	<b>Basis of Financing</b>	Financing is dependent upon project requirement of cash flow.
		Financing is dependent on household income.
4	<b>Target Group</b>	Entrepreneur in all business activities.
5	<b>Eligibility</b>	
	Status	Sole proprietor, Partnership, and Company
	Age	18 to 65 years' old
	Citizenship	Malaysian citizen only
	Business License	Must possess the necessary licenses.

**6 Long Terms and Conditions**

Financing Amount	Minimum RM1,000, Maximum RM50,000
Financing Term	Not more than 5 years
Profit Rate	12% per anum
Financing Margin	90%
Takaful Coverage	Must have
Financing Disbursement	Full disbursement to customer account
Repayment	Weekly

**7 Islamic Contract** Tawarruq

Source: Self Construct

In order for a customer to get micro-financing from Bank Rakyat, there are certain conditions must be fulfilling by a customer. Table 2.2 provide the detail on applicant term and conditions.

Table 2.2

*Applicant Terms and Descriptions*

ITEM	TERMS AND DESCRIPTIONS
Applicant status	<ul style="list-style-type: none"><li>• Member of Cooperative</li><li>• Member of the Hawkers Association and Small business.</li></ul>
Business types	<ul style="list-style-type: none"><li>• Sole proprietor</li><li>• Partnership</li><li>• Company</li></ul>
Age	<ul style="list-style-type: none"><li>• Minimum age 18 years old and maximum 65 years' old</li></ul>
Citizenship	<ul style="list-style-type: none"><li>• Malaysian</li></ul>



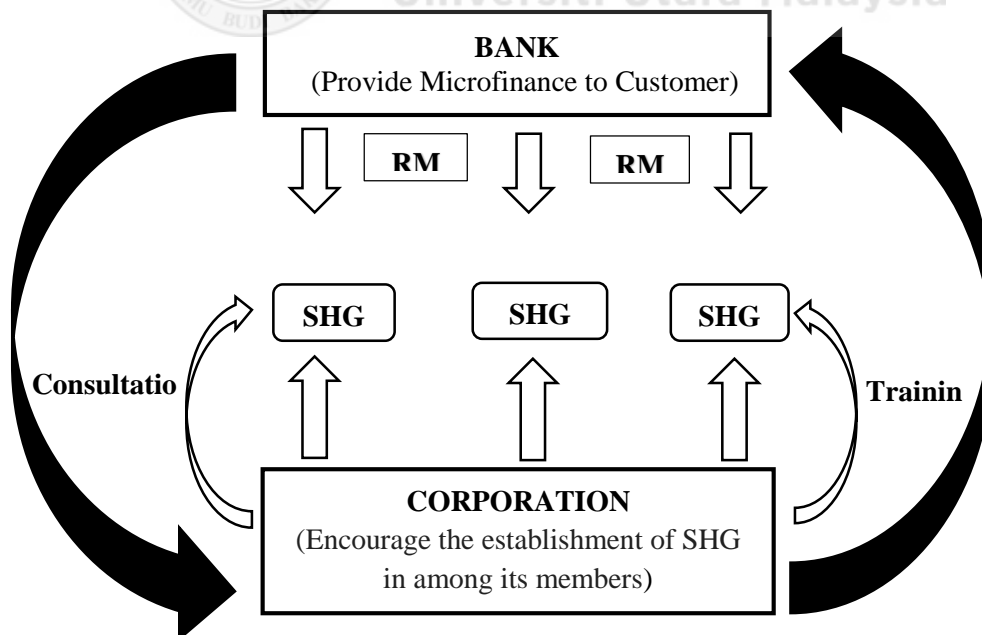
Business period	• Have run a business more than 2 years.
Business registration	• Registered with Registration of Company
Bank Account	• 6 month of a statement of account.

Source: Self Construct

Besides that, Bank Rakyat has replicated the microfinance model from Amanah Ikhtiar Malaysia in giving their financing, however the difference is for Bank Rakyat customer, they are required to become a member with cooperative and member of the Hawkers Association and Small Business. Diagram 2.2 shows the model of Bank Rakyat Microfinance.

Diagram 2.2

Model of Bank Rakyat Microfinance



Source: Bank Rakyat Officer

### **2.3.2 The Tawarruq Contract in Bank Rakyat Microfinance**

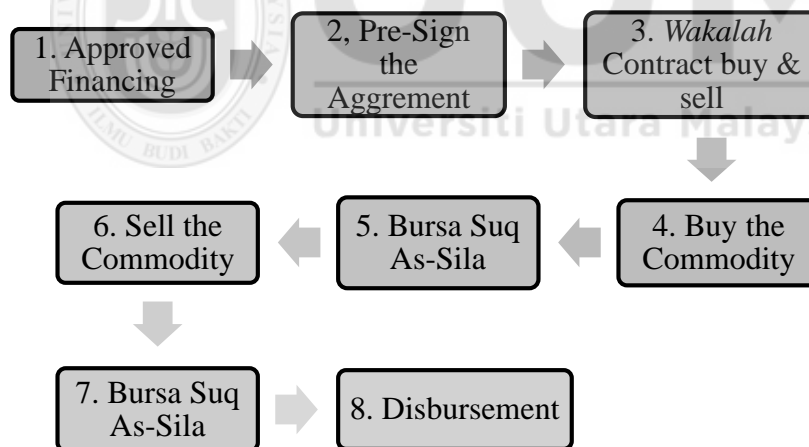
In the context of Shariah, there are permissible and non-permissible attributes as to how Muslims conduct their activities and it includes economic participation, which must be free of forbidden elements among others as Riba', Gharar and Maisir. According to Nur Yuhanis Ismon (2015), Islamic finance involves the provision of financial product and services which Islamic banks offer to the customer. Tawarruq is one of the Islamic finance product as to deposit financing, liquidity financing and personal financing. Those types of Islamic financing used Murabahah and Tawarruq as a product in the particular transaction.

In Malaysia, the operation of Tawarruq is supervised by Shariah Committee in addition to the advice of the Shariah Advisory Council which is the highest Shariah body set up at Bank Negara Malaysia can be sought to ensure uniformity in views and practices. Nowadays, Islamic banks found the new Islamic finance product derived from Murabahah financing which known as Tawarruq, Nur Yuhanis Ismon (2015). The concept of Tawarruq or commodity Murabahah has been widely applied in Islamic finance. It was officially endorsed as a permissible instrument to be used in financial market especially for personal financing by the Shariah Advisory Council of Bank Negara Malaysia.

Tawarruq is the types of transaction where a person buys a commodity with a deferred payment then sells it to a third party other than the original seller for an immediate cash price. Nur Yuhanis Ismon (2015) stated that, it is generally used to describe a transaction in which a Islamic bank sells a commodity to a customer on deferred payment at cost plus profit, and the customer then sells the commodity on a spot basis to a third party for cash. The purpose of this contract is to obtain cash immediately from another party.

*Diagram 2.3*

*Bank Rakyat Tawarruq Flow*



Source: Bank Rakyat

The diagram 2.3 above shows the simple flow how the Tawarruq Contract practice in Bank Rakyat. When the financing was approved and sign by the customer, the

process of purchasing and selling the commodity will start. Purchase of commodities will automatically happen between the Bank Rakyat system and the Bursa system. This purchase process needs to be completed within 2 hours. This process will automatically effect the purchase commodities will be done with the Bursa. Enter the date on all the agreement documents involved according to the date of the Murabahah Agreement. Branch staff should sign all the financing documents specified after the Sale Agreement is perfected within the system. After that the application will be on the task of Purchase/ Wakalah Acceptance. Before managing the disbursement, branch officers should ensure that both branch signers have signed agreement documents. Delivery of the above documents must be made after withdrawal of the financing.

Besides having different types of microfinance scheme in Malaysia, the researcher found that most of it has the same objective which is alleviation of poverty and improve the income of entrepreneur. However, the microfinance scheme in Bank Rakyat can be different from others because of its characteristic. One of it is, the customer needs to be a member of cooperative to get the financing from Bank Rakyat. Other than that, they are having the same problem like other which is the repayment performance. Therefore, this study has been conducted to find the factors influencing the repayment performance in Bank Rakyat Kangar.

## 2.4 Business

Microfinance repayment performance varies across different business sectors. A business characteristic may influence the performance of repayment microfinancing. The characteristics of business include:

- a. The location of the enterprise
- b. The registration of the business whether that is “formal” or “informal”.
- c. The size of business.
- d. Nature and the type of business that the entrepreneur involved in.

Mpunga (2004) stated that there is a link between the size of business and income generates by the business. This is because the income generates by the business can become a collateral for the lenders.

Types of business also may influence the microfinance repayment performance. Business type is associated with “business risk”. Business risk is defined as an “uncertainty about the future operating”.

Sadgrove (2005), found that “*business risk*” happen if there is uncertainty in demand of the product, output price of the product, cost of the product and also the customer sensitivity of the product price. The borrower will survive and mitigate the “*business risk*” in the business if he or she has enough knowledge and

experience in the business. In addition, Sadgrove (2005), also claimed that the types of business that the borrower involved give an impact on the repayment rate of the borrower. This is due to the return performance by their business type. If the business running well and give a profitable return, their repayment rate will be better.

Therefore, a type of business that the clients engaged has also an impact on the repayment rate of borrowers. If the clients engaged in the profitable business type, they will earn enough money. Thus, this leads to facilitate the repayment rate of the client.

According to Chaudhary et al. (2003), farmers' businesses are easily affected by weather condition while non-farmers' are not. In addition, Sirola (1992) added the point that handymen and street vendors have access to very few sources of credit. So, borrowers involved in informal business usually have a lower risk of default, because microfinance loans are often the only source of credit they have access to, and they are motivated not to hinder their credit history.

The business formality can be considered as one of the factors that influences the borrower repayment status. This is because the finding from Pisani and Yoskowitz, (2004) has shown that the repayment of loan from the borrower who register their businesses with "*Company Commission of Malaysia*" (Suruhanjaya Syarikat

Malaysia (SSM)) is better because they will repay their loan on time compared to the borrower that did not registered their businesses with SSM. As a result, the higher degree of the borrowers “business formality” will lead to better repayment of their loans.

A research conducted by Von Pischke (1991), Nannyonga (2000), Onyenucheya & Ukoha (2007) and Oke et al. (2007), agreed that the higher profit received by the borrower from their business will lead to higher chance of repaying their amount of loans compared to borrowers who declare less profit because they will make a default in loan borrowing.

Some researcher links the firm/ business characteristic with repayment performance. Table 2.3 shows the research on individual or borrower characteristic that affecting the repayment performance.

*Table 2.3*

*The Research On Firm or Business Characteristic That Affecting the Repayment Performance.*

<b>Firm Characteristics</b>	<b>Researchers</b>
1 Firm’s Profit	Arene (1992), Nikhade et al. (1994), Chirwa (1997), Njoku (1997), Nannyonga (2000), Oke et al. (2007), Ugbomeh et al. (2008).

2	Business Sector	Chaudhary & Ishafq (2003), Roslan & Mohd Zaini (2009).
3	Area of Operation	Khandker et al. (1995), Nannyonga (2000), Oke et al. (2007).
4	The distance between lending agency with borrower's business	Bhatt & Tang (2002), Derban et al (2005), Oke et al. (2007), Onyenucheya & Ukoha (2007), Brehanu & Fufa (2008)
5	Business formality	Sirola (1992), Bhatt & Tang (2002).

Source: Norhaziah Binti Nawai (2014)

Above evidence should convince this study that business factors can influence the repayment performance for MFI especially Bank Rakyat Kangar. The business factor significantly contributes to repayment performance for microfinance because it plays an important role in repayment performance. The success of business will become one of the indicators for the customer to repay their loans.

The other issue in the microfinance repayment problem is about business problem. According to Norhaziah Nawai (2012), some of the women entrepreneurs might have been engaged in high risk or low return activities or have personal problem such as divorced, husband death, and giving birth that can disrupted their business. This area is one of the main focus and objective in this study.



## 2.5 Financing

Financing is needed to start a business and ramp it up to profitability. The list of different types of finance providers in microfinance seems to be endless and it is hard to create a clear overview and categorize these different types. There are many meaningful ways to make a distinction between different financiers. Financing in this study is related to the amount of loan received by the borrower, “*loan tenure*” and “*loan type*” provide by MFIs.

A study done by Roslan and Karim (2009) and Zohair (2013) agreed that there is a relationship between the amount of loan and microfinance repayment performance. They found that the insufficient loan amount received by the borrower will affect the repayment rate because the small amount is not enough to cover their project and consequently they were unable to generate sufficient “cash flow” to repay their loan.

This finding has been supported by Onyeagocha, Chidebelu, & Okorji (2012) as their study found that that larger amount of loan gives a better loan repayment rate for MFIs.

Roslan and Karim (2009), claimed that in term of loan tenure, the shorter loan repayment period will lead to higher loan repayment rate. Chelagat (2009) has also

agreed by adding that longer period of repayment loan will make the borrower susceptible to default in loan repayment.

In term of loan type provide by MFIs, Okorie (1986) stated that borrowers received loans in kind of seeds, fertilizers, equipment and etc have will pay their loan better than the borrowers who receive a loan in term of cash. This is because borrowers may use the loans in cash for non-business related purposes.

Njoku (1997), Roslan & Mohd Zaini (2009) and Ugbomeh Achoja, Ideh, & Ofuoku (2008) in their research agreed that loan characteristics play an important role in determining repayment performance. Some research indicates that the higher the loan in the service sector incurs less risk than other sectors, Choudhary & Ishafq (2003) found that the borrower that involved on non-farm business activities have higher chances of repaying their loans.

Oke et al. (2007), Onyenucheya & Ukoha (2007) found that the distance between the lender office and borrower's business is important in determining loan repayment because the officer can maintain a close relationship and loan monitoring with the borrowers. the closer the lender office to the borrowers will make the borrowers provide more information about a day-to-day situation. By that, it can reduce the borrower's transaction cost and increase their chance to repay the loans (Bhatt and Tang, 2002).

According to Sirola (1992), the informal sector entrepreneur such as street traders and rural handcraft entrepreneurs are more creditworthy than license entrepreneur even they are often unlicensed because they having difficulties to obtain credit.

Some researcher links the loan/ financing characteristic with repayment performance. Table 2.4 shows the research on loan or financing characteristic that affecting the repayment performance.

*Table 2.4*

*Loan or Financing Characteristics that Affect Repayment Performance*

<b>Financing Characteristics</b>	<b>Researchers</b>
1 Amount of loan (loan size)	Arene (1992), Njoku (1997), Sharma & Zeller (1997), Eze Ibekwe (2007), Guttman (2007), Roslan & Mohd Zaini (2009).
2 Repayment method	Nannyonga (2000), Jain & Mansuri (2003).
3 Repayment period	Sharma & Zeller (1997), Derban et al. (2005) Guttman (2007), Roslan & Mohd Zaini (2009).

Source: Norhaziah Binti Nawai (2014)

Referring to the above evidence, the research area for repayment performance still a lot of space to be explore. Most of the current studies interested in discussing the financial from other MFI instead of Bank Rakyat. Therefore, this study can fill the gap in finding the repayment performance in the case of Bank Rakyat.

## 2.6 Institution

According to Schmidt & Zeitinger (1994), a financial institution can be defined as *“a collection of assets consists of human, financial and others combined to perform activities such as proving a loan and receiving a deposit from the customer over time”*.

According to Shu Teng et al. (2015), a microfinance institution (MFIs) can be considered as *“an institution consists of credit unions and cooperative to non-government organizations (NGO), government agencies, private companies and commercial banks”*.

Microfinance institution provides their services to the target poor groups with providing the appropriate and permanent services to the group. However, the different in MFIs services rely on their institution objective (Molino, 2013).

Molino (2013) also classified the MFIs into three types:

- a. Formal institution subject both to general regulation and to specific banking regulation and supervision.;
- b. A semiformal institution is a registered entity subject only to bank general law and this institution not expected to generate profit but to deliver

financial services to unbankable target, although they are expected to operate efficiently and to cover as much of their costs as possible;

- c. An informal institution is informal in term of its operation that often they go beyond the legal system.

Okorie (1986) has identified that in order to ensure that the borrower pays a full loan, an institution should at least visit three times to the borrower's premises. Wongnaa (2013); Mohd Noor and Norhaziah (2010) and Deininger and Liu (2009) where loan repayment rate is higher when MFIs paid frequent visits to borrowers premises in a month. Consequently, a frequent monitoring of loan by visits enhances the loan repayment performance. The study of Tundui, C and H. Tundui (2013) showed that borrowers who had undergone training are better in managing their business and make efficient use of their loans. Thus, they are believed to have better loan repayment performance compared to their counterparts who have not undergone any training.

Stearns 1995, argued that *"it is the lender not the borrower, who cause or prevents high levels of delinquency in credit programmes"*. Meanwhile, the research conducted by Hulme and Mosley (1996) argued that the important factors contributing to loan repayment performance are the design features of the loan. In their research, they categorized the design features into three categories namely access methods, screening methods and incentive to repay.

Besides that, a study conducted by Copisarow (2000) found that that default generally happens due to poor programme design or implementation and not from the borrower essential problem. Most of the default problem arises from the poor management procedure, loan diversion, and unwillingness to repay the loan. Therefore, to avoid the default, the lender must devise various institutional mechanisms to reduce the default risk in a loan (Awoke, 2004).

Godquin (2004) suggested institutional provide training, basic of literacy and health service to improve the repayment performance. Other than that, Roslan and Mohd Zaini (2009) conclude that borrower needs to have a training in relation to their business to reduce the probability of default.

According to Tedeschi (2006), there is two possible reason for default namely strategic default or default due to a negative economic shock. A strategic default can be discouraging by proving the incentive to the lending contract but for default due to economic shock in unavoidsance. The researcher also found that loan monitoring is an important factor to ensure the borrower repay their loans and used the loans for business purposes only. This is a very important factor in determining repayment performance.

Meanwhile, a research conducted by Arene (1992) and Papias & Ganesan (2009) suggest that the loan officers should make a frequent visit to help the borrower solve

their problems and the lender also can detect early if the borrower has a problem or try to avoid repayment. Delay in disbursement has the relationship with a delay in repayment. In another word, the number of day between loan application and disbursement can contribute to delay in repayment because the borrower has to bear getting the loans (Olomola, 2010). Oke et al. (2007) added that transaction cost that occurs during obtaining the loans may influence borrower repayment performance.

Some researcher links the lender/ institutional characteristic with repayment performance. Table 2.5 shows the research on individual or borrower characteristic that affecting the repayment performance.

Table 2.5

*Institutional or Lender Characteristics that Affect Repayment Performance*

MFI Characteristics	Researchers
1 The threat imposed by the lenders	Bhatt & Tang (2002)
2 Regular monitoring	Arene (1992), Zeller (1998), Arsyad (2006), Roslan Abdul Hakim et al. (2007), Papias & Ganesan (2009).
3 Loan approval	Olomola (2001), Bhatt & Tang (2002), Oke et al. (2007), Adegbite (2009), Papias & Ganesan (2009), Akwasi & Idowu (2011).

Source: Norhaziah Binti Nawai (2014)

Above evidence can be used to convince this study where it is significantly depicted about institutional or MFI institution in the current problem; in this case, it refers to the influence of institutional in repayment performance. Consequently, the study wants to explore the role of institutional in repayment performance.

In this study institution also refers to the mechanism that used by the Bank Rakyat in handling the repayment from the customer. According to Rasyidah 2016, the banking sector should have efficient and effective mechanism and instrument to manage the bank asset and liabilities to ensure their viability and sustainability. The researcher also will determine the mechanism used by Bank Rakyat in term of micro finance repayment monitoring and controlling.

## **2.7 Repayment Performance**

According to Shu Teng et al. (2015), repayment performance refers to “*the total loans paid on time as stated in the loan agreement contract*”. This definition also supported by Godquin (2004). However, Godquin (2004), added that repayment performance defines it as repaying “*on time*” within a given grace period. Other than that Guttman (2007), conduct a research to measures the importance of repayment performance in order to sustain the MFIs.



The study emphasized on important of loan repayment performance has been done by many researchers such as Tears (1995), Hulme and Mosley (1996), Silwal (2003), Godquin (2004), Sangoro, Ochieng, & Bureti (2012). The objective of this research is important because if the customer or borrower did not perform their duty paying their loan, then MFI institution will face liquidity problem. As a result, bank or MFI institution will have faced a loss due to the high level of non-repayment and the cycle of the fund between the MFI and customer will be interrupted. Kurien (1985), in his research found that there will be a reduction in the efficiency of MFIs operation if there is a non-repayment problem.

Besides that, repayment performance is a key variable for funding organization to consider before they invest their money or channel their fund. To become more attractive to the investor or funding organizations, MFI must reach operational self-sufficiency first by ensuring that the operational cost can cover non-financial expenses (Yaron, 1994).

Guttman (2007) found that repayment performance can be measured based on the degree of arrears. Meanwhile, the term delinquency can be defined as a failure to meet the repayment obligations on the promise date set by the bank or institutions (Nannyonga, 2000) and the term delinquent loans are loans that have been written off by MFI (Norell, 2001). Another definition of delinquent is overdue in payment (Collins, 1991; Sharma & Zeller, 1997).

A study conducted by Norell (2001) found that there are four reasons why arrears exist in MFI and the reason are as follow:

- a. A micro entrepreneur wants to test the MFI on how serious them in collecting the loan.
- b. Client faced a problem and crisis such as illness or death of a family. They will provide financial help even they are using the fund from MFI.
- c. The using of loans is for financial used only. So, when they need to repay the loan because the fund they receive is not for business purposes.
- d. If the loans form the basis of favoritism, they may attempt to delay in payment or default because they hope that their find in MFI will encourage the institutions to write off the loan rather than take the client to court or seize the property.

The majority of the research conducted by Ghatak and Guinnane (1999), Godquin (2004), Sharma and Zeller (1997), Zeller (1998), Besley and Coates (1995) and Silwal (2003) on repayment performance in MFIs found that most of the literature is focusing on “*group-based lending*” or “*group liability*”. This is because the “*group-based lending*” is a commonly used in micro-financing activities as a tools to mitigate “*moral hazard*” among member, “*adverse selection*” and “*information asymmetries*” faced by the MFIs.

However, there is lack of literature or study regarding the creditworthiness issue in “*individual-based lending*” applied by MFIs. A study on the determinants of loan repayment defaults in “*individual-based lending*” schemes only conducted in rural banks or semi-formal financial institutions. Suraya (2011) claimed that the study on repayment performance of microfinance for “individual-based lending” approach is very limited in low-income countries.

A study conducted by Mohd Noor and Norhaziah, (2010), conclude that measuring and examining repayment performance is important because it will affect the MFIs sustainability. MFIs liquidity position may not be sufficient if the borrower does not repair their loans and this will create a loss due to high levels of non-repayment by a customer. Other than that, this will affect the flow of fund from the MFIs to the new borrower.

There is a various factor that will influence the willingness of microfinance repayment which include “*borrower characteristic*”, “*borrower’s firm characteristics*”, “*MFI characteristics*” and “*loan characteristic*”.

Besides that, Mohd Noor and Norhaziah, (2010) has mentioned that there is also a factor of borrower’s that may be contributed to a default by borrower. The factor is as follow:

- a. The borrower makes a default when the profit or return from their business is too small and only enough to cover the scheduled payment.
- b. The borrower decides not to pay their loans by their own choice.

Some researcher links the individual or borrower characteristic with repayment performance. Table 2.6 shows the research on individual or borrower characteristic that affecting the repayment performance.

*Table 2.6*

*The research on individual or borrower characteristic that affecting the repayment performance.*

<b>Individual/Borrower Characteristics</b>	<b>Researchers</b>
1 Age	Nannyonga (2000), Eze & Ibekwe (2007), Papias & Ganesan (2009), Adegbite (2009).
2 Gender	Khander et al. (1995), Sharma & Zeller (1997), Derban et al. (2005), Roslan & Mohd Zaini (2009), Papias & Ganesan (2009)
3 Educational level	Arene (1992), Nikhade et al. (1994), Rambabu et al. (1994), Bhatt & Tang (2002), Addisu (2006), Eze & Ibekwe (2007), Adegbite (2009), Papias & Ganesan (2009).

4	Borrower's experience	Arene (1992), Njoku (1997), Onyenucheya & Ukoha (2007), Adegbite (2009).
5	Monthly Income	Nannyonga (2000), Nwaru (2004), Oke et al (2007).

Source: Norhaziah Binti Nawai (2014)

In the banking sector, providing any financing facilities meaning putting the capital in the risky area.

In recent studies of microfinance repayment (Tundui, C and H. Tundui, 2013) found that providing microfinance to the poor, MFI facing the risk of none repayment of their fund and sustainability of their fund. Some of MFI just replicate or hiring an expert from other MFI to build up the microfinance business. However, the field implementer is not well experienced in microfinance nature. That is one of the risks that facing by MFI.

In order to alleviate the poverty problem, institutions that offer these microfinance schemes are not spared the problem of repayment of loans from the borrowers. This led to several studies conducted to identify the factors that led to the problem of repayment of these microfinance loans.

Among them were Norhaizah Nawai and Mohd Noor Mohd Sharif (2010), which identified the determinants of repayment performance in the microfinance program. This microfinance known as this small loan can offer as low as RM100 to those in need so as to generate income from their own work. It is given to the poor to generate economic activities that can improve their standard of living. Their study found that the determinant of repayment performance of microfinance loans depends on the characteristics of the borrower, firm characteristics, loan characteristics, and lender characteristics. According to them, the problem of loan repayment can be reduced according to three methods. These are the close relationships between lenders and borrowers through ongoing monitoring processes, establishing business advisers, and meeting meetings. In addition, lenders may introduce a reward system to those who default on loan debts within the stipulated time period such as giving rebates or discounts.

In addition, there are other factors that are also determining the repayment of loans as Francisca (2007) reviews studying the experiences and experiences of Nigerian women participating in the poverty eradication program known as the "*Better Life for Women Program*". The study found that the distance between shelter with financial institutions, income from spouses, government enforcement and financial institutions were a barrier to the loan repayment process.

Islam forces its followers to repay debts. Al-Quran discussed debt and its matters very detail in Surah al-Baqarah verse 282. Surah Al-Baqarah verse 282 briefly described a loan or debt management and documentation.

This verse is the longest ayah in the Magnificent Al-Quran. The means for the particular verse as follow:

يَا أَيُّهَا الَّذِينَ ءَامَنُوا إِذَا تَدَايَنْتُمْ بِدَيْنٍ إِلَى أَجَلٍ مُّسَمًّى فَآكْتُبُوهُ وَلْيَكْتُب بَيْنَكُمْ كَاتِبٌ بِالْعَدْلِ وَلَا يَأْبَ كَاتِبٌ أَنْ يَكْتُبَ كَمَا عَلَّمَهُ اللَّهُ فَلْيَكْتُبْ وَلْيُمْلِلِ الَّذِي عَلَيْهِ الْحَقُّ وَلْيَتَّقِ اللَّهَ رَبَّهُ وَلَا يَبْخَسَ مِنْهُ شَيْئًا فَإِنْ كَانَ الَّذِي عَلَيْهِ الْحَقُّ سَفِيهًا أَوْ ضَعِيفًا أَوْ لَا يَسْتَطِيعُ أَنْ يُمِلَّ هُوَ فَلْيُمْلِلْ وَلِيُّهُ بِالْعَدْلِ وَاسْتَشْهِدُوا شَهِيدَيْنِ مِنْ رِجَالِكُمْ فَإِنْ لَمْ يَكُونَا رَجُلَيْنِ فَرَجُلٌ وَامْرَأَتَانِ مِمَّن رَضَوْنَ مِنَ الشَّهَادَةِ أَنْ تَضَلَّ أَحَدُهُمَا فَتَذَكَّرَ أَحَدُهُمَا الْأُخْرَىٰ وَلَا يَأْبَ الشَّهَادَةُ إِذَا مَا دُعُوا وَلَا تَسْمَعُوا أَنْ تَكْتُبُوهُ صَغِيرًا أَوْ كَبِيرًا إِلَىٰ أَجَلٍ ذَٰلِكُمْ أَقْسَطُ عِنْدَ اللَّهِ وَأَقْوَمُ لِلشَّهَادَةِ وَأَدْنَىٰ أَلَّا تَرْتَابُوا إِلَّا أَنْ تَكُونَ تِجَارَةً حَاضِرَةً تُدِيرُونَهَا بَيْنَكُمْ فَلَيْسَ عَلَيْكُمْ جُنَاحٌ أَلَّا تَكْتُبُوهَا وَأَشْهِدُوا إِذَا تَبَايَعْتُمْ وَلَا يُضَارَّ كَاتِبٌ وَلَا شَهِيدٌ وَإِنْ تَفَعَّلُوا فَإِنَّهُ فُسُوقٌ بِكُمْ وَاتَّقُوا اللَّهَ وَيُعَلِّمُكُمُ اللَّهُ وَاللَّهُ بِكُلِّ شَيْءٍ عَلِيمٌ ﴿٢٨٢﴾

*“O you who have believed, when you contract a debt for a specified term, write it down. And let a scribe write [it] between you in justice. Let no scribe refuse to write as Allah has taught him. So let him write and let the one who has the obligation dictate. And let him fear Allah, his Lord, and not leave anything out of it. But if the one who has the obligation is of limited understanding or weak or unable to dictate*

himself, then let his guardian dictate in justice. And bring to witness two witnesses from among your men. And if there are not two men [available], then a man and two women from those whom you accept as witnesses - so that if one of the women errs, then the other can remind her. And let not the witnesses refuse when they are called upon. And do not be [too] weary to write it, whether it is small or large, for its [specified] term. That is more just in the sight of Allah and stronger as evidence and more likely to prevent doubt between you, except when it is an immediate transaction which you conduct among yourselves. For [then] there is no blame upon you if you do not write it. And take witnesses when you conclude a contract. Let no scribe be harmed or any witness. For if you do so, indeed, it is [grave] disobedience in you. And fear Allah. And Allah teaches you. And Allah is Knowing of all things”.

The verse explained how financing is going on and the obligation to pay any debt.

Rasullullah S.A.W through the Hadith:

— حَدَّثَنَا مُحَمَّدُ بْنُ غَيْلَانَ أَخْبَرَنَا أَبُو أُسَامَةَ عَنْ زَكَرِيَّا بْنِ أَبِي زَائِدَةَ عَنْ سَعْدِ بْنِ إِبْرَاهِيمَ عَنْ أَبِي سَلَمَةَ عَنْ أَبِي هُرَيْرَةَ قَالَ قَالَ رَسُولُ اللَّهِ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ - « نَفْسُ الْمُؤْمِنِ مُعَلَّقَةٌ بِدِينِهِ حَتَّى يُقْضَى عَنْهُ. »

Narrated to us, Mahmud bin Ghailan, from Abu Usamah, From Zakariya bin Abi Zaidah, from Sa'd bin Ibrahim, from Abi Salamah and Abi Salamah from Abu



*Hurairah, he said: The Messenger of Allah (peace and blessings of Allah be upon him) said, "The soul of one the believer was stuck because of his debt, until the debt was repaid"*

All the explanation and evidence depicted that repayment performance has been widely discussing in microfinance area. Repayment performance can be crucial for MFI because it is one of the contributing factors to determine the liquidity performance. Having a problem in liquidity will affect the new funding for next microfinance customer.

## **2.8 Themes**

In summary, this chapter has four (4) main themes to be explored. Microfinance was discussed above and its process, functions to society has been discussed. However, the repayment performance for this microfinance scheme was questioned. Most of the studies focus on other MFI instead of Bank Rakyat. Therefore, this study tries to explore and investigate the repayment performance in the case of Bank Rakyat Kangar.

As mentioned before, the repayment performance can be connecting with the business of the entrepreneur, financing, and the institution. This study tries to provide the input for that matter as a still limited research discussing this. As a

result, present study tries to fill the gap and hopefully, this effort can contribute to knowledge enrichment in repayment performance area.

## **2.9 Conclusion**

Finally, this chapter review on the previous literature from scholars that was gathered by a researcher to understand in details related to the microfinance repayment performance. Next chapter will continue on explaining the methodology used in this study to collect all data regarding the microfinance repayment performance in Bank Rakyat, Kangar, Perlis.



## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter discusses the methodology of this study. Research methodology refers to the principles, procedures, and practices that govern research (Marczyk, DeMatteo, & Festiger, 2005). Consequently, this chapter will elaborate on the, research design, population, sampling technique, rigor on data collection method, analyzing data, as well as trustworthiness.

All methods used for this study is to fulfill the objectives of this study. The objectives of this study can be divided into three folds; to explore the factors affecting the repayment performance of microfinance among Bank Rakyat Kangar customers, to identify the business problem faced by Bank Rakyat Kangar microfinance customers and to examine the mechanism Bank Rakyat Kangar used to overcome the problem of repayment among Bank Rakyat micro customers.

Indirectly, research method will help the researchers and reviewers to understand about the implementation of research from the beginning until the end of the research. This study will use qualitative research methodology. An in-depth

interview has been done with ten informants who are microfinance customer and Bank Rakyat, Officer.

### **3.2 Research Design**

The research design is one of the processes in research methodology. According to Sekaran & Bougie (2010), research design is a blue-print of the study that explained in detail what will be done and how it will be accomplished to answer the research questions.

#### **3.2.1 Qualitative Research**

According to Creswell (2017), there are three well-known approaches to doing a research namely qualitative, quantitative and mixed method. Qualitative research is defined as inquiry process to understand social or human problem based on holistic and complex perspective through informants' views where the process was conducted in the natural setting. It also used to explore and understand the meaning of individuals or group attributes to a social or human problem.

Referring to this particular study, it is qualitative research as the objective of this paper to explore and understand the influence factors affecting the repayment performance of Bank Rakyat Kangar. The objective is set up to

discover something to understand and learn about repayment performance in microfinance. This showed that the researcher is more interested in the process, meaning and understand the topics which are obtained from the qualitative data. This study focuses on Bank Rakyat Kangar only.

Therefore, the sample applied is purposive sampling. This approach implemented to have a clear explanation of the themes studies; microfinance, business, financing and repayment performance. In order to have an accurate explanation, the selection of the subjects should be very specific and fit to the research objectives. This is the reason why this study interviewed microfinance customer and Bank Rakyat, Officer. In addition, to discover the themes from the subject's perspectives, interview session was done in the natural setting without bringing them to the lab or other settings.

### **3.2.2 Inductive Approach**

Qualitative research generally associated with the inductive approach. In a simple explanation, inductive reasoning is a process where starts with the observation on the specific phenomenon and reaches it at the general conclusion based on the in-depth investigation on a particular phenomenon (Sekaran & Bougie, 2010).

This study applied more inductive research in meeting the objective of this study. The main purpose of this study is to understand the influence factors affecting repayment performance. It is not to test the concepts, hypothesis or theory. The main purpose is to understand and define the meanings of the topic for the participant in research.

### **3.2.3 Exploratory Study**

Together with the qualitative approach, there is also exploratory study. This study commenced when incomplete information is available on how it works on the similar issue in the past or limited knowledge has been discovered about the issue or situation (Sekaran & Bougie, 2010). The purpose of exploratory research is to evaluate and understand in depth, enhance the knowledge and information about the study topic and develop the most suitable research design to meet the objectives of the research (Harun & Abdullah, 2004)

Referring to this study, this paper explored the influence factors affecting the repayment performance. A lot of studies have been made on this topic but all of them only focus on other MFI than Bank Rakyat.

Generally, this study tried to fulfill the gap in repayment performance. The previous study on repayment performance discusses a lot about AIM,

TEKUN, and other MFI. However, none of the research has focused on repayment performance in Bank Rakyat.

For that reason, this paper explored an issue and the researcher attempted to understand the influence factors affecting microfinance repayment performance in Bank Rakyat.

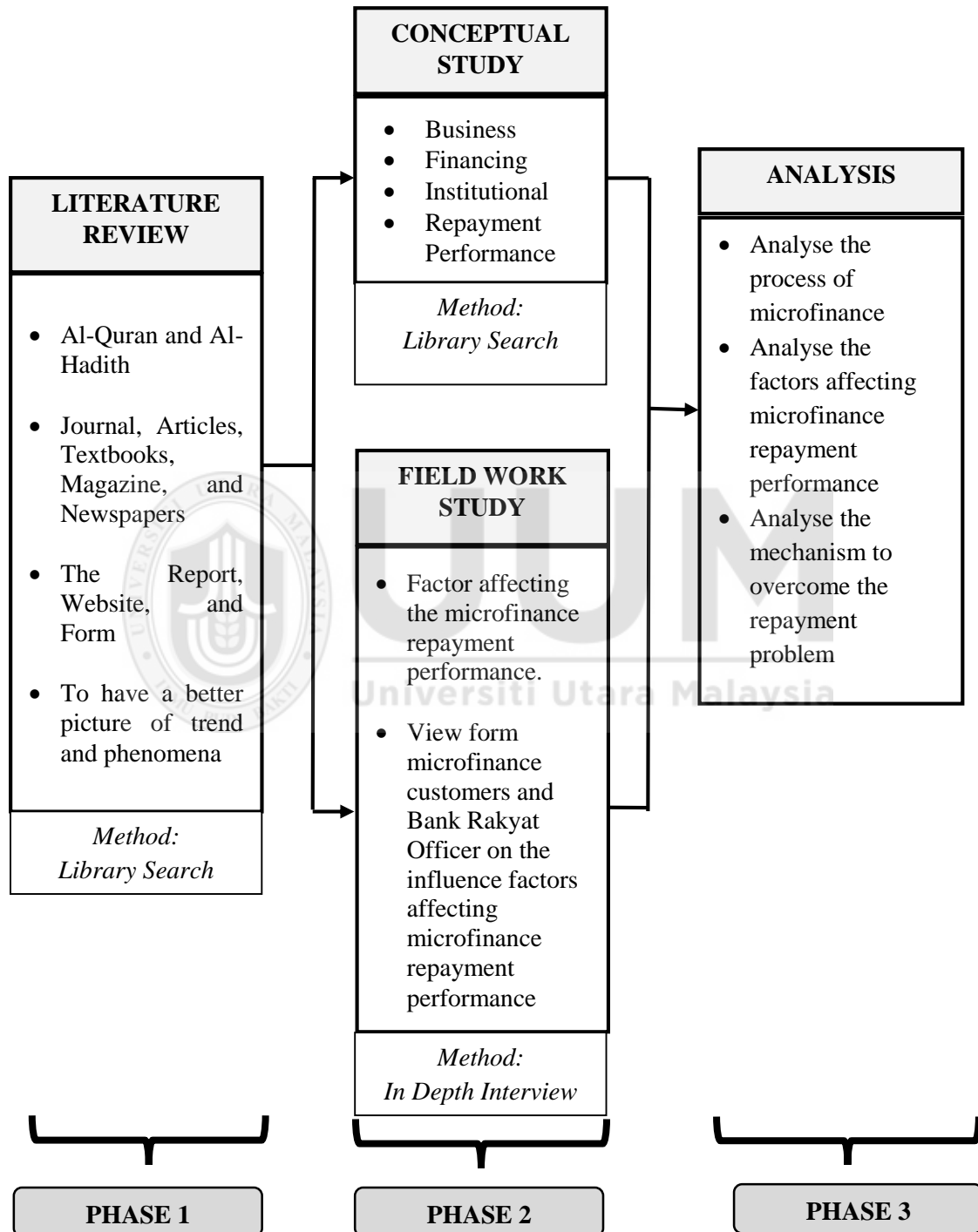
#### **3.2.4 Research Strategy**

Based on the above discussion, research design for this paper can be summarized as follow; this is a qualitative research. It started the process by examining the concept and phenomena involved from the literature review and past study using the library research method. Basically, the researcher started to understand the influence factors affecting microfinance repayment performance in Bank Rakyat.

Referring to the progress in the first phase, researcher finally found at least four (4) themes or concepts should have detail study and exploration on it. There are namely; business, financing, business and repayment performance.

Diagram 3.1

Research Design Applied for Study



Source: Self Construct



In order to answer the research questions, the researcher has implemented two (2) types of studies namely conceptual study and fieldwork study. Above diagram 3.1 summarize the whole design for this research.

Conceptual study for this research means that those concepts which were found from the first stage would be exploring its meaning and content in detail. For this particular study, the researcher used library search. Meanwhile, field study also has been commenced by the researcher especially to get the current practice on repayment performance.

The fieldwork applied in-depth interview with Bank Rakyat officer and microfinance customers. All of them were selected as they were expert, have the relevant knowledge and experience with the topic studied. This was the process in the second phase of the research.

In the third phase, the researcher analyzed both data from interviews and library search based on protocol and procedure set up for this study. Finally, the researcher comes out the finding with the recommendation as the conclusion for this study.

### **3.3 Population and Sampling Techniques**

According to Sekaran & Bougie (2010), sampling is the process of selecting the right individuals, objects or events as the representative for the entire population.

The qualitative study utilized at least three (3) wide approaches to select the sample. The sample strategies are convenience sampling, purposive sampling and theoretical sample (Ritchie, Lewis & Elam, 2014).

This study applied purposive sampling. Referring to research objectives and types of data involved, two (2) group of the informant was fixed by the researcher. They are a group of microfinance customer and Bank Rakyat officer.

The first group for this sampling is the microfinance customers. Researcher categorized this group in detail by stipulating that only microfinance customer who is currently having a repayment problem will be interviewed. This was fixed as the purpose of this group is to get the clear information on repayment performance. Besides, it tries to explore as well indirectly the factors affecting their repayment performance. Under this group, eight (8) informant were chosen and the researcher managed to interview all of them. Table 3.1 shows the list of informants and their business types.

*Table 3.1*

*List of Informants and Business Types*

<b>INFORMANT</b>	<b>BUSINESS TYPES</b>
1. Rusmadi Bin Kamis @ Zainol	Workshop
2. Asiah Binti Shaaban	Restaurant

3. Sharmila Bibi Binti Mohd Hanif	Wedding Decoration Supplier
4. Tom Binti Alang Ahmad	Tailor
5. Noordina Binti Noordin	Wedding Boutique
6. Sukhairy Bin Su	Groceries
7. Rosmani Binti Othman	Breakfast Hawker
8. Noh Bin Man	Workshop

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Source: Self Construct

The second group was Bank Rakyat officer who in-charge with microfinance portfolio in Bank Rakyat Kangar. This was fixed to as the purpose for this group to get the clear and actual information on repayment performance in Bank Rakyat. The first informant is Mr. Zainol Baharin, an officer for Microfinance in Bank Rakyat Kangar. The second Informant is Mrs. Syakirah Sanasi ex-officer of Microfinance for five years. Both of them are expert and have a strong background in microfinance area. Their expertise supported a lot in this study in understanding the factors affecting microfinance repayment performance. They were purposely selected to answer and enlighten listed themes explored by this research.

The constraint of time has limited this study to cover only ten (10) informants within Perlis. It is however, tolerable seems the topic discussed in research is universal and under the same parameter. Furthermore, all microfinance officer was under the same management. This is very helpful in forming a standard and similarity in data required for this study.

Finally, as cited by Cresswell (2017), the number of informants is acceptable if the size of the sample in phenomenology range between three (3) to ten (10).

### **3.4 Data Collection Method**

There is four commons method in collecting information for qualitative research. According to Marshall & Rossman (2006), the four common methods is namely participating in the setting, observing directly, interviewing in-depth and analyzing document and material culture. In other sources, George (2008) suggested that library research method is a necessary component of every other research method at some point and it is applicable in various research methods including qualitative approach.

This study only applied in-depth interview and library search. These methods fit to use as the types of data involved are primary and secondary data. As mentioned earlier in diagram 3.1, this study used two (2) types of study which are conceptual and fieldwork study.

Primary data was collected in “*Field Work Study*” using in-depth interview method whereas secondary data was applied in “*Conceptual Study*” using library search method. Both primary and secondary data are crucial to this study in achieving the objective in the early chapter.

Table 3.2

*Data and First Research Objective.*

RESEARCH OBJECTIVES	METHOD COLLECTING DATA	SOURCES
To identify the main process of microfinance in Bank Rakyat Kangar.	<b>Data Type:</b> <i>Primary Data</i>	• Bank Rakyat Officer
	<b>Collection Method:</b> <i>In-depth Interview</i>	
	<b>Data Type:</b> <i>Secondary Data</i>	• Bank Rakyat Portal and documents
	<b>Collection Method:</b> <i>Library Search</i>	
Source: Self Construct		

The first objective of this study is to identify the main process of microfinance in Bank Rakyat Kangar. It involved primary and secondary data. Researcher started with discovering the secondary data using Bank Rakyat Portal and documents.

Based on the document from the Bank Rakyat portal the main process of microfinance was recorded and noted. Concurrent with the step, the researcher noted any confusion and unclear with the data form the secondary source and it was saved as the questions for the interview session. In-depth interview was set up to

get primary data and have a better understanding from the expert about the factors affecting the microfinance repayment performance.

*Table 3.3*

*Data and Second Research Objective.*

<b>RESEARCH OBJECTIVES</b>	<b>METHOD COLLECTING DATA</b>	<b>SOURCES</b>
To explore the factors affecting the repayment performance of microfinance among Bank Rakyat Kangar customers.	<b>Data Type:</b> <i>Primary Data</i>	• Microfinance Customer
	<b>Collection Method:</b> <i>In-depth Interview</i>	
	<b>Data Type:</b> <i>Secondary Data</i>	• <i>Al-Quran</i> • <i>Al-Hadith</i>
	<b>Collection Method:</b> <i>Library Search</i>	• Journal and articles

Source: Self Construct

The second objective of this study is to explore the factors affecting the repayment performance of microfinance among Bank Rakyat Kangar customers. Table 3.2, shows the data and first research objective. It involved primary and secondary data. Researcher started with discovering the secondary data using library research method. Al-Quran and Al-Hadith and the previous study were used to get the basic ideas about the topic studied.

Based on the previous study and some reading from the journal and articles about the factors affecting the microfinance repayment performance was recorded and noted. Concurrent with the step, the researcher noted any confusion and unclear issues with the factors affecting microfinance repayment performance and it was saved as the questions for the interview session. In-depth interview was set up to get primary data and have a better understanding from the expert about the factors affecting the microfinance repayment performance.

*Table 3.4*

*Data and Third Research Objective*

<b>RESEARCH OBJECTIVES</b>	<b>METHOD COLLECTING DATA</b>	<b>SOURCES</b>
To identify the business problem faced by Bank Rakyat Kangar microfinance customers.	<b>Data Type:</b> <i>Primary Data</i>	• Microfinance Customer
	<b>Collection Method:</b> <i>In-depth Interview</i>	
	<b>Data Type:</b> <i>Secondary Data</i>	• Journal and articles
	<b>Collection Method:</b> <i>Library Search</i>	

Source: Self Construct

The third objective tried to identify the business problem faced by Bank Rakyat Kangar microfinance customer as shown in Table 3.3. The same step was taken by

the researcher in meeting this research objective. Primary data took a priority place before looking for a secondary data.

In this case, the business problem was explored at first using library search method. However, for this objective, the exploration started on the previous study first. Then, those basic ideas were gathered and noted together with unclear understanding about it. Those unclear were proposed as the questions for the interviews later. Interview session was done with the microfinance customers to get a secondary data to support the basic idea of a business problem faced by the customer.

Table 3.5

*Data and Fourth Research Objective*

RESEARCH OBJECTIVES	METHOD COLLECTING DATA	SOURCES
To determine the mechanism Bank Rakyat Kangar used to overcome the problem of repayment among Bank Rakyat micro customers.	<b>Data Type:</b> <i>Primary Data</i>	• Bank Rakyat Officer
	<b>Collection Method:</b> <i>In-depth Interview</i>	
	<b>Data Type:</b> <i>Secondary Data</i>	• Journal and articles
	<b>Collection Method:</b> <i>Library Search</i>	

Source: Self Construct



Finally, for the fourth objective of the study, the mechanism to overcome repayment problem was determined started from secondary data using library search method. The main focus for this objective is actually to examine the mechanism used by Bank Rakyat to overcome the repayment problem in microfinance. The ideas from secondary data are more general and not sufficient enough to understand the whole process about it. Therefore, primary data using in-depth interviews were done to have clear information about the mechanism to overcome repayment problem in microfinance.

In overall, the data involved are primary and secondary data. Both are collected from an in-depth interview for primary data and library search method for secondary data. Sources for in-depth interview are microfinance officer. While sources for secondary data are from journals and articles.

### **3.4.1 Library Search**

Library search involves identifying and locating sources that provide factual information or expert opinion on a research question (George, 2008). This study commenced library search to get basic idea, better and clear picture about the topics. Indeed, the exploration for this paper started with this library research strategy.

The researcher utilized most of the facilities provided by Universiti Utara Malaysia (UUM) library including online databases, journal articles, textbook, published and unpublished thesis, dissertation, and other references. Various sources of references using this library search method help researcher very well in developing the research questions and identify the next strategy to answer the questions. Modern and hi-tech facilities provided by UUM Library supported this study obtained accurate and valid data as a reference.

### **3.4.2 In-depth Interview**

An interview is the convenient collecting data method especially in exploratory approach (Sekaran & Bougie, 2010). The data that researcher seeking to answer the research questions are very specific data and required brief explanation to understand. Therefore, an in-depth interview was defined as the appropriate method of collecting data. This is concurrent with definition quoted by Marshall & Rossman (2006) that interview is a conversation with the purpose. In this case, it is a conversation with a purpose to explore and understand the main themes of the study.

In order to create a convenience and comfort interview environment, the semi-structured interview was applied. The interview was conducted based on standard and questions structured earlier before the session. It is however directed in a flexible way. Although researcher has constructed earlier

questions, there still allowed changes in sequence, form on the way in asking the question. A combination between flexibility in unstructured interview and directive with standard form in structures interview is perfectly supported the interview session.

#### **3.4.2.1 The Development of Interview Protocol**

Interview protocol is a form used by the qualitative researcher for recording and writing down information obtained during an interview (Cresswell, 2017). It is the checklist for managing and implementing the interview. It is needed to be developed as a guideline and instruction to the interviewer followed in each of the interviews to ensure the consistency and increase the reliability of the findings. For this particular study, an interview protocol was prepared as a guideline for the researcher to follow in handling the interviews session. The interview protocol is developed in Bahasa Melayu as all the interview question were as in Bahasa Melayu. This is to ensure a precise feedback since all of the informants can communicate in Bahasa Melayu.

Formulating questions guideline for data collection is the first step taken in establishing interview protocol. Questions were developed after the researcher has very clear and firm research questions. Based on that, exploration on the research topics continued and was simplified in literature

review chapter. From literature review process and conceptual framework defined, the researcher found four (4) concepts required for detail explanation to understand.

The explanation should come from various sources and background of informants. Therefore, the questions were formulated and structured based on those concepts using the research questions and objectives as the compass or guideline. Theme and category of the interview protocol has been summarized in Table 3.6.

Table 3.6

*Predetermine Theme and Category in Interview Protocol*

RESEARCH OBJECTIVES	RESEARCH QUESTIONS	PREDETERMINED THEME
To identify the main process of microfinance in Bank Rakyat Kangar	What is the main process of microfinance in Bank Rakyat Kangar	Microfinance <b>Category:</b> Process
To explore the factors affecting the repayment performance of microfinance among Bank Rakyat Kangar customers.	What are the factors affecting the repayment performance of microfinance among Bank Rakyat Kangar customers?	Financing Institution <b>Category:</b> <i>Financing</i> <i>Institution</i>
To identify the business problem faced by Bank Rakyat Kangar microfinance customers.	What is the business problem faced by Bank Rakyat Kangar microfinance customers?	Business <b>Category:</b> <i>Business</i>

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To determine the mechanism Bank Rakyat Kangar used to overcome the problem of repayment among Bank Rakyat micro customers.	What is the mechanism Bank Rakyat Kangar used to overcome the problem of repayment among Bank Rakyat micro customers?	Repayment Performance <b>Category:</b> <i>Repayment</i> <i>Performance</i>
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Source: Self Construct

Based on the above table, the theme and category of interview protocol will be arranged according to the research question. Each question will be asked for each category. All the list of question is available in Appendix A

#### 3.4.2.2 Expert Review

The questions were checked, review and validated by researcher's supervisor, Dr. Raziah binti Md Tahir as an area expert. Some of questions constructed based on Fundamental Research Grant Scheme (FRGS) s/o code 13026. While the other questions constructed based on suitability with the research toward Bank Rakyat which is endorsed by supervisor. The correction was done as per advised. It helped the interviewee easy to understand the purpose of the questions being asked and consequently meet those research objectives efficiently.

#### **3.4.2.3 Pilot Study**

The pilot study was done only for microfinance customer Mr. Rusmadi Bin Kamis @ Zainol on 29 May 2018. This study was done within 45 minutes. From the pilot study, the questions were found easy to understand and were arranged according to the difficulties very well. This showed from the response of the informant in answering the question. However, 45 minutes is considered a lot of time-consuming for microfinance customer.

Therefore, from the pilot study researcher make an improvement in other microfinance customer questions. Basically, the questions asked the same. The difference is only the way of asking the questions.

#### **3.4.2.4 Fieldwork**

Fieldwork was taken from March until May 2018 for ten (10) informants. The interview sessions set up to finish by May 15, 2018, with all informants. However, due to the pack and unexpected schedule from the interviewee, this fieldwork was dragged until May 28, 2018.

The fieldwork started after researcher obtained the consent from the informants to meet and agree to be interviewed by the researcher. The

various channel of communication used in getting access to informants such as the telephone calls. Their respond for these applications was confirmed using those channel as well, and mostly it is verbal confirmation.

In actual fieldwork, the interview session begins as per stated in interview protocol. This session is divided into three (3) stage as below:

a. Entry Stage

Based on interview protocol provided, entry stage required the researcher to start by greeting them with “*salam*” or good day followed by the thankful expression for their kindness to get involved with this interview session. Before proceeding further, ice-breaking questions and other relevant as an opening statement will be done to create the comfortable environment with the informant.

Then, the researcher would introduce himself and the purpose of the interview to the interviewee. It followed by briefing the informants the rules and preview of the session including the confidentiality of this study to the informant, duration of the session and how it would be conducted.

Permission of recording the interview session also would be asking in this entry part. The researcher also was reminded to open the

opportunity to the interviewee anything unclear before moving forward to the next questions listed.

b. During Interview

The most challenges stage was during interview stage where researcher needs to use various soft skills in handling the session. Based on researcher's experience in dealing with microfinance customer, non-verbal behavior also used to identify informants' condition either they were ready to be interviewed or not.

Once they were ready, the real questions would be asked and probe questions used in this session to follow up and ask the interviewee to explain their ideas in detail or to elaborate more. The researcher should find the space between the question to record the responses and then stated clearly in moving to next questions.

The whole process required the researcher to listen, question, probe, record, and summary the responses. Besides recording the session by noting down the answer and recording it with the voice recorder, the researcher would comment or summarize the answer to create a more interactive session.



Finally, informant should be informed when the session reached to the final question and finished it by concluding their answer and showing them the better result having from the interview session.

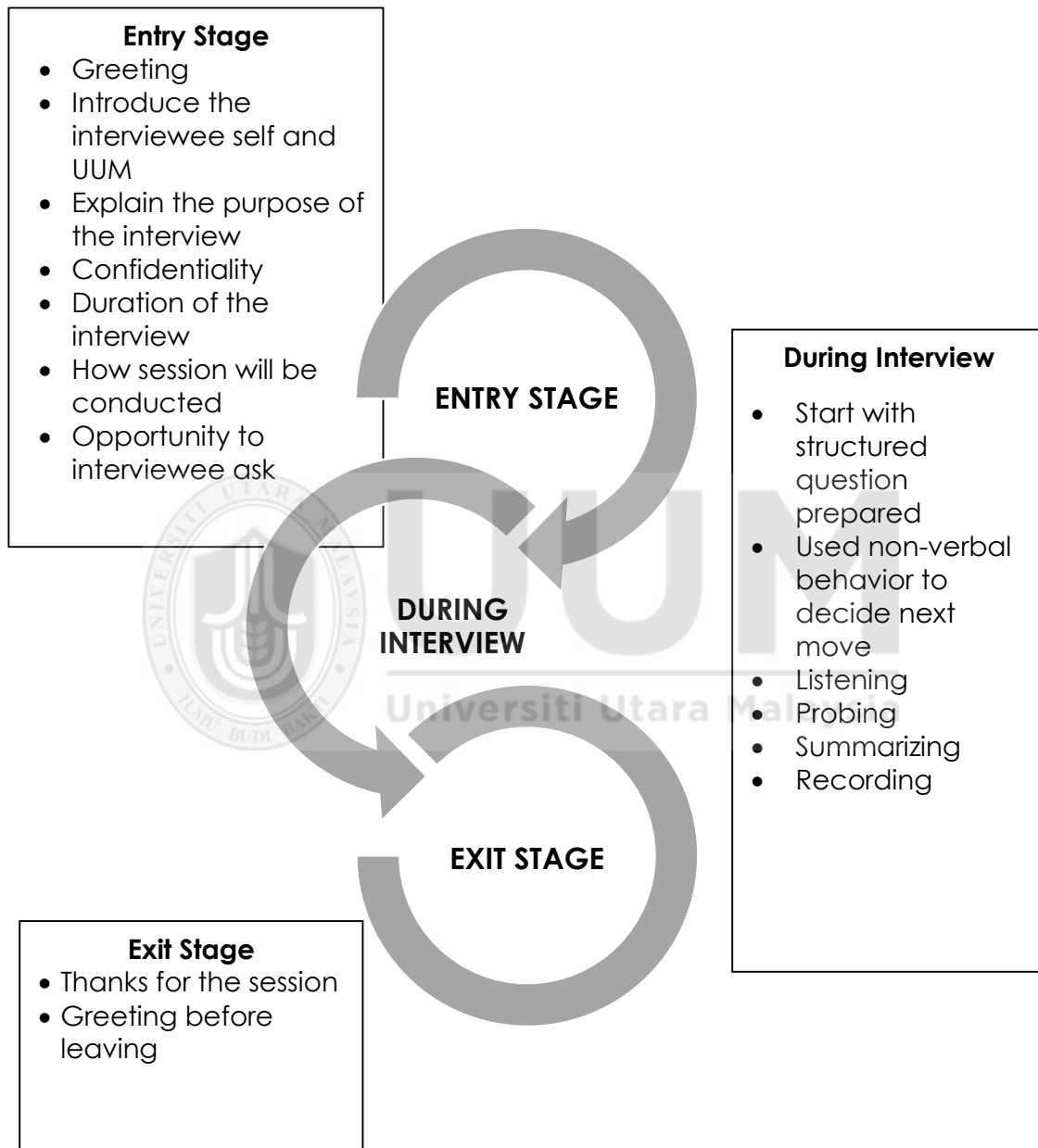
c. Exit Stage

Exit stage would be re-cap session between interviewer and interviewee. The researcher may express a final thank you statement to acknowledge the time that interviewee spent in completing the session and make sure there was a greeting such as “*salam*” before leaving the place.

Overall, the interview session was done in order as a planned. This is because all the interviewee has the experience and exposure in an in-depth interview session. Therefore, a simple briefing about the session is sufficient enough to give them a picture of how to respond efficiently. They are really committed and helpful for this interview session. Diagram 3.2 is the summary of the whole process for fieldwork.

Diagram 3.2

*The Process of Fieldwork*



Source: Self Construct

#### **3.4.2.5 Preparing Interview Transcripts**

The research process was continued by preparing interview transcripts. Researcher immediately prepared the transcripts after the session. It took about two (2) days to finalize the proper transcript for each interview. It was done by referring to the notes noted down in the interview session and the voice recorder recorded. The transcript was saved in various storages as a back-up.

#### **3.5 Analyzing Data**

Data analyzing was defined as a process contains three (3) linked subprocess namely data reduction, data display and conclusion drawing, and verification (Huberman & Miles, 1994). This research applied those step as well to analyze the data collected.

However, before beginning with data reduction, Croswell (2017) suggested that the data should be ready to analyze and researcher in a ready mode to begin the process. In other words, all the interviewed data already recorded into transcript forms and researcher have done a multiple reading on the transcript and have a basic understanding of the data.

### **3.5.1 Data Condensation**

Data condensation contains selecting, coding and categorizing the qualitative data. According to Sekaran & Bougie (2010), coding is the analytical process which reduces, rearrange and integrated the qualitative data to form theory and its purpose to help the study to obtain meaningful conclusion from the data. Coding process would come together with categorizing. It clear defines by Creswell (2017), that coding is the process of organizing the data into segments of text into categories and assigning a word or phrase to the categories in order to develop the general sense of it.

For this research, coding and categorizing is action taken to reduce the data limit the range of data to be very specific in answering the research questions. Researcher started this step using preliminary categories obtained from previous study and book. Then, the transcripts reviewed and analyzed by seeking which sentences referring to those initial list in categories. From here, coding is processed based on initial categories listed. It then would be changes or refines on codes and categories if necessary as this is an interactive process. It required the researcher to return to the transcripts repeatedly until clear understanding obtained from the process. Output for this stage was simplified in Table 3.7 below.

Table 3.7

Template Form in Data Reduction Process

RESEARCH OBJECTIVE	RESEARCH QUESTIONS	INTERVIEW QUESTIONS	CODE	CATEGORIES	THEMES
To identify the main process of microfinance in Bank Rakyat Kangar.	What is the main process of microfinance in bank Rakyat Kangar?	<p>1. What is the microfinance processing flow until the application approve? And how long it takes?</p> <p>2. How the Bank Rakyat microfinance amount of financing calculated?</p>	<i>Follow Hq</i>	<i>Process</i>	<i>Microfinance</i>
To explore the factors affecting the repayment performance of microfinance among Bank Rakyat Kangar customers.	What is the factors affecting the repayment performance of microfinance among Bank Rakyat Kangar customers?	<p>1. What is the problem faced by customer in the repayment period?</p> <p>2. Is the customer have the repayment problem? If yes, what is the problem.</p> <p>3. Refer to the 10<sup>th</sup> question, is there any repayment problem? If yes, what it is?</p> <p>4. Is there any problem in term of Bank Rakyat Kangar microfinance repayment?</p>	<p><i>Internal Factor</i></p> <p><i>Repayment problem</i></p> <p><i>External Factor</i></p>	<i>Repayment performance</i>	<i>Repayment performance</i>

		<p>5.What is the Bank Rakyat Kangar microfinance repayment problem?</p> <p>6.What is the factor that caused the repayment failure?</p>			
To identify the business problem faced by Bank Rakyat Kangar microfinance customers.	What is the business problem faced by Bank Rakyat Kangar microfinance customers?	<p>1.What is the customer's business type?</p> <p>2.What is the problem faced by customer in running the business?</p> <p>3.How the customer solves the problem?</p> <p>4.Is the customer accepted any help from government or private agencies?</p> <p>5.What is the type and how much the figure?</p>	<p><i>Business type</i></p> <p><i>Internal Factor</i></p> <p><i>Grant</i></p>	<i>Business Problem</i>	<i>Business Problem</i>
To determine the mechanism Bank Rakyat Kangar used to overcome the problem of repayment among Bank Rakyat micro customers.	What is the mechanism Bank Rakyat Kangar used to overcome the problem of repayment among Bank Rakyat micro customers.	<p>1.How is the statistic on repayment failure in Northern Region?</p> <p>2.Are there any charges that charged on microfinance</p>	<p><i>Statistic</i></p> <p><i>Charges</i></p> <p><i>Monitoring</i></p> <p><i>Legal Action</i></p>	<i>Mechanism</i>	<i>Mechanism</i>

		customer due to the late payment as per agreement?			
		3.How Bank Rakyat observe and control the microfinance repayment?			
		4.Is there any law execution against the default customer? If yes, what is the execution flow?			

Source: Self Construct

### 3.5.2 Data Display

Data display is a process to display the reduced data in an organized and condensed manner (Huberman & Miles, 1994). The data can be presented using various ways and tools such as charts, matrices, diagrams, graphs, frequent phases mentioned and drawings or anyways which supported the researcher to discover pattern and relationship and finally, make a conclusion (Sekaran & Bougie, 2010). This research utilized the matrices form to identify the pattern and connection of the data. The matrix is actually an extension on Table 3.6. The result for this part shown in next chapter.

### **3.5.3 Drawing Conclusion**

This is the last step in qualitative data analysis as mentioned by Sekaran & Bougie (2010). In this step, the researcher used the output from the data display and elaborate the data by defining the theme in detail, explaining the patterns and relationship, thinking the contrasts and making the comparison.

### **3.6 Trustworthiness**

The qualitative study considered four (4) criteria in trustworthiness procedures. There is credibility, transferability, dependability, and confirmability (Lincoln & Guba, 1985). As suggested by Lincoln & Guba (1985), this study considered those four (4) criteria as follow:

#### **i. Credibility**

Credibility refers to understand the concept of the influent factor such as business, financing, institutional and repayment performance in microfinance. The correct person was defining to be interviewed as discuss before, two (2) group of them.

There were interviewed to describe the concept and explain how it works. Microfinance customer was selected as an informant to express their view on



the topic. Background of the informant was selected based on research questions to assure the consistency and credibility of this study.

ii. Transferability and Dependability

This study is limited to study on microfinance repayment performance only. However, it is fit to any location and times as long as the study is focusing on microfinance repayment performance. This explanation also covers the level of dependability where it can be duplicated and repeated to apply at other time.

iii. Conformability

Conformability for this study should be high because the basic reference for this research is from library research data. The researcher also used the data from the Micro Finance Institutions as a basic reference. If there is a bias from the researcher, the bias should be concurrent with what is fixed in the previous study as the reference. The same concept applied if the finding is not aligned with what mentioned in the previous study. If the case happened, the study should identify what causes the different and how to improve it.

Lebar (2015), suggested that by stating clear researcher belief and assumptions for this study, triangulation and audit trail are the technic to get the conformability findings. Therefore, this study will use two (2) of it namely stating clear belief and assumptions of the researcher for the study of

triangulation. An audit trail cannot be implemented as limited of time left to accomplished this study.

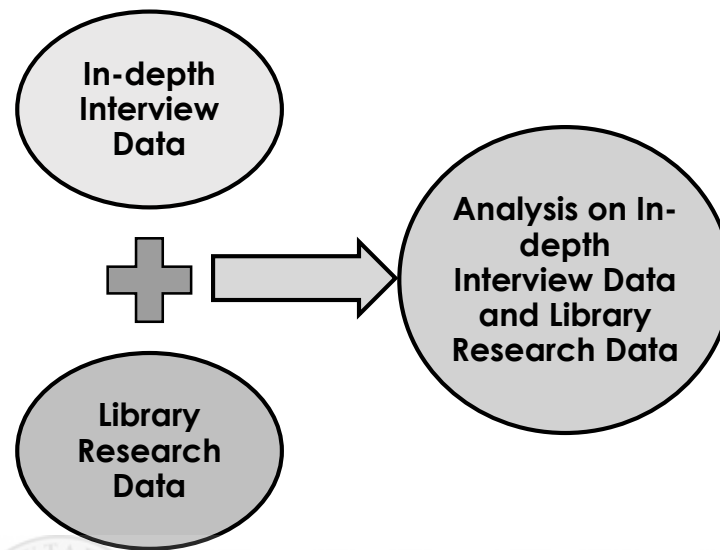
In order to increase four (4) criteria to obtain trustworthiness findings, researcher set up a very clear understanding for this study. Researcher as an instrument in this research fived the compass to the previous study in developing the ideas, judgment, and theory.

Researcher got the basic input from the library search or previous study and extend it by collecting data in theoretical input from the Bank Rakyat officer and document analysis and further the data collection using an in-depth interview to investigate the real practices. Besides that, triangulation was also applied for trustworthy for this research. There are various types of triangulation such as data triangulation, researcher triangulation, theory triangulation, method and environment triangulation (Lebar, 2015).

However, for this study, the researcher used the data sources triangulation to increase the trustworthiness. The study used in-depth interview data and secondary data from the library research to compare and analyses both finding data. Diagram 3.3 depicted the data sources triangulation used for this particular research.

*Diagram 3.3*

*Data sources Triangulation Applied for This Study*



Source: Self Construct

### **3.7 Conclusion**

This chapter overall describes that the researcher used qualitative research, exploratory design. Based on the purposive sampling technique used to answer the research questions, the data was collected using the in-depth interview for primary data and library search strategy in looking for secondary data.

Library search was done at various stages for this paper progress, especially as the first stage to gain the basic idea for this study. In-depth interview was explained in detail about its implementation using very straight and tight protocol and procedure.

The researcher also described triangulation used for this study to establish the credibility and trustworthiness data collected. Finally, this chapter explained the strategy used to analyze the data.

In summary, this chapter explained the research methodology exercised for this study including the sampling techniques, data collection procedures, and data analysis steps as well as the strategy used in establishing the reliability and validity for this study.



## **CHAPTER FOUR**

### **DISCUSSION AND ANALYSIS FINDINGS**

#### **4.1 Introduction**

This chapter discussed the analysis result on listed themes which were found at early stage. The themes are process of microfinance, business, financing, institutional and repayment performance. The discussion as well actually answered those research questions and meet the objective of this study.

#### **4.2 Background of the Informants**

There are ten (10) informants that have been selected. Eight (8) of them selected among Bank Rakyat Kangar's microfinance customer, while the other two (2) are the Bank Rakyat Kangar's microfinance officer.

The first informant owns a workshop. Marital status divorced. He is 39 years old. Got the microfinance in 2011 in order to upgrade the workshop. His education until SPM. The business distance from Bank Rakyat Kangar is about 12 kilometre.

The second informant owns a restaurant. Marital status married. She is 51 years old. Got the microfinance in 2014 in order to increase the business capital. Her education until SPM. The business distance from Bank Rakyat Kangar is about 18 kilometre.

The third informant owns a wedding gift shop. Marital status married. She is 44 years old. Got the microfinance in 2013 in order to increase the business capital. Her education until SPM. The business distance from Bank Rakyat Kangar is only 500 metre.

The fourth informant is a tailor. Marital status married. She is 46 years old. Got the microfinance in 2013 in order to increase the business capital. Her education until SPM. The business distance from Bank Rakyat Kangar is only 800 metre.

The fifth informant owns a wedding boutique. Marital status married. She is 41 years old. Got the microfinance in 2016 in order to renovate the premise and as the rolling capital. Her education until SPMV. The business distance from Bank Rakyat Kangar is about 3 kilometre.

The sixth informant owns a groceries shop. Marital status married. He is 36 years old. Got the microfinance in 2014 in order to add the stock in the shop. His

education until SPM. The business distance from Bank Rakyat Kangar is about 3 kilometre.

The seventh informant is a breakfast hawker. Marital status married. She is 40 years old. Got the microfinance in 2014 in order to increase the business capital. Her education until SPM. The business distance from Bank Rakyat Kangar is about 4 kilometre.

The eighth informant run a foundry. Marital status married. He is 52 years old. Got the microfinance in 2014 in order to add the stock in the shop. His education until SPM. The business distance from Bank Rakyat Kangar is about 20 kilometre.

The ninth informant is the microfinance officer that appointed to microfinance portfolio from 2016 until now. Basically there is a job rotation between executive and also clerical.

The tenth informant is the former microfinance officer since introduced in 2007 until 2012 and now changed to the other portfolio as the job rotation. However indirectly involved in the process of microfinance disbursement and also collection.

### 4.3 Microfinance Process

#### **First Objective: To identify the main process of microfinance in Bank Rakyat Kangar**

Referring to the previous study and references, the process of microfinance is part of the important thing to reduce the impairment in the future. Indeed, as the main objective of this study, the researcher will describe the process of microfinance in Bank Rakyat Kangar. As the result, the first discussion will answer the first research question which is “To identify the main process of microfinance in Bank Rakyat Kangar?”.

From the interview process, both microfinance officer agreed that the process of microfinance is important in repayment performance. This is the process to identify the qualified customer for microfinance financing. This process will be the first step for bank to identify the qualified customer. From the interview process, both of them giving the same answer as follow:

*...key in the customer data in the system, we check the credit check, CCRIS CTOS, if there is a bad record CCRIS, we reject it. Next step, we will visit to business premises, fill in the investigation visit form, prepare*



*papers, approval process, and approval of the region and ambition for at least 10 days of Bank Rakyat.... (E1, E2)*

In order to identify the financing amount to the customer, bank will ask the customer to provide the bank statement as part of the process for the financing approval. Financing amount will be based on the customer bank statement. Both microfinance officer giving the same answer as the financing amount will be based on the average of six (6) month bank statement.

*...financing amount calculated based on six (6) month bank statement...(E1, E2)*

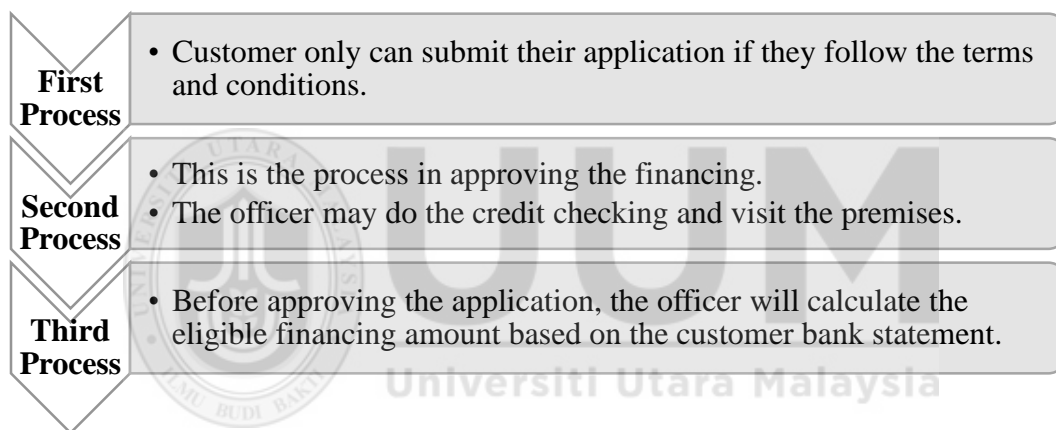
#### **4.3.1 Analysis**

As to start the analysis, the researcher examined about the process of microfinance in Bank Rakyat. Based on the above finding, the researcher found that the process is microfinance is actually part of the process to reduce the impairment in microfinance. Before submit the application, customer need to ensure that they are following the terms and conditions to apply the microfinance. The second step is, after the microfinance officer receive the application. The third process is to determine the eligible financing amount. The officer determine the amount of financing based on

the customers bank statement to ensure that the customers are not receiving excess financing amount more than they eligible. This is also part of the process to reduce impairment in the future. Diagram 4.1 will illustrate the whole process of microfinance in Bank Rakyat.

*Diagram 4.1*

*The Process of Microfinance*



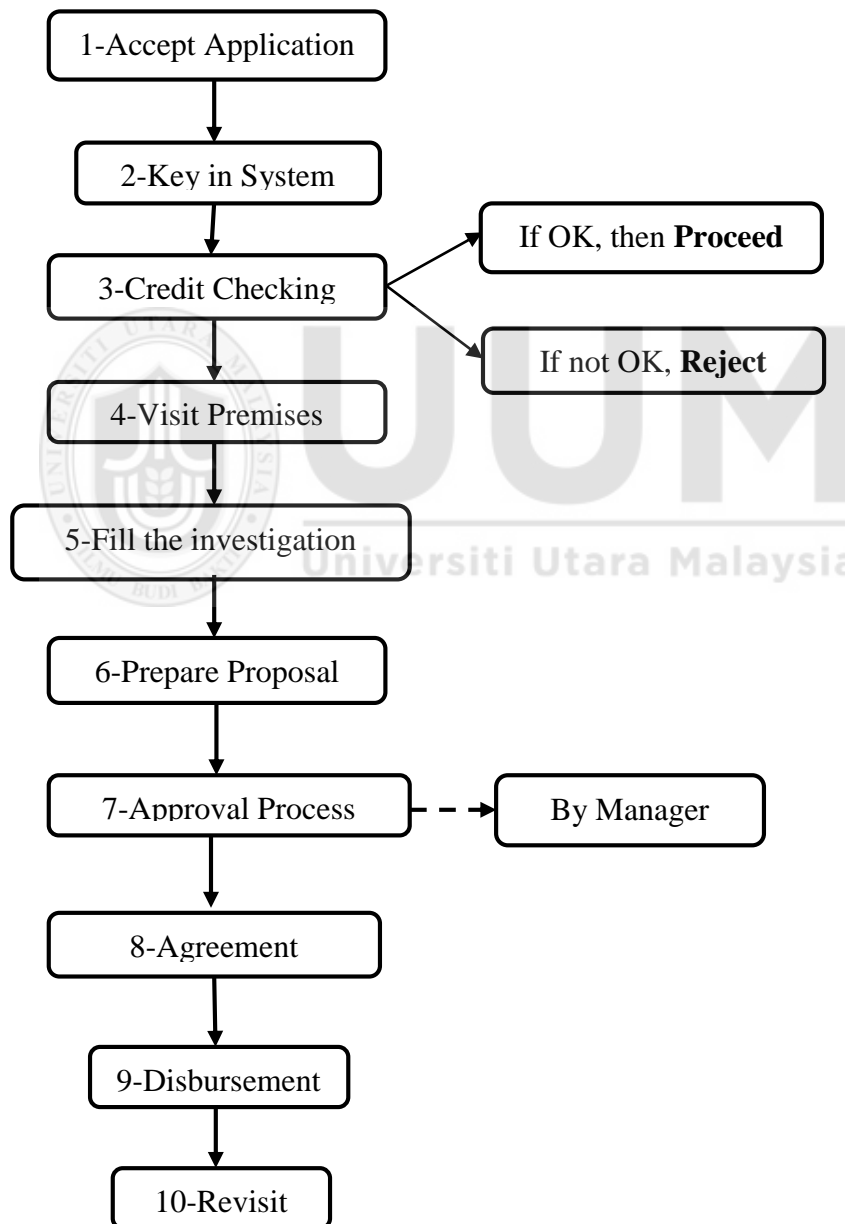
Sources: Self Construct

The microfinance process used by Bank Rakyat Kangar are from the Head Quarters of Bank Rakyat. The diagram 4.2 below describing the microfinance flow chat of processing the application. The process of approval is one of the early stage in order to prevent the financing become impairment in the future. There are about seven (7) before an application approved and disburse to the customer. The main purpose of all the process

stage is only to know the customer background and to prevent the financing being non performing financing.

Diagram 4.2

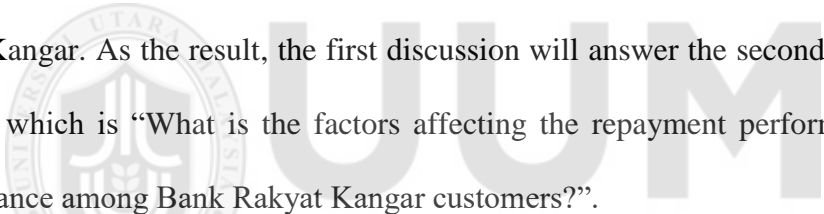
Microfinance processing flow



Sources: Self Construct

#### **4.4 Factor Affecting Repayment Performance**

**Second Objective: To explore the factors affecting the repayment performance of microfinance among Bank Rakyat Kangar's customers.**

Referring to the previous study and references, there are many factors that affected the microfinance repayment performance toward other MFI either in Malaysia or foreign country. Indeed, as the objective of this study, the researcher will describe the phenomena that influenced the microfinance repayment performance in Bank Rakyat Kangar. As the result, the first discussion will answer the second research question which is “What is the factors affecting the repayment performance of microfinance among Bank Rakyat Kangar customers?”.  


From eight (8) informant selected, 87.5% which is 7 from them admit that they have repayment problem due to their microfinance. Only 12.5% which is only one (1) of them refused that facing the microfinance repayment problem. From the observation, the researcher understood that the customer won't admitted they have the repayment problem if they only missed the payment for 1 or 2 times. The understood that only when the bank started the law execution means they have that repayment problem.

The interviewed process disclosed 100% of them admit that after they got the microfinance, the main reason that made them missed the payment is due to the income that decreases and doesn't have any increment compared before and after they got the microfinance. All of them gave almost the same reasons on the problem they faced in the repayment period.

*...decrease on total sales and income...(C1, C2, C3, C4, C5, C6, C7)*

*...the main reason is, the goods cannot be sold and so, I have no cash money...(C8)*

When the researcher goes further on their repayment problem, there are some other factors that appeared in their business that make the repayment problem become greater and some of them cannot pay at all due to that problem. Only 12.5% which is one (1) of the informant explained that she had the family problem after divorced which is the business originally registered as a partnership with her ex-husband.

*...the business shared with the ex-husband and then we divorced...(C5)*

While the other 12.5%, represent one (1) of the informant admit that when he failed to sell the good, he doesn't have enough cash money to rolling in the business and

also to cover other family expenses which are he put that as the priority rather than pay the microfinance first.

*...the problem is, I have no cash money to rolling the capital on business and also the house and family expenses...(C8)*

After finished the interviewed, it was concluded that 50% of them doesn't have any other financing from other bank and institution. While the other 50% admit they have another financing from other bank and institution. The other financing that they have is car financing and house financing. Surprisingly they didn't have repayment problem toward another financing from other institution. That means they gave the repayment priority to another financing rather than financing that help their business to generate their income.

*...car financing from Maybank, yes there are a problem in repayment but repayment by the husband...(C2)*

*... car financing from Maybank, for time being ok, because the husband paid it...(C4)*

*...house financing from Bank Islam, house financing payment ok...(C5)*

*...car financing from Public Bank, no payment problem...(C7)*

From the view of the Bank Rakyat Kangar Microfinance Officer, they agreed that the repayment performance on their branch is bad. From their experience and observation on the repayment problem, they have some contradict opinion compared to the reasons given by the customer on the problem faced by them to have good payment on their microfinance. The answer of E1 and E2 about repayment performance are as follow.

*...the problem faced by the customer is they failed to make the repayment as per agreement sign. Some of them not running business full time and sometimes they nomadic. The repayment failure came from the health problem, disaster, family problem, nomadic, lifestyle and also indebtedness...(E1, E2)*

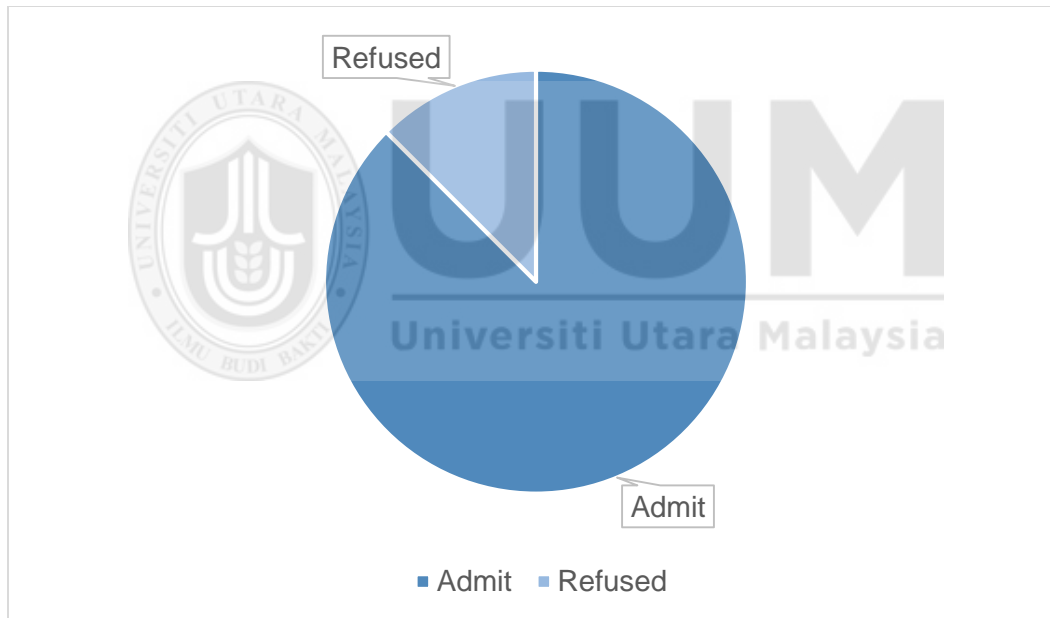
#### **4.4.1 Analysis**

As to start the analysis, the researcher examined about the factor affecting the repayment performance in microfinance. Basically, there is various business factor that affecting the repayment performance. The different factors also can be found within the literature review.

Based on the above finding, the researcher found that, most of the microfinance customer affected when their having a low monthly income. This finding similar with the previous studies by Nannyonga (2000), Nwaru (2004), and Oke et al (2007). Having a low income from their business will make the repayment performance affected.

*Diagram 4.3*

*Portion of informant that admit and refuse the repayment problem*



Sources: Self Construct

From the diagram 4.3 above, it shows the portion of the informant that admit or refuse that they facing microfinance repayment problem. The chart described the big portion which represent 87.5% of them not hiding the truth



that they facing the problem and the small portion represent 12.5% admit that just paid in full but out of the payment period.

More than that, the microfinance customer also having a problem with repayment period and repayment method. Most of them think that, it is ok to missed the payment once or twice. But they need to pay the other financing commitment with other bank. This finding supported the previous studies by Nannyonga (2000), Jain & Mansuri (2003), Sharma & Zeller (1997), Derban et al. (2005) Guttman (2007), and Roslan & Mohd Zaini (2009).

#### **4.5 Business Problem**



**Third Objective: To identify the business problem faced by Bank Rakyat Kangar microfinance customers.**

Business problem is one of the major roles that affected the repayment performance. Majority of the Bank Rakyat Kangar microfinance facing this kind of the problem and also stated business problem as the main factor as the main reason why they cannot be the good paymaster.

From eight (8) informant that have been interviewed, there are eight (8) difference problem revealed. Some of them are trying to resolve their own business with their own thought but seem not successful. All the business problem and how they try to resolve will be disclose as per table below:

*Table 4.1*

*Different business problem among informant*

<b>INFORMANT</b>	<b>ANSWERED</b>
<i>C1</i>	<i>Some of the customer didn't pay in cash. Priority to fulfil the basic need first before pay the Bank Rakyat debt...(C1)</i>
<i>C2</i>	<i>For time being there are so many competitors. To improve in term of the food menu...(C2)</i>
<i>C3</i>	<i>The business quite worst, small sales volume since GST applied. Pay the others debt first...(C3)</i>
<i>C4</i>	<i>Less order and then the order came seasoning. Spare the expenses to the lower seasons...(C4)</i>
<i>C5</i>	<i>The competitors and current economy situations. Promotion online and decrease the price...(C5)</i>
<i>C6</i>	<i>The number of customer quite low and high stock cost. I need to reduce the stock volume and priority to needs stock only...(C6)</i>

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C7	<i>Low of customer. Reduce the price compared to the other shop...(C7)</i>
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C8	<i>The main problem is bad trading and majority of the people here proffered to get their good from nearest supermarket because the supermarket isn't far away. The stock was returned to the suppliers and some of it sold to nearest groceries with lowest price...(C8)</i>
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Source: Self Construct

From the table 4.1 above, the researcher revealed all the informant answer about the business problem that they have to face along their business journey. All the informant running different kind of business and facing different kind of the problem. Only 25% of the sharing the same business problem which is ...*the low number of customer...(C6, C7)*. While the others 75% have their own difference problem. In discussing the business problem, the others problem that's not found here but mentioned by the informant from the BR Microfinance officer is about their family matter and their lifestyle.

From the BR officer experience, most of the BR microfinance customer had ever mentioned that they are in process to divorce and etc. When their family started problem the business will follow problem and also repayment become worst. The other problem that gave big impact to the business and repayment is about their lifestyle. From the observation, the researcher can see their lifestyle while doing

the interview process and observations. Some of them use an expensive car while they having the problem in their business and also bad microfinance repayment performance.

The researcher also asked about any business grant that they received either from the government or non-government sector. However, 100% of the informant chosen doesn't get any business grant. Sometimes, there are many business grants offered through the government agencies and also non-government agencies. The grant can be offered either by cash capital, stock, business chances, and also knowledge and experience sharing. The most important things that the researcher want to reveal in this study is how they use the grant if it is coming in term of cash. However, most of them don't receive any business grant. Therefore, they are stand alone in running their own business neither they make profit nor losses.

#### **4.5.1 Analysis**

From the findings, it indicates that the location of the business does contribute to repayment performance of microfinance customer. This finding is similar with Khandker et al. (1995), Nannyonga (2000), and Oke et al. (2007) that location of the business does influence the repayment performance.

More than that, the researcher also found that, the business profit also become the factor of repayment performance. Microfinance customer that making a profit from the business will pay according to the schedule. This finding support the literature reviews by Arene (1992), Nikhade et al. (1994), Chirwa (1997), Njoku (1997), Nannyonga (2000), Oke et al. (2007), and Ugbomeh et al. (2008).

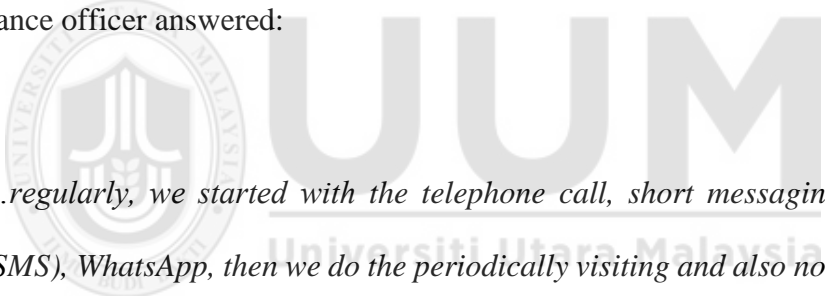
#### **4.6 The Mechanism Used by The Bank to overcome the repayment problem**

**Fourth Objective: To determine the mechanism Bank Rakyat Kangar used to overcome the problem of repayment among Bank Rakyat micro customers.**

This research chooses to determine the mechanism that BR Kangar used to overcome the repayment problem. The mechanism used is the Standard Operation Procedure that is provided by BR itself. All the BR collection staff are compulsory to follow the SOP. Breaking the SOP means breaking the law which is the staff can be charged if it found and guilty or deliberately break the SOP on personal interest or to protecting the customer from any action that should take by the bank. The SOP named *Garis Panduan Umum Kutipan Pembiayaan* explained how to handle repayment and what action should be taken if the customer failed to repay the

finance. These SOP are used to all type of financing in BR accepted Hire Purchase and Properties Financing.

BR applied weekly repayment basis for the microfinance because this kind of repayment seems not a burden to the customer. From the early stage of application, the customer is free to choose the repayment period from minimum one year which is equal to 52 weeks until maximum five years which is equal to 260 weeks. Furthermore, there is some task that the BR microfinance officer did in order to remind the customer of their weekly repayment. From the interviewed the microfinance officer answered:



*...regularly, we started with the telephone call, short messaging system (SMS), WhatsApp, then we do the periodically visiting and also notices that generated by the system...(E1, E2)*

Both of the BR microfinance officers agreed and they do the same task in the process of monitoring the repayment. Even though all the action was taken by the BR microfinance officer in order to collect the repayment, but there are still have some of the customers didn't make the payment. There are many encouragements for the microfinance good paymaster that are stated in their financing agreement such as 20% cash rebate from the total profit that BR fixed every six payment month will return to their account. The BR with the cooperation of Maktab Kerjasama

Malaysia (MKM) provides yearly free course to the good microfinance paymaster for every BR branch. The BR also will recommend the customer to the higher level such as Small Medium Entrepreneur scheme if they show the good paymaster and at the same time their business became advanced and the total sales increase more than RM 500,000 per month.

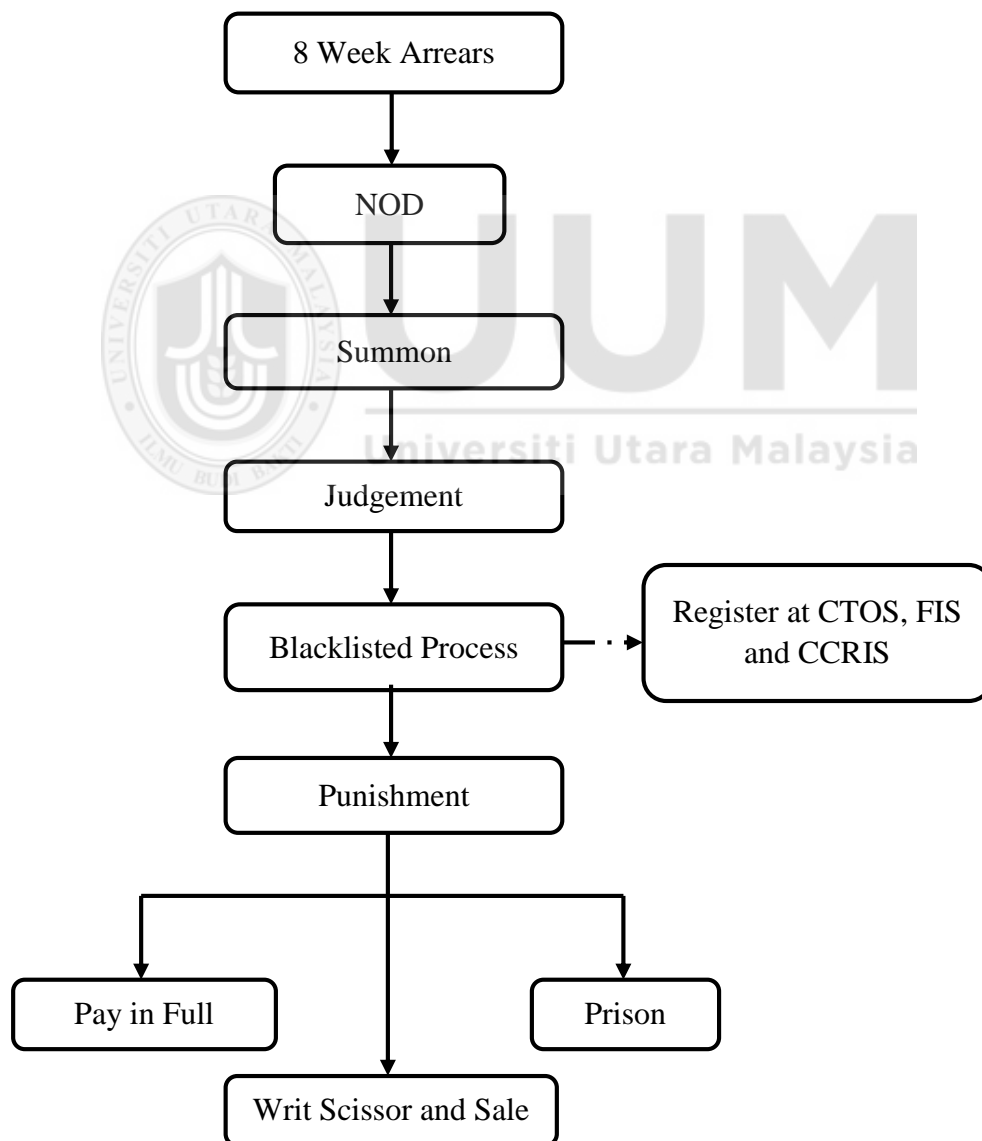
The other mechanism used by BR in order to collect the financing disbursed to the customer is by using the law that provided to the banking sector. After the repayment overdue more than two (2) month the action by using the law will start at this point. Either the action stops in the middle because the customer makes the payment or will execute until finish the step of the banking law allocations. From the interview of the BR microfinance officer two (2) of them strictly share and disclose the same procedure and mechanism to be taken toward the impaired customer. The answer from the informant are as follow:

*...by following the Garis Panduan Umum Kutipan Pembiayaan BR, we will appoint the lawyer on behalf of the bank to manage all the process of law. The flow of the law action taken toward the impaired customer start with Notice od Demand (NOD), summons, the judgment in the court, and blacklisted process. After that, the bank will ask judge through the lawyer to punish the customer either to pay the microfinance in full, or to do the*

writ scissor and sale (WSS) in order to cover the financing balance, or to  
prison the customer...(E1, E2)

Diagram 4.4

Legal action flow chart





Source: Self Construct

Basically, as per diagram 4.4, the step of controlling the repayment is using the law against the unpayable customer. For microfinancing, the starting point of legal action is on the eighth week of arrears. It's begin with the Notice of Demand and finish with the punishment from the court. However, if the customer pays the instalment and regularize the instalment the action will stop at that point.

#### **4.6.1 Analysis**

Based on the above respond from informant, there are some mechanism that used by the Bank Rakyat in order to overcome the microfinance repayment problem. In addition, informant E1 and E2 explained all the guidelines and procedure that already guided in their rules of collection.

Besides that, Oke et al. (2007), Onyenucheya & Ukoha (2007) found that the distance between the lender office and borrower's business is important in determining loan repayment because the officer can maintain a close relationship and loan monitoring with the borrowers.

The researcher also found that loan monitoring is an important factor to ensure the borrower repay their loans and used the loans for business purposes only. This is a very important factor in determining repayment performance. Supported by previous research, Okorie (1986) has found that in order to ensure that the borrower pays a full loan, an institution should at least visit three times to the borrower's premises.

Referring to another proof introduced by Wongnaa (2013); Mohd Noor and Norhaziah (2010) and Deininger and Liu (2009) where loan repayment rate is higher when MFIs paid frequent visits to borrower's premises in a month. It is also included in the respond of the informant E1 and E2, which is being some of their task and responsibility in microfinance portfolio.

While the other finding, a research conducted by Arene (1992) and Papias & Ganesan (2009) suggest that the loan officers should make a frequent visit to help the borrower solve their problems and the lender also can detect early if the borrower has a problem or try to avoid repayment.

#### **4.7 Conclusion**

This chapter described the output from the researcher analysis using library research and in-depth interviewed. The explanation covers all main themes for this

study; microfinance repayment performance, business problem, and the mechanism by the bank. Each of the exploratory description was concluded and answering the research question and meet the research objectives.



## **CHAPTER FIVE**

### **CONCLUSIONS AND RECOMMENDATION**

#### **5.1 Introduction**

This chapter will summarize the findings of the study, followed by a discussion of those findings. Consequently, the policy implications as well as suggestions for future research are also discussed. Finally, this chapter ends with the recommendations related to the study.

#### **5.2 Summarise of The Research**

This study has been commenced based on conceptual framework and research design developed at earlier stage to answer the research questions. Generally, this study wants to explore what is the influence factor contributing to microfinance repayment performance. With that reason, three (3) research questions and research objectives was developed to be investigated. Below is the research objective for this study.

The first objective is to identify the microfinance process in Bank Rakyat. Based on the finding, the researcher found that the process in microfinance is part of

the process to reduce impairment in the future. The application process in Bank Rakyat Kangar is following the guidelines setup by Bank Rakyat Head quarter. In order to get micro financing, the customer needs to ensure that they are following the terms and conditions to apply the financing. The next step is, the officer will process the application and do the credit checking. Before approving the application, the financing amount will be based on the average six (6) month bank statement.

The second objective which is to explore the factors affecting the repayment performance of microfinance among Bank Rakyat Kangar customers. This study found out that from eight (8) informants selected, 87.5% which is 7 from them admit that they have repayment problem due to their microfinance. The most important things that the main reason that made them miss the payment is due to the income that decreases and doesn't have any increment compared before and after they got the microfinance. While the other problem, 12.5% which is one (1) of the informant explained that she had the family problem after divorced. Then the other 12.5%, represent one (1) of the informant admit that when he failed to sell the good.

The third objective is to identify the business problem faced by Bank Rakyat Kangar microfinance customers. Basically 100% informant revealed different business problem because all the informant running different kind of business and facing different kind of the problem. However, the same question also asked to the Bank Rakyat microfinance officer. Thus, the result and the view from the

Bank Rakyat is quite different compared to the entrepreneur itself. But, for all the reasons it goes to the same result which is the repayment performance either good or bad repayment.

The fourth objective is to determine the mechanism Bank Rakyat Kangar used to overcome the problem of repayment among Bank Rakyat micro customers. The findings showed that BR itself provided the Standard Operation Procedure that is provided by BR itself. All the BR collection staff are compulsory to follow the SOP. It is explained how to handle repayment and what action should be taken if the customer failed to repay the finance. Both of the informant from BR microfinance officers agreed and they do the same task in the process of monitoring the repayment. While, the other mechanism used by BR in order to collect the financing disbursed to the customer is by using the law that provided to the banking sector. The flow of the law action taken toward the impaired customer start with Notice of Demand (NOD), summons, the judgment in the court, blacklisted process and the punishment.

### **5.3 Recommendation**

Based on the findings and discussion in the previous chapter, there are two (2) recommendations for this study. The first recommendation related to management and the second recommendation related to future study.

### **5.3.1 Management**

This part of recommendations is to improve the microfinance repayment performance.

#### **5.3.1.1 Change the Financing Approach**

In order to help Bank Rakyat especially in Kangar, the researcher suggested that the management should change from a group financing approach to personal financing approach. This is to mitigate adverse selection and a moral hazard problem and to increase the microfinance repayment performance.

#### **5.3.1.2 Impose the Maximum Current Total Financing**

Other than that, the study suggests the imposition of a maximum current total financing and monthly instalment of not more than 50% of the average total monthly income of the six months prior to granting any loan. This is to make sure that the customer able to pay their previous loan and avoid the repayment problem.

#### **5.3.1.3 Match the Repayment Schedule with Customer Business**

Bank Rakyat should match the repayment scheduled, and expect to receive income based on a customer's business activity. For example, for agriculture, the finance based on usually received income during the harvesting period, so the payment is scheduled in the harvesting season rather than using a regular payment schedule.

#### **5.3.1.4 Categorise Customer**

Bank Rakyat can also place the microfinance customers into two different groups of customer: customers who want to start a business and customers who want to expand their business. This method can help improve the collection rate of microfinance in Bank Rakyat, especially Kangar branch. New entrepreneurs have less experience in business; they not only need financial support but also need something to build up their business and help them to raise their total monthly sales and income. Therefore, some training should be carried out to support and maintain their business; at the same time, Bank Rakyat can mitigate the risk of default on repayments.

Based on the interview process with the bank officer, there are some suggestion to the microfinance customer that have the repayment



problem. Though the customer facing the repayment problem to the bank, the customer still has the space to come and discuss with the bank officer about their payment. The discussion can be conduct based on case to case basis. The solution might be different. The bank officer can consider some suggestion such as reschedule the repayment either to reduce the repayment or to extend the repayment period. The other way is to wait until the judgement in the court. The customer can ask the magistrate to reduce the instalment by agreement of magistrate.

#### **5.3.1.5 Increase the Manpower**

During the course of this study, the researcher also realized other important things, for example, the manpower that manage to oversee the task of microfinance in every branch of Bank Rakyat; this was monitored and managed by one officer only. He or she must do everything from marketing until the account closed. The study suggests that Bank Rakyat should find some way of getting the microfinance officer one additional staff member to help do some office work, or to do some site work. Another suggestion is that Bank Rakyat could also submit customer files to the full collection department rather than let the microfinance officer doing everything by themselves. This method will make the repayment collection more effective.

### **5.3.2 Future Study**

Below are the recommendations for the future study to take place as this current study not cover the part mentioned below.

#### **5.3.2.1 Study Approach**

This study is using qualitative approach using in-depth interview and library search. It is suggested that other researcher to expand this study using the quantitative in future.

Empirical study would be recommended in investigating the repayment performance in Bank Rakyat microfinance. It also has a lot of space to explore by using other technique or combination of data collections.

#### **5.3.2.2 Cover All State**

This research only interviewed informant within Perlis only. Future research are recommended to cover all state.

## 5.4 Conclusions

Basically this study has resulted in several main key finding on the factors affecting the repayment performance of microfinance among Bank Rakyat Kangar customers. In addition, this study also identified the business problem faced by Bank Rakyat Kangar microfinance customers. Then, it is also revealed the mechanism Bank Rakyat Kangar used to overcome the problem of repayment among Bank Rakyat micro customers. Finally, this study summarizes the factor that affected the Bank Rakyat Microfinance repayment performance based on library research and in-depth interview with the selected customer and also the Bank Rakyat officer as well. This means that this research has successfully answers all of the research questions and has achieved the three objectives of the study.

The findings of this study are an important contribution to exploratory case studies. This study provides the opportunity for other researchers to meet the available research voices as suggested in future studies. This study and subsequent related studies are believed to be able to add new knowledge and bridge the research gap inherent in the microfinance scheme in Malaysia and the BR microfinance especially.

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## **LIST OF INTERVIEW**

Interview with Encik Rosmadi bin Kamis, at his workshop beside the Kuala Perlis highway on 29 Mei 2018 at 11.15 a.m.

Interview with Puan Asiah binti Shaaban, at her restaurant in front of IKBK Kuala Perlis highway on 29 Mei 2018 at 12.00 p.m.

Interview with Puan Sharmila Bibi binti Mohd Hanif, at her shop behind the Bank Rakyat Kangar branch on 29 Mei 2018 at 12.45 p.m.

Interview with Puan Tom binti Alang Ahmad, at her tailor shop in Bazar Mara beside The Store, Kangar on 29 Mei 2018 at 1.25 p.m.

Interview with Puan Noordina binti Noordin, at her boutique at the road side of Jalan Abi Tok Hashim on 29 Mei 2018 at 2.30 p.m.

Interview with Encik Sukairy bin Su, at his shop in Jalan Kurung Batang, Bintong on 29 Mei 2018 at 6.00 p.m.

Interview with Puan Rosmani binti Othmanin Kamis, at her house in Behor Janggus on 29 Mei 2018 at 6.30 p.m.

Interview with Encik Noh bin Man, at his foundry in Kampung Sena, territory of Arau and Koding on 30 Mei 2018 at 6.00 p.m.

Personal interview with Puan Syakirah binti Sanasi, ex Bank Rakyat Kangar Micro Finance Officer since 2008 until 2012 in Negotiation Room 1, Bank Rakyat Kangar on 31st May 2018 at 9.30 a.m.

Personal interview with Encik Zainol Bharin bin Zainol Abidin, Bank Rakyat Kangar Micro Finance Officer since 2016 until now in Negotiation Room 1, Bank Rakyat Kangar on 31st May 2018 at 4.35 p.m.

## **APPENDICES**

### **APPENDIX A: PROTOCOL INTERVIEW**



**Pusat Pengajian Perniagaan Islam**  
**ISLAMIC BUSINESS SCHOOL**  
**كلية إدارة الأعمال الإسلامية**  
**Universiti Utara Malaysia**

**ISLAMIC BUSINESS SCHOOL**  
**UNIVERSITI UTARA MALAYSIA**

#### **FACTORS AFFECTED MICROFINANCE REPAYMENT PERFORMANCE IN BANK RAKYAT KANGAR**

#### **INTERVIEW GUIDELINES**

##### **PART A: ENTRY STAGE GUIDELINES**

Follow in sequences below introduce key component

1. Greeting and thank you
2. Introduce the interviewee self and UUM
3. Explain the purpose of the interview
4. Confidentiality
5. Duration of the interview
6. How session will be conducted
7. Opportunity to interviewee ask

##### **PART B: DURING INTERVIEW PROTOCOL**

1. Start with structured question prepared
2. Used non-verbal behavior to decide next move
3. Listening
4. Probing
5. Summarizing
6. Recording

##### **PART C: EXIT STAGE GUIDELINES**

1. Thanks for the session
2. Greeting before leaving

#### **PART D: LIST OF INFORMANTS**

##### **MICROFINANCE CUSTOMER**

- 1- Rusmadi Bin Kamis @ Zainol  
Workshop
- 2- Asiah Binti Shaaban  
Restaurant
- 3- Sharmila Bibi Binti Mohd Hanif  
Wedding Decoration Supplier
- 4- Tom Binti Alang Ahmad  
Tailor
- 5- Noordina Binti Noordin  
Wedding Boutique
- 6- Sukhairi Bin Su  
Groceries
- 7- Rosmani Binti Othman  
Breakfast Hawker
- 8- Noh Bin Man  
Workshop

##### **MICROFINANCE OFFICER**

1. Puan Syakirah Binti Sanasi
2. Encik Zainol Bharin Bin Zainol Abidin

**THANK YOU FOR YOUR KIND COORPORATION**

## **APPENDIX B: CUSTOMER INTERVIEW QUESTIONS**



### **TEMUBUAL PELANGGAN MIKRO BANK RAKYAT KANGAR**

Kajian ini dijalankan adalah untuk mencapai objektif berikut:

1. Mengenal pasti faktor yang mempengaruhi prestasi bayaran balik pembiayaan mikro dalam kalangan pelanggan Bank Rakyat Kangar.
2. Mengenal pasti masalah bayaran balik yang dihadapi oleh pelanggan pembiayaan mikro Bank Rakyat Kangar.
3. Mengenalpasti cara Bank Rakyat dalam mengatasi masalah bayaran balik dalam kalangan pelanggan mikro Bank Rakyat.

### **BAHAGIAN A: LATAR BELAKANG RESPONDEN**

1. Jantina: \_\_\_\_\_
2. Bangsa: \_\_\_\_\_
3. Agama: \_\_\_\_\_
4. Umur (tahun): \_\_\_\_\_
5. Status Perkahwinan: \_\_\_\_\_
6. Tahap Pendidikan: \_\_\_\_\_
7. Pendapatan bulanan: RM \_\_\_\_\_



8. Perbelanjaan isi rumah bulanan: RM\_\_\_\_\_
9. Jenis perniagaan:\_\_\_\_\_
10. Pekerjaan lain:\_\_\_\_\_

#### **BAHAGIAN B: MAKLUMAT PEMBIAYAAN**

1. Tarikh menerima pembiayaan: \_\_\_\_\_
2. Jumlah dipohon: RM\_\_\_\_\_
3. Jumlah diluluskan: RM\_\_\_\_\_
4. Tempoh bayaran balik: \_\_\_\_\_
5. Bayaran ansuran setiap minggu: RM\_\_\_\_\_
6. Tujuan pembiayaan: \_\_\_\_\_
7. Produk kewangan lain yang pernah digunakan:
 

<input type="checkbox"/> Ar-rahnu (Pajak Gadai)	<input type="checkbox"/> Takaful
<input type="checkbox"/> Pembiayaan peribadi	<input type="checkbox"/> Pembiayaan kenderaan
<input type="checkbox"/> Pembiayaan mikro	<input type="checkbox"/> Insurans/Takaful dan cukai jalan
<input type="checkbox"/> Pelancongan dan umrah	<input type="checkbox"/> Pembiayaan atas yuran
<input type="checkbox"/> Pembiayaan pendidikan	<input type="checkbox"/> Pembiayaan perumahan
<input type="checkbox"/> Pembiayaan barangan	<input type="checkbox"/> Lain-lain (Nyatakan).....

#### **BAHAGIAN C: MASALAH PERNIAGAAN YANG DIHADAPI OLEH PESERTA**

1. Apakah jenis perniagaan yang dilakukan oleh pelanggan?
2. Apakah masalah perniagaan yang dihadapi oleh pelanggan sepanjang menjalankan perniagaan ini?
3. Jika ya, bagaimanakah pelanggan menyelesaikan masalah tersebut?
4. Apakah tujuan asal pelanggan BR mendapatkan pembiayaan dari BR?
5. Berapakah jumlah pembiayaan yang diterima oleh pelanggan serta berapa lama tempoh pembayaran balik pembiayaan yang dilakukan?

6. Adakah pembiayaan digunakan seperti tujuan asal permohonan. Jika tidak, bagaimana jumlah pembiayaan tersebut digunakan?

**BAHAGIAN D: ISU BAYARAN BALIK PEMBIAYAAN MIKRO BR**

7. Apakah masalah yang sering dihadapi oleh pelanggan dalam tempoh pembayaran balik pembiayaan?
8. Adakah pelanggan mempunyai masalah bayaran balik? Jika ya, apakah masalah tersebut?
9. Adakah pelanggan memperoleh pembiayaan daripada agensi lain? Jika ya, sila nyatakan.
10. Adakah pelanggan mempunyai pembiayaan lain dari agensi atau bank lain? Jika ya, sila nyatakan jenis pembiayaan dan bank tersebut.
11. Adakah terdapat masalah dalam membayar balik pembiayaan tersebut? Jika ya, apakah masalah yang dihadapi oleh pelanggan bagi membuat pembayaran pembiayaan tersebut?
12. Adakah pelanggan ada menerima bantuan daripada mana-mana agensi kerajaan atau swasta?
13. Apakah jenis dan jumlah bantuan tersebut?
14. Pada pendapat anda, bagaimanakah cara bayaran balik yang paling sesuai?
15. Pada pendapat anda, bagaimanakah cara kutipan bayaran balik yang sesuai?

Sekian, terima kasih di atas segala kerjasama anda.

## APPENDIX C: BANK RAKYAT OFFICER INTERVIEW QUESTIONS



### TEMU BUAL PEGAWAI BANK RAKYAT

Nama : \_\_\_\_\_

Jawatan : \_\_\_\_\_

tarikh : \_\_\_\_\_

Masa : \_\_\_\_\_

Tempat : \_\_\_\_\_

Cop rasmi dan Tandatangan: \_\_\_\_\_

### SOALAN TEMUBUAL

1. Bagaimanakah kelayakan permohonan pelanggan mikro BR ditentukan?
2. Apakah aliran pemprosesan pembiayaan mikro sehingga mendapat kelulusan? Berapa lama tempoh masa untuk mendapat kelulusan?
3. Adakah pembiayaan pelanggan dilindungi Takaful? Jika ya, apakah yang dilindungi?
4. Adakah terdapat masalah dalam pembayaran balik pembiayaan Mikro BR Kangar?
5. Apakah masalah yang sering dihadapi oleh pelanggan mikro BR dalam proses pembayaran balik pembiayaan?
6. Apakah faktor-faktor yang menyebabkan kegagalan pembayaran balik pembiayaan tersebut?

7. Bagaimanakah statistik perangkaan kegagalan pembayaran balik pembiayaan di cawangan di wilayah utara?
8. Bagaimanakah pihak BR mengatasi masalah pembayaran balik dalam kalangan pelanggan Mikro?
9. Adakah pihak BR mengenakan caj denda ke atas pelanggan sekiranya mereka gagal membayar balik pembiayaan dalam tempoh yang telah dipersetujui?
10. Bagaimanakah pihak BR melakukan pemantauan dan penilaian ke atas perniagaan pelanggan di bawah skim pembiayaan mikro?
11. Adakah tindakan perundangan diambil ke atas pelanggan mikro yang gagal membuat bayaran balik? Jika ya, apakah jenis aliran tindakan tersebut?



Sekian, terima kasih di atas segala kerjasama anda.

**APPENDIX D: BANK RAKYAT MICROFINANCE CUSTOMER  
INTERVIEW TRANSCRIPT**

**LIST OF INFORMANTS: BANK RAKYAT MICROFINANCE  
CUSTOMER**

- 1- RUSMADI BIN KAMIS @ ZAINOL (C1)  
WORKSHOP
- 2- ASIAH BINTI SHAABAN (C2)  
RESTAURANT
- 3- SHARMILA BIBI BINTI MOHD HANIF (C3)  
WEDDING DECORATION SUPPLIER
- 4- TOM BINTI ALANG AHMAD (C4)  
TAILOR
- 5- NOORDINA BINTI NOORDIN (C5)  
WEDDING BOUTIQUE
- 6- SUKHAIRY BIN SU (C6)  
GROCERIES
- 7- ROSMANI BINTI OTHMAN (C7)  
BREAKFAST HAWKER
- 8- NOH BIN MAN (C8)  
WORKSHOP

Universiti Utara Malaysia

**RUSMADI BIN KAMIS @ ZAINOL (C1)**

<b>NO</b>	<b>QUESTION AND ANSWER</b>	<b>CODE</b>	<b>CATEGORIES</b>
1	What is the customer's business type? Bengkel.	Business Type	Types Of Business
2	What is the problem faced by customer in running the business? Ada pelanggan yang berhutang.	Internal Factor	
3	How the customer solves the problem? Mengutamakan perbelanjaan isi rumah sebelum membayar hutang Bank Rakyat.	Internal Factor	
4	What is the main purpose the customer applied microfinancing? Mengembangkan perniagaan.	Expand Business	
5	How much the financing and the repayment term? 12 ribu 5 tahun.	Financing Amount And Term	Financing
6	Is the financing used as per original purpose of application? If not, how is it used? Ya.	Financing Purpose	
7	What is the problem faced by customer in the repayment period? Tak cukup pendapatan.	Repayment Problem	
8	Is the customer have the repayment problem? If yes, what is the problem. Ada. Macam tadi, tak cukup, pendapatan tak cukup.	Repayment Problem	
9	Is the customer got business financing from other institutions? If yes, name it. Takdak.	External Factor	
10	Is the customer have any other financing from any agencies or bank? If yes, name it. Takdak.	External Factor	

11	Refer to the 10 <sup>th</sup> question, is there any repayment problem? If yes, what it is? Takdak.	External Factor	
12	Is the customer accepted any help from government or private agencies? Takdak.	Grant	
13	What is the type and how much the figure? Takdak.	Grant	
14	For your opinion, what is the suitable repayment term? Mingguan.	Repayment Term	Institution
15	For your opinion, what is the suitable repayment type? Pegawai bank mai.	Repayment Option	

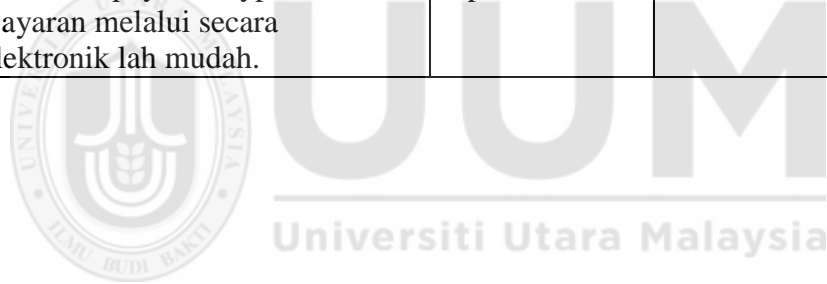


**ASIAH BINTI SHAABAN (C2)**

NO	QUESTION AND ANSWER	CODE	CATEGORIES
1	What is the customer's business type? Kedai makan.	Business Type	TYPES OF BUSINESS
2	What is the problem faced by customer in running the business? Buat masa ni ialah persaingan yang banyak la sekarang ni.	Internal Factor	
3	How the customer solves the problem? Untuk penambahbaikan menu makanan la di kedai ni.	Internal Factor	
4	What is the main purpose the customer applied microfinancing? Untuk mengembangkan perniagaan.	Expand Business	
5	How much the financing and the repayment term? 25 ribu 5 tahun.	Financing Amount And Term	Financing
6	Is the financing used as per original purpose of application? If not, how is it used? Ya.	Financing Purpose	
7	What is the problem faced by customer in the repayment period? Jualan ataupun dia punya pendapatan yang berkurangan lah.	Repayment Problem	
8	Is the customer have the repayment problem? If yes, what is the problem. Ya. Hasil jualan yang rendah.	Repayment Problem	
9	Is the customer got business financing from other institutions? If yes, name it. Buat masa ni tidak.	External Factor	
10	Is the customer have any other financing from any agencies or bank? If yes, name it. Ya, pembiayaan kenderaan dari Maybank.	External Factor	



11	Refer to the 10 <sup>th</sup> question, is there any repayment problem? If yes, what it is? Ya, ada maaalah. Tapi bayaran dibuat oleh suamilah, daripada buat pinjaman daripada Maybank la.	External Factor	
12	Is the customer accepted any help from government or private agencies? Buat masa la tiada la.	Grant	
13	What is the type and how much the figure? Tiada kaitan.	Grant	
14	For your opinion, what is the suitable repayment term? Bulanan.	Repayment Term	Institution
15	For your opinion, what is the suitable repayment type? Bayaran melalui secara elektronik lah mudah.	Repayment Option	



**SHARMILA BIBI BINTI MOHD HANIF (C3)**

NO	QUESTION AND ANSWER	CODE	CATEGORIES
1	What is the customer's business type? Barangan hantaran.	Business Type	TYPES OF BUSINESS
2	What is the problem faced by customer in running the business? Masalah perniagaan teruk, jualan sikit, sejak ada GST.	Internal Factor	
3	How the customer solves the problem? Keutamaan membayar hutang lain dulu.	Internal Factor	
4	What is the main purpose the customer applied microfinancing? Menambah stok perniagaan.	Expand Business	
5	How much the financing and the repayment term? 9 ribu 5 tahun.	Financing Amount And Term	Financing
6	Is the financing used as per original purpose of application? If not, how is it used? Ya.	Financing Purpose	
7	What is the problem faced by customer in the repayment period? Jualan atau pendapatan yang berkurangan.	Repayment Problem	
8	Is the customer have the repayment problem? If yes, what is the problem. Ya. Jualan dan pendapatan berkurangan.	Repayment Problem	
9	Is the customer got business financing from other institutions? If yes, name it. Pinjaman AIM.	External Factor	
10	Is the customer have any other financing from any agencies or bank? If yes, name it. Takdak.	External Factor	

11	Refer to the 10 <sup>th</sup> question, is there any repayment problem? If yes, what it is? Takdak.	External Factor	
12	Is the customer accepted any help from government or private agencies? Tiada.	Grant	
13	What is the type and how much the figure? Tiada kaitan.	Grant	
14	For your opinion, what is the suitable repayment term? Pada pendapat kak tu bulanan la.	Repayment Term	Institution
15	For your opinion, what is the suitable repayment type? Membuat bayaran melalui akaun simpanan.	Repayment Option	



**TOM BINTI ALANG AHMAD (C4)**

NO	QUESTION AND ANSWER	CODE	CATEGORIES
1	What is the customer's business type? Kedai jahit.	Business Type	TYPES OF BUSINESS
2	What is the problem faced by customer in running the business? Kurang tempahan pastu tempahan bermusim.	Internal Factor	
3	How the customer solves the problem? Masa tempahan banyak tu kena simpan untuk masa yang sikit tu la.	Internal Factor	
4	What is the main purpose the customer applied microfinancing? Tambah modal perniagaan.	Expand Business	
5	How much the financing and the repayment term? Ya, 5 ribu untuk 5 tahun.	Financing Amount And Term	Financing
6	Is the financing used as per original purpose of application? If not, how is it used? Ya.	Financing Purpose	
7	What is the problem faced by customer in the repayment period? Cover kos ketika tak de tempahan.	Repayment Problem	
8	Is the customer have the repayment problem? If yes, what is the problem. Ya. Masa tempahan kurang tu, dan bermusin tu la.	Repayment Problem	
9	Is the customer got business financing from other institutions? If yes, name it. Ye, dengan Tekun.	External Factor	
10	Is the customer have any other financing from any agencies or bank? If yes, name it.	External Factor	

	Pembiayaan kereta dengan Maybank.		
11	Refer to the 10 <sup>th</sup> question, is there any repayment problem? If yes, what it is? Buat mase ni tak de la sebab untuk kereta ni suami yanh bayarnya.	External Factor	
12	Is the customer accepted any help from government or private agencies? Tidak ade.	Grant	
13	What is the type and how much the figure? Tiada kaitan.	Grant	
14	For your opinion, what is the suitable repayment term? Untuk yang tadi tu, dengan bank? Dengan Bank Rakyat tiada masalah. Oo, mana-mana pon takda masaaalah kalau ada duit tu la.	Repayment Term	Institution
15	For your opinion, what is the suitable repayment type? Potong dari akaun bank la.	Repayment Option	

**NOORDINA BINTI NOORDIN (C5)**

NO	QUESTION AND ANSWER	CODE	CATEGORIES
1	What is the customer's business type? Butik pengantin.	Business Type	TYPES OF BUSINESS
2	What is the problem faced by customer in running the business? Persaingan dan jugak ekonomi semasa lah.	Internal Factor	
3	How the customer solves the problem? Kena buat tambahan promosi dekat online, turunkan harga.	Internal Factor	
4	What is the main purpose the customer applied microfinancing? Renovation kedai dan jugak tambahan modal.	Expand Business	
5	How much the financing and the repayment term? 20 ribu 5 tahun.	Financing Amount And Term	Financing
6	Is the financing used as per original purpose of application? If not, how is it used? Ya.	Financing Purpose	
7	What is the problem faced by customer in the repayment period? Sale berkurang.	Repayment Problem	
8	Is the customer have the repayment problem? If yes, what is the problem. Ya. Perniagaan berkongsi dengan bekas suami dan berlaku perceraian.	Repayment Problem	
9	Is the customer got business financing from other institutions? If yes, name it. Tekun.	External Factor	
10	Is the customer have any other financing from any agencies or bank? If yes, name it. Loan rumah dengan Bank Islam.	External Factor	

11	Refer to the 10 <sup>th</sup> question, is there any repayment problem? If yes, what it is? Loan rumah ok.	External Factor	
12	Is the customer accepted any help from government or private agencies? Takdak.	Grant	
13	What is the type and how much the figure? Tiada kaitan.	Grant	
14	For your opinion, what is the suitable repayment term? Bulanan.	Repayment Term	Institution
15	For your opinion, what is the suitable repayment type? Bayar kat kaunter.	Repayment Option	

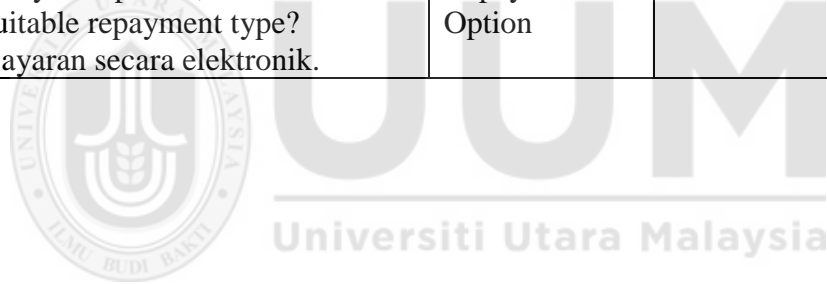


**SUKHAIRY BIN SU (C6)**

NO	QUESTION AND ANSWER	CODE	CATEGORIES
1	What is the customer's business type? Kedai runcit.	Business Type	TYPES OF BUSINESS
2	What is the problem faced by customer in running the business? Masaalah yang dihadapi, kekurangan pelanggan, dan kos barang yang tinggi.	Internal Factor	
3	How the customer solves the problem? Saya terpaksa mengurangkan stok barang dan apa,memberi keutamaan barang keperluan sahaja.	Internal Factor	
4	What is the main purpose the customer applied microfinancing? Untuk menambah stok perniagaan.	Expand Business	
5	How much the financing and the repayment term? 9 ribu 5 tahun.	Financing Amount And Term	Financing
6	Is the financing used as per original purpose of application? If not, how is it used? Ya.	Financing Purpose	
7	What is the problem faced by customer in the repayment period? Jualan atau pendapatan berkurangan.	Repayment Problem	
8	Is the customer have the repayment problem? If yes, what is the problem. Tidak ada masalah.	Repayment Problem	
9	Is the customer got business financing from other institutions? If yes, name it. Ada menerima daripada agensi Tekun.	External Factor	



10	Is the customer have any other financing from any agencies or bank? If yes, name it. Tiada-tiada.	External Factor	
11	Refer to the 10 <sup>th</sup> question, is there any repayment problem? If yes, what it is? Tiada kaitan.	External Factor	
12	Is the customer accepted any help from government or private agencies? Tiada kaitan.	Grant	
13	What is the type and how much the figure? Tiada kaitan.	Grant	
14	For your opponion, what is the suitable repayment term? Bulanan.	Repayment Term	Institution
15	For your opinion, what is the suitable repayment type? Bayaran secara elektronik.	Repayment Option	



**ROSMANI BINTI OTHMAN (C7)**

NO	QUESTION AND ANSWER	CODE	CATEGORIES
1	What is the customer's business type? Kedai makan.	Business Type	TYPES OF BUSINESS
2	What is the problem faced by customer in running the business? Pelanggan tak ramai.	Internal Factor	
3	How the customer solves the problem? Kena jual murah la berbanding kedai lain.	Internal Factor	
4	What is the main purpose the customer applied microfinancing? Tambah modal.	Expand Business	
5	How much the financing and the repayment term? 10 ribu 5 tahun.	Financing Amount And Term	Financing
6	Is the financing used as per original purpose of application? If not, how is it used? Ya.	Financing Purpose	
7	What is the problem faced by customer in the repayment period? Jualan dan pendapatan berkurangan.	Repayment Problem	
8	Is the customer have the repayment problem? If yes, what is the problem. Tiada.	Repayment Problem	
9	Is the customer got business financing from other institutions? If yes, name it. Tiada.	External Factor	
10	Is the customer have any other financing from any agencies or bank? If yes, name it. Pembiayaan kereta Public Bank.	External Factor	
11	Refer to the 10 <sup>th</sup> question, is there any repayment problem? If yes, what it is?	External Factor	

	Takdak, tiada.		
12	Is the customer accepted any help from government or private agencies? Tiada.	Grant	
13	What is the type and how much the figure? Tiada kaitan.	Grant	
14	For your opinion, what is the suitable repayment term? Mingguan.	Repayment Term	Institution
15	For your opinion, what is the suitable repayment type? Bayar seniri di kaunter.	Repayment Option	



### NOH BIN MAN (C8)

NO	QUESTION AND ANSWER	CODE	CATEGORIES
1	What is the customer's business type? Dulu saya buat kedai runcit, nanti apa dah jadi bengkel besi.	Business Type	Types Of Business
2	What is the problem faced by customer in running the business? La, masalah utama dia tu meniaga tak laku, kebanyakan orang-orang sini depa dok pi tempat lain ada pasaraya terdekat jadi kebanyakan depa pi sana.	Internal Factor	
3	How the customer solves the problem? Bila barang tak laku ni saya apa juai balik la dekat pemborong-pemborong dan ada jugak saya juai kat kedai-kedai runcit yang berdekatan cara murah-murah lah.	Internal Factor	
4	What is the main purpose the customer applied microfinancing? Ni lah runcit lah, untuk tambah barang dalam kedai saya lah kedai runcit.	Expand Business	
5	How much the financing and the repayment term? Ok saya mohon kalau tak silap 10 ribu, saya terima boleh 3 ribu ja 3 tahun.	Financing Amount And Term	Financing
6	Is the financing used as per original purpose of application? If not, how is it used? Ya.	Financing Purpose	
7	What is the problem faced by customer in the repayment period? Barang tak boleh nak juai, jadi tak dak duit cash lah tu lah masalah utama.	Repayment Problem	

8	Is the customer have the repayment problem? If yes, what is the problem. Ya, Masalah dia cash takdak sebab tak dan roling duit dengan belanja rumah lagi jadi takdan.	Repayment Problem	
9	Is the customer got business financing from other institutions? If yes, name it. Ya ada, Tekun.	External Factor	
10	Is the customer have any other financing from any agencies or bank? If yes, name it. Takdak-takdak.	External Factor	
11	Refer to the 10 <sup>th</sup> question, is there any repayment problem? If yes, what it is? Tiada kaitan.	External Factor	
12	Is the customer accepted any help from government or private agencies? Takdak.	Grant	
13	What is the type and how much the figure? Tiada kaitan.	Grant	
14	For your opinion, what is the suitable repayment term? Minggu-minggu lebih sesuai sebab tak beban sangat. Jumlah dia sikit	Repayment Term	Institution
15	For your opinion, what is the suitable repayment type? Saya lebih suka bayar di kunter atau bayar pakai mesin.	Repayment Option	

## APPENDIX E: BANK RAKYAT OFFICER INTERVIEW TRANSCRIPT

### ENCIK ZAINOL BHARIN BIN ZAINOL ABIDIN (E1)

NO	QUESTION AND ANSWER	CODE	CATEGORIES
1	How the Bank Rakyat microfinance amount of financing calculated? Biasanya, pengiraan kita ambil daripada purata penyata bank selama 6 bulan.	Financing Amount	Financing
2	What is the microfinance processing flow until the application approve? And how long it takes? Sesuai permohonan apabila masuk kita terima kita masuk data-data di dalam sistem, kita semak semakan kredit, CCRIS CTOS, yang mana yang elok tu kita teruskan, yang mana yang kadang-kadang ada sangkut CCRIS so, kita tolak daripada awailah. So, lawatan ke premis perniagaan, isi borang lawatan siasatan, sediakan kertas kerja, proses kelulusan, dan jugak kelulusan wilayah dan ambik masa sekurang-kurangnya ikut piagam Bank Rakyat ni 10 hari lah.	Processing	
3	Is the customer financing covered with Takaful? If yes, what is the type of coverage? Ya, ditanggung sepenuhnya oleh Bank Rakyat. Perlindungan terhadap baki pembiayaan sekiranya berlaku kematian ataupun kecacatan menyeluruh lah ditanggung oleh Bank Rakyat sepenuhnya.	Coverage	
4	Is there any problem in term of Bank Rakyat Kangar microfinance repayment?	Repayment Problem	

	Ya.		
5	What is the Bank Rakyat Kangar microfinance repayment problem? Masalah dalam pembayaran balik mikro ni ada kalanya bekerja tak sepenuh masa, meniaga sekejap tutup kedai, dan jugak kadang-kadang berpindah randah.	Repayment Problem	
6	What is the factor that caused the repayment failure? Kegagalan pemohon biasanya mungkin dari segi kesihatan, yang uzur, bencana alam, masaaalah keluarga, bertukar tempat tinggal. Kadang-kadang hutang pon banyak jugak lah dengan tempat-tempat lain.	Repayment Problem	
7	How is the statistic on repayment failure in Northern Region? Statistik yang dari segi wilayah kami ni tak memuaskan jika dibandingkan dengan sasaran yang telah ditetapkan oleh pengurusan Bank Rakyat.	Statistic	
8	How Bank Rakyat trying to handle the repayment problem toward the microfinance customers? Biasanya kita, mula-mula tu kita buat panggilan telefon, hantaq SMS, yang mana-mana ada Whatsapp tu kita hantar Whatsapp, kemudian kita buat lawatan berkala, dan jugak notis yang...notis-notis peringatan yang dijana oleh sistem.	Collection Process	Mechanism
9	Are there any charges that charged on microfinance customer due to the late payment as per agreement?	Charge	

	Ya, sebanyak 1% setahun, ni semua dinyatakan dalam perjanjian lah semasa pemohon menandatangani surat perjanjian tersebut.		
10	<p>How Bank Rakyat observe and control the microfinance repayment?</p> <p>Bank Rakyat menyediakan 2 cara pemantauan. 1 dari segi laporan harian lah melaui sistem IRBS. Yang ke 2, daripda sistem Jurist Collect untuk pemantauan harian dan mengemaskini status tindakan sepeti lawatan dan sebagainya.</p>	Monitoring	
11	<p>Is there any law execution against the default customer? If yes, what is the execution flow?</p> <p>Ya, mengikut garis panduan umum kutipan pembiayaan Bank Rakyat, kita melantik peguam untuk menguruskan semua proses perundangan lah. Aliran proses perundangan NOD (Notice of Demand), saman, penghakiman di mahkamah, proses senarai hitam, dan seterusnya memohon mahkamah menjatuhkan hukuman ataupun menyita hak milik pelanggan untuk selesaikan baki pembiayaan atau memenjarakan pelanggan tersebut. Semuanya kita lantik peguam untuk uruskan proses ini.</p>	Action	



**PUAN SYAKIRAH BINTI SANASI (E2)**

NO	QUESTION AND ANSWER	CODE	CATEGORIES
1	How the Bank Rakyat microfinance amount of financing calculated? Pengiraan permohonan pelanggan mikro kredit Bank Rakyat ditentukan berdasarkan kepada pengiraan penyata bank selama 6 bulandan jugak bergantung kepada tempoh perniagaan yang mana sekurang-kurangnya telah menjalankan perniagaan selama 2 tahun.	Financing Amount	Financing
2	What is the microfinance processing flow until the application approve? And how long it takes? Untuk permulaan pemprosesan pembiayaan mikro kita akan menerima permohonan daripada pelanggan, daripada permohonan tu kita akan masukkan ke dalam sistem, dan kita akan buat semakan kredit melalui CTOS, CCRIS dan kemudian kita akan membuat lawatan ke premis pelanggan dan daripada situ kita akan masukkan maklumat lawatan ke dalam borang siasatan lawatan dan kertas kerja. Seterusnya kita akan buat proses kelulusan yang akan dibuat oleh Pengurus Cawangan. Kebiasaannya, tempoh masa kelulusan untuk pembiayaan mikro Bank Rakyat adalah 10 hari.	Processing	
3	Is the customer financing covered with Takaful? If yes, what is the type of coverage?	Coverage	

	<p>Untuk pembiayaan mikro ni, sememangnya dilindungi oleh Bank Rakyat, dan pelanggan tak perlu tanggung jumlah....jumlah takaful dan akan dilindungi oleh pihak Bank Rakyat sepenuhnya sekiranya berlaku kematian ataupun kecacatan menyeluruh yang menyebabkan pelanggan gagal menjalankan perniagaan seperti biasa.</p>		
4	<p>Is there any problem in term of Bank Rakyat Kangar microfinance repayment? Boleh dikatakan 90% pelanggan mikro ada masalah bayaran balik dengan Bank Rakyat.</p>	Repayment Problem	
5	<p>What is the Bank Rakyat Kangar microfinance repayment problem? Masaalah yang dihadapi oleh pelanggan mikro kebiasaan dia gagal untuk membuat bayaran balik seperti perjanjian yang telah ditandatangani.</p>	Repayment Problem	
6	<p>What is the factor that caused the repayment failure? Faktor utama kebanyakannya, pelanggan ni dia engkar, diikuti dengan masalah kesihatan untuk menjalankan perniagaan, bencana alam contohnya seperti banjir yang banyak berlaku di negeri Perlis ni, gayahidup serta komitmen dengan bank lain terlampau tinggi.</p>	Repayment Problem	
7	<p>How is the statistic on repayment failure in Northern Region? Tidak memuaskan la jika dibandingkan dengan sasaran yang telah ditetapkan oleh</p>	Statistic	

	pengurusan Bank Rakyat sendiri.		
8	<p>How Bank Rakyat trying to handle the repayment problem toward the microfinance customers?</p> <p>Kebiasaannya Bank Rakyat akan membuat panggilan, panggilan secara berkala, serta peringatan mesej yang ditinggalkan. Sekiranya gagal dihubungi pelanggan mikro akan..pihak Bank Rakyat akan memberi notis peringatan untuk buat bayaran.</p>	Collection Process	Mechanism
9	<p>Are there any charges that charged on microfinance customer due to the late payment as per agreement?</p> <p>Sekiranya, pelanggan gagal membuat bayaran balik, pelanggan akan dikenakan cas untuk pembiayaan yang tertunggak 1% setahun ke atas baki pembiayaan.</p>	Charge	
10	<p>How Bank Rakyat observe and control the microfinance repayment?</p> <p>Bank Rakyat sendiri ada sistem untuk kita buat pemantauan, sistem tu kita panggil sistem Jurist Collect, IRBS yang mana kat situ kita boleh tengok la, pemantauan dilakukan secara harian, kita boleh kemaskini status tindakan dan tunggakan dia berapa lama kita boleh tengok secara detail dengan jurist collect.</p>	Monitoring	
11	<p>Is there any law execution against the default customer?</p> <p>If yes, what is the execution flow?</p>	Action	

<p>Ya, pihak Bank Rakyat akan menjalankan tindakan perundangan mengikut kita punya garis panduan kutipan Bank Rakyat lah, kita panggil garis panduan untuk susulan. Untuk first step ni kita akan..sekiranya pelanggan gagal membuat bayaran kita lantik peguam untuk menguruskan semua proses perundangan tersebut lah. Untuk sekiranya pelanggan gagal membuat bayaran kita akan proceed dengan tindakan undang-undang iaitu yang pertama NOD (Notice of Demand), iaitu saman, kemudian sekiranya pelanggan masih gagal kita akan menjalankan tindakan penghakiman di mahkamah, penghakiman kita boleh bahagikan kepada 2 lah. 1 kita jatuhkan hukuman untuk minta pelanggan buat bayaran mengikut kemampuan yang kedua kita sita barang atau rumah milik pelanggan untuk selesaikan baki pembiayaan tersebut.</p>		
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