



# The Effectiveness of Micro Financing Towards SME Growth: A Study Case in Cheras, Kuala Lumpur Area

Mohd Termizi Mohamed Marzuki

2008575243

NOVEMBER 2010

## DECLARATION OF ORIGINAL WORK



**BACHELOR OF BUSINESS ADMINISTRATION (HONS) FINANCE**  
**FACULTY OF BUSINESS AND MANAGEMENT**  
**MARA UNIVERSITY OF TECHNOLOGY**

I am, MOHD TERMIZI MOHAMED MARZUKI, (I/C Number: 860111-14-5123)

Hereby, declare that:

- This work has not previously been accepted in substance for any degree, locally or overseas, and is not being concurrently submitted for this degree or any other degrees.
- This project paper is the result of my independent work and investigation, except where otherwise stated
- All verbatim extract have been distinguish by quotation marks and sources of my information have been specifically acknowledgement

Signature: \_\_\_\_\_

Date: \_\_\_\_\_



## TABLE OF CONTENTS

<b>CONTENT</b>	<b>PAGE</b>
DECLARATION OF WORK	i
LETTER OF TRANSMITTAL	ii
ACKNOWLEDGEMENT	iii
TABLE OF CONTENTS	iv
ABSTRACT	viii
<b><u>CHAPTER 1: INTRODUCTION</u></b>	
1.0 OVERVIEW OF SME	1
1.1 OVERVIEW OF MICRO FINANCING	2
1.2 PROBLEM STATEMENT	3
1.3 RESEARCH OBJECTIVES	4
1.4 SCOPE OF STUDY	5
1.5 SIGNIFICANCE OF STUDY	5
a) To the Organization	5
b) To the Industry (Financial services industry)	6
1.6 LIMITATIONS OF STUDY	6
i. Barriers of Respondents	6
ii. Lack of Information	7
iii. Time Constraint	7



## **CHAPTER 2: LITERATURE REVIEW**

2.0 INTRODUCTION	8
2.1 INTRODUCTION TO A SMALL AND MEDIUM ENTERPRISE	8
2.1.1 Concept of small and medium size enterprises	8
2.1.2 Small and medium size enterprises SME in Malaysia	9
2.1.3 Coverage of definition for SMEs in Malaysia	9
2.1.4 Approved SME definitions	10
2.1.4.1 Primary Agriculture	10
2.4.1.2 Manufacturing (including agro-based) and MRS	11
2.4.1.3 Services (including ICT)	11
2.1.5 Category of SMEs	13
2.1.5.1 Manufacturing, Manufacturing-Related Services and Agro-based industries	13
2.1.5.2 Services, Primary Agriculture and Information & Communication Technology (ICT)	14
2.2 EFFECTIVENESS	14
2.3 MICROFINANCE AND MICROCREDIT	16
2.4 PRODUCTIVITY	17
2.5 INCOME	18
2.6 SUBSIDIES	19
2.6.1 Definition of Subsidy by WTO	20



## ABSTRACT

This research was conducted to study the relationship between the effectiveness of Micro Financing towards Small Medium Enterprise (SME) growth. The objective of this research is to identify the relationship between independent variable (Micro Financing) and dependent variable (Productivity, Income, and Subsidy). This study also was conducted to determine the effect of Micro Financing towards the productivity of SME, towards income level of SME, and lastly is to identify whether Micro Financing will helps SME to survive without subsidies from government or not. Finally, the purpose of this study is to recommend about the effective way that can be done by Amanah Ikhtiar Malaysia in helping the entrepreneur of SME. The researcher had distributed the questionnaire among 100 SME participants in Cheras, Kuala Lumpur. Increase in productivity, increase in income level, and reduce the dependencies on subsidy are the dependent variables that being selected by the researcher. After collecting the data and analyze it, the result shows that there is an association or relationship between these dependent variables and the effectiveness of Micro Financing. The finding also shows that the most important effect is the increasing in the income level and most of the respondents agree that there is strong relationship between the Micro Financing and the increasing in income level. By conducting this research also, the researcher hopes that Amanah Ikhtiar Malaysia can improve their service level in order make sure that the entrepreneurs can increase their income level.

