

**UNIVERSITI TEKNOLOGI MARA**

**FACTORS INFLUENCING THE  
EFFECTIVENESS OF MICRO-  
CREDIT SCHEMES IN IMPROVING  
THE WELFARE OF ITS  
BENEFICIARIES AT AMANAH  
IKHTIAR MALAYSIA KUALA  
TERENGGANU**

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## ABSTRACT

In most countries, micro-credit programs can be regarded as an effective instrument in encouraging public participation towards both political and economic processes of the country as well as proven tool implemented to free people from the low standard of living. In the pursuit of lowering the rate of poor population in the country, the government of Malaysia had taken an initiative to work together with non-governmental organizations (NGOs) and private sectors. As the result, several agencies including Amanah Ikhtiar Malaysia (AIM), Tabung Ekonomi Kumpulan Usahawan National (TEKUN), Bank Simpanan and AgroBank were established to assist the poor and hardcore poor people by providing loans for their businesses both in urban and rural areas in Malaysia. Micro-credit era begins with the establishment of Amanah Ikhtiar Malaysia in the year of 1987 that inspired by Grameen Bank Model for microfinancing in rural areas in Bangladesh. Total respondents of 302 of Amanah Ikhtiar Malaysia members have been collected. By using factors such as educational background, loan sufficiency and training provision as the chosen factors, it shows that the most influential factors that affects the effectiveness of AIM is loan sufficiency, followed by educational background and training provision. Based on the Pearson correlation results. It indicates that, there are positive significant relationship between all of the factors namely educational background, loan sufficiency, training provision and the effectiveness of AIM in improving the welfare of its beneficiaries. The research hopes to contribute in helping Amanah Ikhtiar Malaysia to improve its services to low income people.

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# **CHAPTER 1**

## **INTRODUCTION**

### **1.1 Chapter Overview**

This chapter discusses on the introduction of this research. Background of study which is included in the chapter covers on the cases of poverty around the world and the emergence of micro-credit schemes as an attempt to reduce the burden face by the poor. Next, problem statement to clarify on the issues that this research attempts to study, both research questions and research objectives which are interrelated with each other to state what the researcher is eager to study. Apart from that, this chapter also includes scope of study, significance of the study and definition of terms, terminology and concepts.

### **1.2 Introduction**

Every developing country is currently facing the problems of poverty which has been the most debatable issues over the centuries. According to World Bank report in 2018, 78% of 900 million poor people existed in rural areas with 63% from the total poor are from those who work in agriculture sector. These poor people from rural areas need improvement in their daily income and thus, special initiatives should be focused specifically in the rural areas. In Southeast Asia, the rate of poverty was drastically reduced from 45% to 17% of the population in the year of 1990 to 2008 as the result from various programs in those rural areas but nevertheless, the issue of poverty still remains as the greatest challenge to be addressed by developing nations despite the achievements made in 1990s (Allwine, 2013).

One billion of the world population is still categorized as extremely poor which indicate that more efforts should be put in by the responsible parties. The main target of World Bank Group aiming to reduce the rate of poverty to one single digit by the year of 2020 is seemed to be impossible without effective implementations of policies and measures by the countries. Therefore, in the pursuit of eradication of poverty, governments in every country have big role as well as The World Bank which to assist those countries in term of monetary assistance which is needed to implement various poverty eradication