

# E-BOOK OF EXTENDED ABSTRACT

## THE 14<sup>TH</sup> INTERNATIONAL INVENTION, INNOVATION & DESIGN COMPETITION 2025



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ENVIRONMENTAL • SOCIAL • GOVERNANCE



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# ASSESSING THE IMPACT OF MICROFINANCE ON WOMEN'S BUSINESS SUCCESS

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## ABSTRACT

This study develops a conceptual framework to examine the impact of microfinance financial (FS) and non-financial services (NFS) on the socioeconomic performance of Malaysia's Bottom 40% Income Group (B40), with a particular focus on entrepreneurial success among women entrepreneurs. Using the Household Economic Portfolio (HEP) model, the framework integrates FS (e.g., microcredit, micro-savings, micro-insurance) and NFS (e.g., training programs, business coaching) as critical interventions for economic empowerment. The Entrepreneurial Competencies (EC) are introduced as a mediating factor, highlighting how human capital development influences business success. Additionally, the Microfinance Institutions' Efficiency (MIE) is explored as a moderating factor shaping the effectiveness of these services. The study employs a cross-sectional survey design by collecting data from 500 B40 households receiving microfinance services from Amanah Ikhtiar Malaysia (AIM). Using Partial Least Squares Structural Equation Modeling (PLS-SEM), the study examines the direct, indirect, and moderating effects of microfinance services on household economic performance. Findings suggest that microfinance interventions significantly enhance entrepreneurial competencies, equipping women entrepreneurs with the skills needed for business success. This study underscores the need for targeted support mechanisms to strengthen microfinance strategies and ensure sustainable socioeconomic development for B40 households. Future empirical validation of this framework is needed to further refine poverty alleviation policies and women's economic empowerment initiatives.

**Keywords:** Microfinance, Entrepreneurial Competencies, Partial Least Squares (PLS-SEM), Business Success

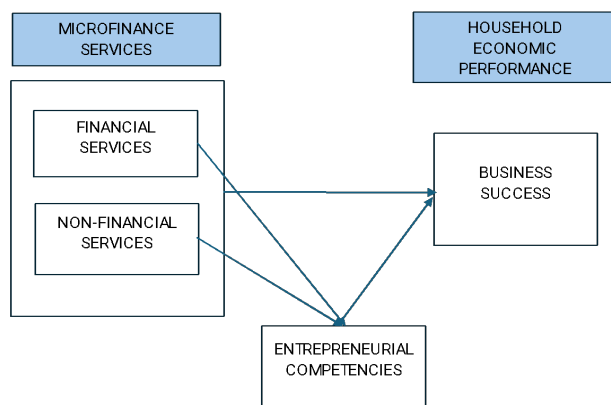
## 1. INTRODUCTION

Enhancing the socioeconomic performance of poor households is crucial for achieving the Sustainable Development Goals (SDGs), particularly in developing nations where rising population levels and unemployment contribute to financial instability. The COVID-19 pandemic further exacerbated household financial vulnerability, making poverty alleviation a key priority for policymakers. In response, microfinance and microenterprise development programs have gained global recognition as effective strategies for socio-economic empowerment (Abdullah et al., 2022; Hassan et al., 2025). Microfinance services are categorised into financial services (FS)—providing financial capital and supporting entrepreneurship, and non-financial services (NFS)—focusing on skill-building and capability development. Together, these services play a crucial role in fostering entrepreneurial success and driving sustainable economic growth. Despite Malaysia's rapid economic development, income inequality and poverty persist, especially among the Bottom 40% income group (B40), which remains highly vulnerable due to rising living costs and declining incomes. To address this issue, Malaysia has implemented various microfinance initiatives, with Amanah Ikhtiar Malaysia (AIM) playing a key role in providing FS and NFS to low-income households, particularly women entrepreneurs. However, the impact of microfinance on poverty reduction and socioeconomic

empowerment remains debated. While some researchers argue that microfinance increases financial vulnerability by leading to over-indebtedness (Green et al., 2023), others highlight its positive role in enhancing household economic security (Subramaniam et al., 2021) and empowering women (Roy & Sarkar, 2024). These conflicting findings reveal a gap in understanding how microfinance services influence household socioeconomic performance and entrepreneurial success. Hence, this study addresses the gap by examining how AIM’s microfinance services empower women entrepreneurs within B40 households. It identifies which services contribute most significantly to entrepreneurial success and explores the mediating role of Entrepreneurial Competencies (EC) in improving socioeconomic outcomes. The findings aim to offer actionable insights for policymakers and microfinance institutions to enhance poverty alleviation strategies and women’s economic empowerment.

## 2. METHODOLOGY

This study develops a conceptual framework based on the Household Economic Portfolio (HEP) model (Chen & Dunn, 1996) to examine the impact of microfinance services on household socioeconomic performance, particularly entrepreneurial success among Malaysia’s Bottom 40% Income Group (B40). The framework integrates Financial Services (FS) and Non-Financial Services (NFS) as independent variables, with Entrepreneurial Competencies (EC) as a mediator. These elements capture the pathways through which microfinance interventions enhance financial behaviour, business skills, and household economic outcomes. Microfinance Institutions’ Efficiency (MIE) is considered a moderating variable that influences the effectiveness of these services. As illustrated in Figure 1, The direct arrows in the framework illustrate hypothesised direct effects, while the indirect pathways through EC highlight the role of human capital development in fostering entrepreneurial success, particularly for women entrepreneurs.



**Figure 1** Conceptual Framework

The measurement items were developed by adopting and adapting from prior studies. The FS construct consists of six items, covering microcredit, micro-savings, and micro-insurance (death-benefit fund) (Bernard et al., 2016). NFS is measured using four items, assessing training programs and business coaching (Bernard et al., 2016). Both of these are essential for improving business acumen and financial literacy. Meanwhile, EC is measured with nine items, reflecting critical entrepreneurial skills such as opportunity recognition, strategic competency, and relationship management. Entrepreneurial Success (ES), the dependent variable, is measured using five items adapted from Abdullah et al. (2022). A cross-sectional survey design was employed to gather data from B40 households benefiting from microfinance services provided by Amanah Ikhtiar Malaysia (AIM). A non-probability convenience sampling approach was used due to the unknown population size. The Stable Factor Structure (SFS) criterion was applied to determine an adequate sample size, suggesting a minimum of

100 to 200 participants or a respondent-to-variable ratio of 2:1. Based on these guidelines, 500 respondents were selected to ensure representativeness and statistical robustness. The survey focused on women entrepreneurs, given their significant role in economic improvement and business success. Structural Equation Modeling (SEM) was utilised to analyse the relationships between FS, NFS, EC, and ES. Given the exploratory nature of the study, the Partial Least Squares Structural Equation Modeling (PLS-SEM) was employed, allowing for a robust examination of complex relationships within the conceptual framework. The analysis was conducted in two stages, (1) Measurement Model: Assessing reliability and validity of constructs to ensure accuracy, and (2) Structural Model: Estimating direct, indirect, and moderating effects of microfinance services on household socioeconomic performance (Sarstedt et al., 2021). By applying PLS-SEM, this study captures the interactions between micro-finance interventions and entrepreneurial competencies, particularly in women's business empowerment. The analysis further explores how entrepreneurial competencies mediate the relationship between microfinance services and socioeconomic outcomes, highlighting the moderating role of microfinance institutions' service efficiency.

### 3. CONCLUSION

This study presents a framework for understanding how microfinance financial and non-financial services contribute to the socioeconomic upliftment of Malaysia's Bottom 40% Income Group (B40), with a focus on entrepreneurial success among women entrepreneurs. Using the Household Economic Portfolio (HEP) model, the research integrates financial services (FS) such as microcredit, micro-savings, and micro-insurance, alongside non-financial services (NFS) like training programs and business coaching, as essential tools for economic empowerment. The findings highlight that microfinance goes beyond financial aid, fostering human capital development by enhancing entrepreneurial competencies. These mediating factors enable beneficiaries to optimise financial resources, build sustainable businesses, and improve household economic well-being. For women entrepreneurs, these interventions are particularly crucial in overcoming economic barriers and achieving financial independence. By emphasising entrepreneurship as a pathway to economic development, this study underscores the need for targeted support mechanisms to equip B40 households, particularly women, with the financial and managerial skills required to succeed in competitive markets. Future research is needed to empirically test this framework, ensuring refined microfinance strategies that effectively promote socioeconomic progress and entrepreneurial success for Malaysia's B40 population.

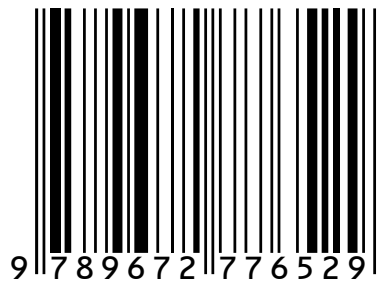
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