



**THE BENEFITS OF ISLAMIC MICROFINANCE ON
POVERTY ALLEVIATION THROUGH
MICROENTERPRISES DEVELOPMENT: A CASE STUDY OF
AMANAH IKHTIAR MALAYSIA (AIM), SHAH ALAM
BRANCH**

**NUR MAHIRAH BINTI MOHAMAD FUZI
2013236626**

**BACHELOR OF BUSINESS ADMINISTRATION
(HONS) ISLAMIC BANKING
FACULTY OF BUSINESS MANAGEMENT
UNIVERSITI TEKNOLOGI MARA
SEGAMAT, JOHOR.**

JUNE 2016

TABLE OF CONTENTS

ACKNOWLEDGEMENT.....	6
ABSTRACT.....	7
CHAPTER 1: INTRODUCTION.....	8
1.1 BACKGROUND OF THE STUDY.....	8
1.2 PROBLEM STATEMENT.....	10
1.3 RESEARCH OBJECTIVE.....	13
1.3.1 OBJECTIVE.....	13
1.4 RESEARCH QUESTION.....	13
1.4.1 QUESTION.....	13
1.5 SCOPE OF STUDY.....	13
1.5.1 SUBJECT SCOPE.....	13
1.5.2 TIME SCOPE.....	14
1.5.3 GEOGRAPHICAL SCOPE.....	14
1.6 SIGNIFICANCE OF THE RESEARCH.....	14
1.6.1 TO THE RESEARCHER AND OTHER RESEARCHER...	14
1.6.2 TO THE ORGANIZATION.....	14
1.7 LIMITATION OF THE RESEARCH.....	15
1.7.1 TIME CONSTRAINT.....	15
1.7.2 DATA ACCURACY.....	15
1.7.3 RESPONDENTS COOPERATION.....	16
1.7.4 COST.....	16
1.8 CONCLUSION.....	16
CHAPTER 2: LITERATURE REVIEW.....	17

ACKNOWLEDGEMENT

First of all, I would like to say All Praises Be to Allah for I manage to complete this study successfully on time. Special mention to my advisor, Madam NurulAien Abdul Aziz for helping and guiding me to complete this thesis all the way from the very beginning until the end. Not forgetting, thank you to my other lecturers, friends, family and everyone involved in helping me to finish this study. Without the help from all of you, I don't think I would be able to complete this study. Your prayers, help and support are much appreciated.

ABSTRACT

Microfinance institution is well known for its services that gives financing to the poor for self-employment projects that generate income in allowing them to take care of themselves and their families to increase their quality of life. However, because of the high interest rate, immediate repayment schedule, lack of post-disbursement supervision and many other reasons, it has cause more difficulty to the borrowers than making their lives easier. To find solution to this problem, microfinance started to be viewed and studied from Islamic perspective which is to give financing that is interest-free to the borrowers. The purpose this study is conducted is because there is a limited number of study has been conducted regarding Islamic Microfinance on poverty alleviation. This gap seems yet to be left unexposed. This study is conducted to help gaining clarification and clearer understanding on the benefit of Islamic Microfinance on poverty alleviation with the hope that it can contribute to eradicate poverty in the world. Questionnaire is being used to conduct this study. 100 questionnaires are being distributed to the customer of Amanah Ikhtiar Malaysia (AIM) from Shah Alam. The four variables that are being studied in this research that are expected to give impact on poverty alleviation are family welfare, economic impact, net income and employment. Based on the findings, all of the stated variables have significant relationship with the benefit of Islamic Microfinance on poverty alleviation. The p-value for family welfare, net income and employment are 0.00 while the p-value for economic impact is 0.013.

CHAPTER 1

INTRODUCTION

1.1 Background of The Study

Microfinance is the “programme that extends small loans to very poor for self-employment projects that generate income in allowing them to take care of themselves and their families” (Microcredit Summit, 1997). It is believed by many that it can be the means towards poverty alleviation which will be a great opportunity for the poor to have a better quality of life. Microfinance services to the poor in a sustained manner helps bring down poverty levels (Obaidullah, 2008). One of the main purposes of establishment of microfinance institutions is to help the poor that has no access to banks to ask for financing because they do not fulfil the requirement set by banks which is to offer a collateral or guarantor to banks. Microfinance started to caught international attention when the Nobel Peace Prize (2006) winner, Dr Muhammad Yunus established Grameen Bank (Bangladesh) in 1983. Since then, there are many other microfinance institutions have been formed such as ASA, BRAC and Proshika as microfinance has become well-known as one of the effective tools to eradicate poverty. A total of USD 7 billion has been disbursed to over 13 million people worldwide by microfinance institutions (Parker 1998, p. 8).

However, problems start to occur as most of the microfinance institutions (MFIs) give financing that is based on interest. In Bangladesh which is considered the heart land of Microfinance, the Grameen Bank received criticism on charging