



**NEEDS OF MICROFINANCE AMONG LOWER INCOME  
EARNER**

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**JUNE 2016**

## **ACKNOWLEDGEMENT**

*IN THE MOST NAME OF ALLAH S.W.T, THE MOST COMPASSIONATE AND THE MOST  
MERCIFUL*

Alhamdulillah, all praise to ALLAH, the most merciful and the most benevolent for giving me the opportunities in completing this research paper on time in order to fulfill the graduation requirement of Bachelor of Business Administration (Hons.) Islamic Banking. It would be possible for me to spent time to complete this study without the grace and help of ALLAH S.W.T.

First of all, I want to thank and express my deepest appreciation to my research advisor Madam Nurul Aien Abd Aziz for valuable guidance and advice. She inspired me greatly to work on this project. Her willingness to motivate me contributed tremendously to my project. Without her encouragement, suggestions, ideas and comment throughout this study, this research could not be completed.

Besides, I would like to thank to University Technology Mara (UITM) for providing me with a good environment and facilities to complete this project and also my second advisor Dr Faridah Najuna Misman.

I dedicate this research to my beloved parents for their understandings and supports on me in completing this project and also to the rest of my families. I want them to know that I really appreciate what they have done to me.

Not be forgotten, I wish to express my deepest attitude to all my friends that involve directly and indirectly who share the experience, time and commitment. Without helps of the particular mention above, I would face many difficulties while doing this.

## ABSTRACT

Microfinance focus on poverty alleviation by providing easier credit access to the lower income earner. Microfinance is extending credit to people who do not have access to formal credit from financial institution. The issue here, lower income individuals are capable of lifting themselves out of poverty if given access to financial services like the existence market of microfinance offer loan contract for poor client which is different from other loan financing. A Microfinance programed was introduced to Malaysia in 1987 as one of the poverty eradication strategies in the country. Amanah Ikhtiar Malaysia (AIM) was the first microfinance institution established followed by Yayasan Usaha Maju (YUM) and The Economic Fund for National Entrepreneurs Group (TEKUN) in Malaysia. These three microfinance institutions are subsidized by the government. However, the effectiveness of the microfinance system implemented in Malaysia is not well wide publicized. This research measures the factor influence the needs of microfinance system by assessing the impacts of microcredit loans on the lower income earner. In addition, this study focuses on the psychology factors that influence the needs of Microfinancing among lower income earner in Malaysia. There are several factors that determine the factor influence the needs of Microfinance such as Income Capacity, Education and Health, Granting of Microcredit and Margin of Financing. The study will use a quantitative method approach. The primary data collection will be through survey questionnaire and secondary sources such as journal and internet.

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# CHAPTER 1: INTRODUCTION

## 1.1 Introduction

In this chapter will discuss the background of the study, problem statement of the study, research question, research objective and significant of the study. This research is focused on the needs of microfinance among lower income earner in Malaysia.

In background of the study, this research will discuss about the dependent and independent variables. Dependent variable in this study is the needs for microfinance among lower income earner in Malaysia and the independent variables are the factors that determine the determinants that influence the needs of microfinance among lower income earner that is psychology factors such as income capacity of the workers, improving education and health for children and client himself, margin of financing which means non-collateral loan and granting of microcredit which are small part of Microfinance in order to acquire microfinance financial services.

The research question in this chapter will discuss about the question related to the theoretical framework in the research. The main research question is related to the dependent variable that is basic research in this study. The specific research question is the supportive of the main research question.