



UNIVERSITI TEKNOLOGI MARA

**A CASE STUDY ON MICROFINANCE IN KUCHING  
CITY: CUSTOMERS' AWARENESS AND ACCEPTANCE  
TOWARDS AMANAH IKTHIAR MALAYSIA (AIM)  
MICRO FINANCE PROGRAMS**

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## ABSTRACT

Poverty is still a problem in the Malaysian economy. Despite of the numerous government efforts in eliminating poverty, the problem continues to persist. In order to meet the poverty crisis, the government of Malaysia reformed the economic policy and undertook a small-scale credit programs. Microfinance is one of the objectives of New Economic Policy (NEP) which was launched by the Malaysian Government to reduce poverty and income disparities in Malaysia. At present, the programs have progressed and could be evaluated for its success towards the aim of reducing poverty. In 1999 it was reported that 8.5% of the population was under the poverty line. However, after only five years, i.e., in 2004, Malaysia managed to reduce the population living below the poverty level to only 5.7%.

The present study attempts to evaluate the awareness and acceptance of Amanah Ikhtiar Malaysia micro credit program in Kuching city. This study focuses on the differences in means between participants of AIMs' micro finance programs and participants of other micro finance programs (i.e. Tekun and Mara).

The result shows that there was a significant difference in means of awareness, benefits, perception and satisfaction between participants of AIM's micro finance programs and participants of other micro finance programs.

Based on the findings of the study, it is recommended that AIM should conduct more campaign and promotional activities especially in Kuching. Hopefully the recommendations will boost up AIM's awareness and acceptance in this area and other areas nearby therefore to be a more favorable micro finance provider in the future.

## TABLE OF CONTENTS

	Page	
Title Page	i	
Letter of Transmittal	ii	
Abstract	iii	
Acknowledgement	iv	
Confidential Statement	v	
Table of Content		
List of Tables	vi	
List of Figures	vii	
<b>CHAPTER 1</b>	<b>INTRODUCTION</b>	
1.1	Background of Study	1
1.2	Background of Amanah Ikhtiar Malaysia (AIM)	4
1.2.1	Objectives of AIM	7
1.2.2	Products and Services	7
1.2.3	Vision of AIM	8
1.2.4	Mission of AIM	8
1.2.5	AIM Sarawak	9
1.3	Problem Statement	9
1.3.1	Awareness of AIM Programs	9
1.3.2	The Benefits of AIM Micro-credit Programs	10
1.3.3	Participants Perceptions towards AIM Products	11
1.3.4	Participant Satisfaction on AIM Products	13

## CHAPTER ONE

### INTRODUCTION

#### 1.1 BACKGROUND OF STUDY

Microfinance is the provision of financial services to the poor, who are excluded from the formal financial systems, in a sustainable manner. It utilises credit, savings and remittance and other financial products, such as micro-insurance, to help families take advantage of income generating activities and better cope with risk.

According to Rural Poverty Report 2001 in Peck (2005), there are 1.2 billion people who are extremely poor surviving on less than \$1 a day. Extremely poor people spend more than half of their income to obtain (or produce) staple foods. Most of these people suffer from nutritional deficiencies, and many suffer from hunger at certain times of the year.

Even, within this community, one child in five will not live to see his or her birthday (Barr, 2005). Considering the importance of resolving poverty problem, United Nations (UN) has announced the Millennium Development Goals which one of its aims is to cut the proportion to half by 2015. Among the developing countries, Malaysia has a success stories and a commendable record in reducing the poverty level in the country. In 1999 it was reported that 8.5% of the population was under the poverty line. However, after only five years, i.e., in 2004, Malaysia managed to reduce the population living below the poverty level to only 5.7%.

## **CHAPTER 2**

### **LITERATURE REVIEW**

#### **2.0 INTRODUCTION**

The topic that I would like to cover for this literature review is regarding the case study on customer acceptance towards AIM microfinance programs in Kuching City. This topic explores whether there is a need for clearer and substantive acceptance by customer towards AIM microfinance programs in terms of awareness, benefits, perception and satisfaction from customers.

#### **2.1 DEMOGRAPHIC PROFILES**

##### **2.1.1 Gender**

Garland (2002) observed that retail banks usually operate on a long term “cradle-to-grave” customer management strategy. It means that some customers may be regarded as being unprofitable in the short terms but become profitable over time. This situation according to Stafford (1996) has encouraged banks to identify the key demographics of their target market upon which they discriminate against women. Evidence revealing the female’s involvement with financial decision in the household has been uncovered (Plank et al, 1994). Hence, understanding key differences between males and females about attributes of bank services is critical.