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RECTOR'S MESSAGE

I would like to extend my gratitude for your visit to FBM Insights Volume 8, a publication brought forth by the esteemed Faculty of Business and Management, UiTM Kedah Branch. This bulletin endeavours to present a concise and beneficial collection of important insights and research findings derived from the domain of social sciences.

FBM Insights aims to simplify complex social science concepts into easily digestible bullet points, making valuable knowledge more accessible to a wider audience. In this bulletin, each article provides a glimpse into the diverse and dynamic world of social sciences, including psychology, sociology, economics, finance, and other pertinent fields. Through concise and informative summaries, the intention is to promote a deeper understanding of human behaviour, societal trends and the multifarious factors that shape our world.

My heartfelt appreciation is proffered to the dedicated researchers and scholars whose works form the foundation of this bulletin, contributing significantly to the ever-changing landscape of knowledge in social sciences. In navigating the modern era's challenges and opportunities, the intrinsic value of social science research in guiding policy decisions and fostering social cohesion cannot be overstated.

I sincerely hope that this bulletin will spark readers' curiosity and inspire them to delve deeper into the myriad facets of human society and behaviour. Irrespective of whether you are a student, educator, or policymaker, I firmly believe that this publication will serve as an invaluable resource in your quest for knowledge.

Once again, thank you for embarking on this journey of discovery with us. Together, let us explore the captivating world of social sciences and its profound impact on our lives.

Thank you.

Prof. Dr. Roshima Haji Said

Rector
Universiti Teknologi MARA (UiTM)
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ISLAMIC NANOCREDIT SCHEME: BREAKING FREE FROM DEBT TRAPS OF MONEYLENDER

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Learning from issues in a few developing countries, such as how individuals, especially the poor, demand credit to meet their everyday needs, working capital for their small-scale enterprises, and loans from relatives and friends, it indirectly insists on the need for organised financial inclusion. Furthermore, the emergence of problems with moneylender issue is also another signal to introduce a reliable and organised structure of financial inclusion institution. In conjunction to the issue of moneylender, a few studies have shown that these poor prefer moneylenders due to limited access to microfinance programmes. According to Mallick (2012), borrowers of microfinance programmes resort to moneylenders for additional funds due to a lack of availability, Microfinance institutions' inability to provide seasonal working capital, and a tight repayment schedule, all of which push up demand for moneylender loans. Similarly, Siyongwana (2004) discovered that a lack of access to microfinance has contributed to individuals turning to moneylenders. Besides that, a study in India and Philippines reported that even small-scale entrepreneurs are relying on moneylenders (Karlan et al., 2019).

In essence, moneylender activity continues to thrive. Many countries, including Malaysia, Thailand, Indonesia, Bangladesh, and others, are experiencing an increase in the problem. Who is moneylender? What motivates people especially the poor to resort to moneylender? Why do the poor, in particular, continue to borrow from moneylenders despite having access to microcredit offered by banking and non-banking institutions? Why is it still relevant? These issues are critical to discuss.

A moneylender is an individual or groups of people who offers interest-bearing loans to people. Moneylenders operate without any advertising or publicity, relying solely on customer support, with no questions asked. The customer simply come quietly, take the money, and leave. Despite the fact that the interest charged is usurious, which is illegal, to them it's common and they satisfied. Is that it? Actually, some of the answers have already been addressed, for example Arnold and Booker (2013) reported in their study that the poor are satisfied with moneylenders' service because moneylenders can provide them with short-term loans that can be used to repay formal credits. Furthermore, there are also studies that revealed the poor may resort to moneylenders when they are in need of liquidity to repay their microcredit debt (Rahman, 1999; Woolcock, 1999; Guerin et al., 2013). Also, another reason why the poor turn to moneylenders is the moneylenders' ability to provide fast and discreet loan access. According to a study by Birthal et al., (2017), smallholder dairy farmers prefer informal moneylenders to formal lenders because the process is less time consuming and flexible.

The poor, in truth, are naïve borrowers. They invested in a project that would benefit from the loan after obtaining it. If the project fails, they will resort to moneylenders just to cover the debt. Therefore, there is a need to introduce a scheme that reliable financial inclusion to the poor. The new scheme should be able not only to meet their basic needs of life but may also bring a new concept that help underprivilege to access it easily to avoid them to return to moneylender. The new and yet innovation scheme must be developed to address and eradicate the poverty and helps the authority to restructure the society to fix the social and economic imbalances via Islamic approaches.

The Islamic philanthropic shall be introduced to meet the financial needs of these poor and struggling small business. Thus, an Islamic nanocredit is a best choice to be introduced to provide financial assistance to the under-privileged groups so that they can avoid loan shark, eradicate poverty, uphold self-reliance and uplift their living standard. In fact, Islamic Financial Institutions (IFIs) must foster social welfare in order to achieve Islamic economic objectives such as social justice, income and wealth distribution, and economic development. As a result, to combat Islamic poverty, a creative and yet reliable model similar to microfinance can be used.

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