



**FACTORS AFFECTING DEFAULT PAYMENT ON MICROCREDIT LOAN
CASE STUDY OF AMANAH IKHTIAR MALAYSIA,
BUKIT MERTA JAM BRANCH**

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KAMPUS BANDARAYA MELAKA**

JULY 2013

DECLARATION OF ORIGINAL WORK



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We, _____, (I/C Number : _____)
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Hereby, declare that:

- This work has not previously been accepted in substance for any degree, locally or overseas, and is not being concurrently submitted for this degree or any other degrees.
- This project-paper is the result of our independent work and investigation, except where otherwise stated.
- All verbatim extracts have been distinguished by quotation marks and sources of our information have been specifically acknowledged.

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LETTER OF SUBMISSION

JULY 2013

BACHELOR OF BUSINESS ADMINISTRATION
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KAMPUS BANDARAYA MELAKA

Dear Madam,

SUBMISSION OF PROJECT PAPER

Attached is the project paper titled 'FACTORS AFFECTING DEFAULT PAYMENT ON MICROCREDIT LOAN (CASE STUDY OF AMANAH IKHTIAR MALAYSIA, BUKIT MERTAJAM BRANCH)' to fulfill the requirement as needed by the Faculty of Business Management, Universiti Teknologi MARA.

Thank you

Yours sincerely,

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Bachelor of Business Administration

(Hons) Finance

Yours sincerely,

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Bachelor of Business Administration

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ABSTRACT

Microcredit is a product of microfinance institutions. It can be defined as financial instruments such as savings, insurance, loans and other financial products that only focus to the poor. In Malaysia, one of institution that provides microcredit is Amanah Ikhtiar Malaysia (AIM). AIM or Ikhtiar was established in 1987 as a Registered Private Trust (under the Trustees Incorporation Act 1952 (Revised 1981). Our objectives of this study is to determine the factors affecting default payment on microcredit loans, to determine the relationships between the independent variables (borrower, business, lender and loan characteristics) and the dependent variables (default payment), and to determine the most significant factor affecting default payment. We used simple random sampling to select 150 respondents among borrowers that having problem to pay backs the loan. We only focus to Sungai Acheh block which is has 243 borrowers who have default case. From our study, we found that the most significant factor that affecting to default payment is borrower/individual characteristic with highest t-value among other factors which is 4.232 and also highest beta value that is 0.348. It is significant because the p-value is less than 0.05. Since borrower/individual characteristics are significant in influences default payment on microcredit loan thus the hypothesis 1 is accepted.