

The Economic Performance of the Amanah Ikhtiar Malaysia Rural Microcredit Programme: A Case Study in Kedah

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The emergence of the Grameen Bank (GB) microcredit scheme since the late 1970s in Bangladesh has been widely acclaimed as the most successful development effort in the 1980s, 1990s and the new millennium. Microcredit has been well documented to have economic and social implications such as increasing in the income, reducing poverty and empowering the poor by offering them opportunities to access economic resources. The success of GB has led to a massive replication across the globe. The Amanah Ikhtiar Malaysia or AIM modeled along the GB concept established in 1987 is the first serious replicator of the Grameen concept. It was established with the sole purpose of addressing the problem of the hardcore poverty in the rural area through the provision of loans which is to be used in various economic activities that can generate an income. Based on several impact studies conducted from 1988 to 2006 had shown that AIM microcredit program had led to an increase in their household incomes after the utilization of loan. In relation to this, the purpose of this paper is to examine (i) the economic performance of AIM microcredit program by analyzing whether it has been effective in increasing the income of its participants after the utilization of loans, (ii) whether it has led to the reduction in the incidence of poverty among its participants and (iii) whether AIM is still relevance as the poverty eradication machinery in Malaysia. This study was conducted in Kedah based on a sample of 172 participants. Results of the study shows that the participants had a significant increased in their household income and a reduction in the incidence of poverty. AIM is still relevance and will continue to play its role as a machinery in dealing with poverty both in rural and urban areas.

1. Introduction

The emergence of the Grameen Bank (GB) microcredit scheme in Bangladesh in the late 1970s had shown the world of how microcredit has been used as entry point in combating rural poverty. Microcredit has been well documented to have an economic and social implications such as increasing in the income, reducing in the incidence of poverty and empowering the poor by offering them opportunities to access economic resources. Briefly the centre piece of the GB programme is the specially designed delivery system exclusively with the poor in mind and the GB was a big success that it has become the most prominent development model, being widely replicated in most country across the globe. Malaysia version of the GB concept known as the Amanah Ikhtiar Malaysia or AIM

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was established in September 1987 is the first serious replicator of the GB in the world. AIM was established with the sole purpose of assisting the very poor households to lift themselves out of poverty primarily by means of benevolent loans to be used for financing an income generating activities. The last two decades had seen various impact studies conducted by different researchers which had come to a similar conclusions that AIM loans have significantly contributed to an improvement in the income level of participants after the utilization of loans.

The purpose of this paper is to examine three main objectives namely (i) the economic performance of AIM microcredit programme by analyzing whether it has been effective in increasing the income of its participants after the utilization of loans, (ii) whether it has led to the reduction in the incidence of poverty among its participants and (iii) whether AIM is still relevance as the poverty eradication machinery in Malaysia. Thus in order to get an answer on these issues, a study was conducted in several AIM branches in the state of Kedah, Malaysia based on a sample of 172 respondents. The last impact study on AIM microcredit in Kedah was conducted in the year 2000 and thus the present study was being conducted to examine the achievement of AIM (after a lapse of almost twelve years since the last impact study), based on the three stated objectives. To put things in perspective this paper will review briefly the related literature. It will be followed by describing the methodology, results and discussions and a conclusion.

2. Literature Review

This section will review the related literature and will begin by reviewing briefly the background of the Grameen Bank and the concept of microcredit. It will then be followed by highlighting AIM rural microcredit programme, the core of this paper with emphasis on its objective, branch expansion, memberships, amount of loans disbursed and AIM specially designed delivery system exclusively and preferentially for the poor.

2.1 The Grameen Bank

As mentioned above microcredit has been well documented to have a positive economic and social implications. However we will traced back briefly the background that led to the establishment of Grameen Bank scheme. It has been argued that most poverty alleviation programmes are interlinked with agricultural and rural development programmes. These programmes are basically land-based agricultural programmes (Haque and Tusneem, 1992). Poverty situation in Bangladesh is very serious and is highly correlated with the landless which had accounted for 46 percent of the rural population. The landless and the poor do not live on agriculture alone and thus any programme directed for the development of agriculture is not necessarily directed towards them (Hossain, 1986). Agricultural credit is for the clients having some land. Considering this “possession of land” criteria, landless and other poor households are kept outside the credit facilities of the commercial bank that required collateral security.

In view of the growing rural poverty, a distinct target group approach exclusively designed for the poor is therefore necessary and has resulted in the birth of the Grameen Bank microcredit concept as a means of reaching the poor directly and preferentially. It seeks

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to provide credit to the poor rural households in without collateral but stressed on the joint liability among the poor as the basic building block of the programme to facilitate wide range of income generating activities. The Grameen bank had demonstrated that the poor are bankable and had proven that credit is one of the critical missing links in the rural development.

Throughout 1980s and early 1990s, the GB has served as an inspiration for many development workers. The Grameen Bank was so successful that it has become the prominent development model, being widely replicated across the globe in Asia, Africa, South America, United States, Russia, Australia and Norway (Hulme, 1990; Remenyi, 1991; Md Rezaul Karim and Mitsue, 1998; Ganesh Thapa, 2008; Kanika Taneja, 2009). The influenced of GB was so prominent that by late 1990s there existed more than 7000 microfinance institutions worldwide (Wheat, 1997). Finally in 2006 its founder, Professor Muhammad Yunus was awarded the 2006 Nobel Laureate for Economic.

2.2 The Concept of Microcredit

In general the concepts of “microcredit” and “microfinance” are used interchangeably by many researchers, but in actual fact microcredit is part of microfinance. Microcredit has been defined as the process of lending capital in small amounts to poor people who are previously being looked upon as unbankable. This loan will enable them to invest in self-employment (Kasim and Jayasooria, 2001). Microfinance is defined by the Asian Development Bank (ADB) as "the provision of a broad range of financial services such as deposits, loans, payment services, money transfers, and insurance to poor and low-income households and their microenterprises" (ADB 2000). Microfinance generally caters to the financial needs of underprivileged groups including female heads of households, pensioners, displaced persons, retrenched workers, small farmers, and micro entrepreneurs. These borrowers (Sapovadia, 2006) are generally self-employed and household-based entrepreneurs with an unstable income sources and usually resided in rural and urban areas. A variety of organizations have been involved in the delivery of microcredit services during the last two decades as shown in Table 1.

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Table 1: Lists of some of the Microcredit Models throughout the World

	Name of Organization	Location
1	Grameen Bank	Bangladesh
2	ASA	Bangladesh
3	Building Resources Across Communities (BRAC)	Bangladesh
4	Amanah Ikhtiar Malaysia	Malaysia
5	Projek Usahamaju Maju (Sabah)	Malaysia
6	Bank Rakyat Indonesia (BRI)	Indonesia
7	Maha Bhoga Marga (MBM) Way of Prosperity (Bali)	Indonesia
8	Tan Yew Mai	Vietnam
9	Vietnam Bank for Social Policies (VBSP)	Vietnam
10	Spandana	India
11	SHARE (Andhra Pradesh)	India
12	Nirdhan (West Bengal)	India
13	Rural Development Organization	India
14	Caja Popular Mexicana	Mexico
15	Compartamos	Mexico
16	BCSC	Colombia
17	Accion Commutono Del Peru	Peru
18	El Instituto De Dessaralo De Sector Informal	Peru
19	Foundation Contigo	Chile
20	Philippines Business for Social Progress	Philippines
21	Ahon Sa Hirap	Philippines
22	Ala sa Kabuyahan Inc	Philippines
23	World Vision Sri Lanka (WVSL)	Sri Lanka
24	Matara Integrated Rural Development Project	Sri Lanka
25	Jeeva Sanwardhanaya Ayanthayana (JSA)	Sri Lanka
26	Nirdhan Nepal	Nepal
27	Malawi Mudzi Fund (MMF)	Malawi
28	Kenya Rural Enterprise Project (KREP)	Kenya
29	Voluntary Organization in Community Enterprise	Zimbabwe
30	Zimbabwe Women Bureau (ZWB)	Zimbabwe
31	Zimbabwe Project Trust	Zimbabwe
32	Presidential Trust Fund	Tanzania
33	Tesfa Lemat	Ethiopia
34	Lift Above Poverty	Nigeria
35	Nalt Nusho	Nigeria
36	Microenterprise Loan Program (North Carolina)	USA
37	Grameen America	New York, USA

Sources: Remenyi, 1991; Hulme, 1990; Todd, 1996; Beatriz and Ariane, 2009
 (http://en.wikipedia.org/wiki/Grameen_America: access on 11/8

Three of the biggest name in microcredit are the Bangladesh Rural Advancement Committee (BRAC) and the Association for Social Advancement (ASA), while the Grameen Bank is the biggest financial institution providing microcredit in Bangladesh. Similarly, Amanah Ikhtiar Malaysia (AIM) is the first serious replicator of GB model and also the largest NGO in Malaysia providing microcredit which we are turning to next. In this study, the term “microcredit” is used to describe the lending programs that have adopted some of the organizational principles of microfinance of the Grameen model.

2.3 The Brief Background of Amanah Ikhtiar Malaysia (AIM)

The birth of AIM in 1987 is an attempt to provide an alternative strategy in the alleviation of the rural poverty in Malaysia towards the end of the New Economic Policy (NEP) period of 1971 to 1990. The basic philosophy of the NEP was growth with equity with special emphasis on the eradication of poverty and restructuring of society. As a result during the NEP period, various rural development strategies were implemented to combat the rural poverty with an allocation of RM32.7 billion (SERU, 1991). These included the Integrated Agricultural Development Program (IADP), land and regional development, land consolidation and rehabilitation and had resulted in the reduction of rural poverty from 58.7% in 1970 to 19.3% in 1990.

However poverty has continued to be a problem especially the hardcore poverty and such a situation has thus paved the way for the implementation of an alternative strategy in the form of the Amanah Ikhtiar Malaysia (AIM). The word IKHTIAR, which means endeavor is the key philosophy behind AIM program and was established (AIM, 1987:15) *“for the sole purpose of assisting very poor households to lift themselves out of poverty primarily by means of benevolent loans to be used for financing income generating activities”*.

2.4 Amanah Ikhtiar Malaysia (AIM): Branch Expansion, Loan Disbursed and Memberships

From a single branch in 1987, AIM has expanded to include a total of 88 branches operating in the poorest district throughout the country with membership of 284,039 and had disbursed a cumulative total of RM5.8 billion of loans to its member by August 2011. These 88 branches are organized via the *group-centre concept* which is translated in the form of 69,056 groups, federated into 7426 centers (AIM, 2011). Membership of AIM is open to households who earn an income of less than two-thirds of the government's poverty line are regarded as poor (for instance when the programme made its debut in Northwest Selangor in 1986, the National Poverty Line was then RM350,00). The targeted clients are those rural households with a monthly income of less than RM250,00 or per capita income of less than RM50.00. However membership eligibility has been revised from time to time so as to give more opportunity to the wider audience of rural households of becoming AIM member. Currently AIM is open to households earning a household income equal to or lower than RM2,000 or per capita below RM400 a month.

2.5 Exclusive Delivery System of AIM Programme

AIM is a programme designed exclusively with the poor in mind and has a number of central design features as described below (Omar, 2002):

- a) Suitable loan conditions whereby it is provided with no collateral, no guarantors, no interest and no legal action will be taken for failing to repay.
- b) Group liability as a substitute for collateral which required that each group member is to stand guarantor for every other member and credit discipline via peer pressure and

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support. Thus 'group' concept is the basic building block and is strengthened by federating the group into a centre. This has actually developed into a unique "sociological phenomenon of multi-layered filters" of peer pressure and support. This has contributed to the maintenance of credit discipline.

c) Compulsory weekly savings in the group fund is another interesting feature.

d) Its loans are strictly for any income generating activities and to ensure that loans are properly utilized, it will be closely monitored by AIM's staff.

3. Methodology

The purpose of this study is to examine the economic performance of AIM rural microcredit programme on its participants based on a case study in Kedah, Malaysia. Kedah is among the less developed state in Malaysia with high incidence of poverty (5.3% in 2009), which is among the highest in Malaysia. There are 11 AIM's branches in Kedah and only 8 branches were covered in this study namely (i) Baling, (ii) Sik, (iii) Pendang, (iv) Padang Terap, (v) Kuala Muda, (vi) Kubang Pasu, (vii) Kota Setar and (viii) Kulim. The analysis of this study is based on primary data collected through the well administered questionnaire carried out through a survey in February to June 2011.

The present study was conducted by resorting to the well-tested framework of the "before-after" design as shown in table 2. In order to examine the economic performance of AIM microcredit scheme in Kedah, it is thus hypothesized that microcredit to the low income households can be effective in increasing the incomes as well as reducing the incidence of poverty. From this, a hypothesis related to this study can be generated as follows:

"Microcredit granted to programme participants in the study area has been effective in increasing participants' incomes as well reducing the incidence of poverty among them after the utilization of the microloan (credit)"

The sampling technique is a simple random sampling and 172 programmes participants were involved in this study. In general, the questionnaire mainly focuses on the profile of the respondents and income generating activities. The conceptual design that is normally used in this study as suggested by Kartar (1986), of "before" and "after" is presented as follows with "income" as the central variable.

Table 2: Conceptual Framework of "Before" and "After" Design

	"Before" the Programme	"After" the Programme
Programme Participants	<i>Ea1</i>	<i>Eb1</i>

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Where: *Ea1*: level of income of participants “before” enrolling into AIM.

Eb1: level of income “after” enrolling into AIM and utilize the loan.

Hulme (1997) argues that assessment indicators for microfinance programme must be measurable and include an economic and social indicators.

In this study the focuses is on the economic indicator namely the level of income and this in line with the current definition of the low income group and poverty as spelt out under the New Economic Model (NEM) of Malaysia unveiled in 2010. The seriousness of the government in providing assistance to the low income group, the poor and hardcore poor has been the main feature of the previous national development framework of NEP, NDP and NVP that focus on the eradication of poverty. The NEP is being succeeded with the National Development Plan (NDP) (1991-2000) and the New Vision Policy (NVP) (2001 – 2010). The NDP was formed to continue the pursuit of balanced development based on NEP foundation and focuses on the eradication of hardcore poverty and to reduce relative poverty between and within races. The NVP still focuses on poverty eradication programme. In early 2010 the government had launched the New Economic Model (NEM), focusing on increasing the productivity of workers with the purpose of increasing their income with emphasis on the bottom 40% households. Thus three category of income category of income had been identified namely (GTP, 2010):

- i. Low income households - income less than or equal to RM2000 per month
- ii. Poor households - income of less than or equal RM750.00
- iii. Extreme poor (hardcore) - income less than or equal to RM 440 per month.

From the analysis of 172 samples, the next section provides the results of the findings.

4. Findings and Discussion

As noted above the purpose of this paper is to examine (i) whether AIM program has been effective in increasing the income of its participants after the utilization of loans, (ii) whether it has led to the reduction of the incidence of poverty among its participants and (iii) whether AIM is still relevance as the poverty eradication machinery in Malaysia. The analysis is divided into three sections namely:

- (a) The respondents' profile based on Table 3
- (b) Analysis of the findings based on Tables 4, 5, 6, 7 and 8
- (c) The relevance of AIM as the poverty alleviation machinery

4.1 The Respondent's Profiles

AIM programme is entirely for woman and as results 100% of the respondents are woman. However AIM loan can be utilized by the male member of the particular households. In term of the age, the highest number is between the 30 to 50 age group comprises of 27.3% and 29.7% in the 30-39 and 40-49 age groups respectively. The average age is 48 years old. This therefore indicated that they are in the economically active age group. 54% of the respondents had received the secondary school education

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(combination of the 18% and 36%), while 34.9% had completed the primary education with 5.8% did not have any formal education. In term of household size, the highest number is in the 4-6 category, accounting for 50%. The average household size 5 per households and this is line with the national figure. With regard to marital status, 87.2 were married women.

Table 3: Profile of 172 sample respondents

Variables	Frequency	Percentage
Age		
Below 20	0	0
20 – 29	3	1.7
30 – 39	47	27.3
40 – 49	51	29.7
50 – 59	38	22.1
60 and above	33	19.2
<i>Mean age = 48</i>		
	172	100
Level of Education		
No formal education	10	5.8
Religious school	7	4.1
Primary school	60	34.9
Lower secondary	31	18.0
Upper secondary	62	36.0
Vocational/technical	2	1.2
	172	100
Household size		
1 – 3	43	25.0
4 – 6	86	50.0
7 – 9	39	22.7
10 – 12	4	2.3
12 and above	0	0
<i>Mean household size = 5</i>		
	172	100
Marital Status		
Single	1	0.6
Married	150	87.2
Divorced	2	1.2
Widowed	19	11.0
	172	100

Source: Filed data, 2011

4.2 Analysis of the Findings

In order to determine the economic performance of its participants of whether AIM loans has been effective in increasing the income of its participants after the utilization of loans, an analysis is based on the changes of “before” and “after” after the utilization of loans. However it will interesting to highlight the findings of (i) the previous impact studies as shown in table 4 and (ii) what has been the outcome of the present study as shown table 5.

4.2.1 Previous Impact Study

The main achievement of AIM has to be seen in the context of its sole objective of increasing the income of its participants. This has been confirmed from several impact studies which were conducted between 1988 and 2006 on AIM’s borrowers as summarized in table 4 . All these studies had come to a similar conclusions that AIM loans had significantly contributed to an improvement in the income level of participants after the utilization of loans.

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Table 4: Previous Impact Studies from 1988 to 2006 on AIM's Borrowers

Impact Studies	Household incomes "without" micro-credit	Household incomes "with" micro-credit	Changes in Household incomes	Samples and Place of Study
AIM Impact Study 1 (1988)	RM 142	RM 220	+RM 78 (55%)	178 in Northwest Selangor.
AIM Impact Study 2 (1990)	RM 221	RM 391	+RM 170 (77%)	200 in Seberang Perai and Northwest Selangor.
Myrna Jimenez (1990)	RM 185.6	RM 431	+RM 246 (133 %)	50 in Northwest Selangor.
SERU (1991)	RM 198	RM 466	+RM 268 (135 %)	587 in Baling and Sik in Kedah, Seberang. Perai and Northwest Selangor
Chamhuri Siwar (1992)	RM 162.6	RM 459	+RM296.40 (182%)	310 in Northwest Selangor, Seberang Perai, Kelantan Terengganu and Kedah
AIM Impact Study 3 (1993)	RM 223	RM 532	+RM 309 (138 %)	265 in Perak, Selangor, S. Perai, Kedah, Kelantan and Terengganu
Mohd Taib (1993)	RM 194.85	RM 254	+RM 60.07 (30.8%)	60 in Northwest Selangor.
Mohd Zaini (1995)	RM 165	RM 317	+RM 152 (92 %)	265 AIM and 254 "control group" in Baling, Kedah
Sukor (2000)	RM 201	RM 627	+RM 426 (211%)	207 from from 16 Branches including Kedah.
Selma (2006)	RM325.69	RM1068	+RM729.50 (215%)	140 in Seberang Perai, Penang

Sources: Omar 2010, Pembasmian Kemiskinan di Malaysia: Pengalaman Amanah Ikhtiar Malaysia, Penerbit Universiti Sains Malaysia

4.2.2 The Present Study

Table 5: Distribution of Household Income Per Month: “Before” – “After”

Income (RM)	Before		After	
	N	%	N	%
1000 and below (VLI)	95	55.2	32	18.6
1001 – 2000 (LI)	54	31.4	58	33.7
2001 – 3000 (LMI)	16	9.3	36	21.0
3001 – 4000 (MI)	4	2.4	14	8.1
4001 – 5000 (HI)	0	0.6	10	5.8
5001 and above (HIG)	2	1.2	22	12.8
Total (N)	172	100	172	100
Mean Income	RM1286.77		RM2703.63	
Median Income	RM1000.00		RM2000.00	
Mode Income	RM1000.00		RM3000	
Standard Deviation	1006.327		2145.604	

Note: Income category : VLI = Very Low Income, LI = Low Income, MI = Middle Income, HI = High Income (RM100 is equivalent to approximately US\$33.00)

An analysis based on table 5 found that the participants had increased their household income from RM1286.77 (“before”) to RM2703.63 (“after”), an increment of 110% or RM1416.86, doubling the previous amount. However it will be interesting to look at the whole range of income pattern earned by participants based on six categories namely (i) **VLI** = Very Low Income, (ii) **LI** = Low Income, (iii) **LMI** = Low Middle Income, (iv) **MI** = Middle Income, (v) **HI** = High Income, (vi) **HIG** = Highest Income.

i) The starting point of this study is to look at the “before” situation which had shown that there were 55.2% or 95 respondents in the “VLI” range of below RM1000 prior to joining AIM. However after joining AIM and utilizing its loan, they had undergone an upward movement in their incomes.

ii) Households in the “LI” have increased from 31.4% (“before”) to 33.7% (“after”).

iii) Similar result is seen in the “LMI”, which had increased from 9.3% (before”) to 21% (“after”), an increment of 11.7%.

iv) A much more positive result can be seen in the top three income range of RM3001 and above (combination of the MI, HI and HIG), which had increased from 4.2% (2.4% “MI” + 0.6% “HI” + 1.2% “HIG”) “before” to 26.7% (8.1% “MI” + 5.8% “HI” + 12.8% “HIG”) in the “after” situation. The actual results of an increment in these three categories are:

- (a) In the “MI” from 2.4% (before) to 8.1% (after).
- (b) In the “HI” from 0.6% (before) to 5.8% (after).
- (c) In the “HIG” from 1.2% (before) to 12.8% (after).

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The above analysis suggests that the trends of income patterns of “before” and “after” had shown that the AIM rural microcredit had managed to increase the income of the programme participants. Now we will resort to T-test to see whether the increased in income is significant or not and will be revealed next.

4.2.3 T-test

Data on household income for “before” and “after” the utilization of loans was compared using paired samples T-test with results as shown in table 6.

Table 6: Paired Samples T-Test of “Before” and “After” Situation Household Monthly Income

Variable	Number of Cases	Mean Income	Standard Deviation	Standard Error
"Before"	172	RM1286.77	1006.327	76.732
"After"	172	RM2703.63	2145.604	163.601
Difference in Mean RM11616.87	Std Error 134.943	t-value -10.500	Degree of Freedom 171	Significant level 0.000

The probability value is (.000) less than the alpha value ($\alpha=.05$) and this shows that there is a significant difference in the mean income for the “before” (RM1286.77) and “after” (RM2703.63). This conclusions is based on the significant level, $\alpha=.05$ (5%) or level of confidence (95%). With this result, we can therefore conclude with confidence that programme participants are economically better of than they were before, by having a higher income. This had proven that AIM rural microcredit programme had brought about a positive impact in the form of a higher income.

4.2.4 Income Contribution from AIM Related Activities

The analysis based on table 7 shows that on average the contribution from AIM related project activities towards participants’ total income is 67% or RM1821. On the other hand, the average income generated from non-AIM sources stood at 33% or RM822. These trends seem to suggest that had it not for the income generated from AIM sources, the participants might have been worse off economically than they were before. However, discussion with the sample respondents had revealed an interesting result. It has been found that the households after utilizing AIM loan could not pay the same attention to the pre-scheme occupations that they had been doing earlier and had to forgo some of their income from the non-AIM sources. The above results show that the contribution of the AIM microcredit programme towards the participants’ total household income has been significant.

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Table 7: Income Earned from AIM and Non-AIM Sources (RM)

	“Without” AIM Microfinance		“With” AIM Microfinance	
	“Before”		“After”	
Items	Household Monthly Income	Percentage Contribution	Household Monthly Income	Percentage Contribution
Income derived from AIM financed Activities	–	–	RM1821.00	67%
Income derived from non-AIM sources	RM1287.00	100%	RM882.00	33
Total Household Income	RM1287.00	100%	RM2703.00	100

4.2.5 The Progress of the Households: From “Hardcore Poverty” to “Poor” and “Low Income”

In order to establish the progress of the households in crossing from the “hardcore poverty” to “poor” and “low income”, three categories have been identified as shown in table 8 namely: (i) extreme poor (hardcore poor) - income less than or equal to RM 440 per month, (ii) poor households - income of less than or equal RM750.00 and (iii) low income households - income less than or equal to RM2000 per month.

Table 8: Progress from “Extreme Poverty” - “Poverty” - “Low Income”

Income (RM)	Before		After	
	N	%	N	%
RM440 and below	22	12.8	4	2.3
RM441- RM750	34	19.8	9	5.2
RM751 -RM2000	93	54.1	77	44.8
2001 and above	23	13.4	82	47.7
Total	172	100	172	100

An analysis shows that the percentage of households in the “extreme poverty” category, those with income less than RM440 had declined from 12.8% (before) to 2.3% (after) and thus AIM microcredit had managed to reduce the hardcore poverty households by 10.5%. Similarly the percentage of households in the “poor” category, those with an income in the range of RM441 – RM750 had also been reduced from 19.8% (before) to 5.2% (after), with a much higher percentage of reduction by 14.3%.

In “low income” category, those with income of RM751- RM2000 had also seen the reduction from 54.1% “before” to 44.8% “after”. The findings shows that most of the household in this “low income” category had actually crossed into RM2001 and above

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income threshold with a substantial number from 13.4% prior to joining and up to 47.7% after becoming a member and utilization of loan, an increment of 34%.

4.2.6 Validation of the Hypothesis

From the above analysis it is therefore clear that the participants in Kedah had managed to increase their household income from RM1286.77 (“before”) to RM2703.63 (“after”), an increment of 110% or RM1614. Similarly most of the participants had also managed to cross the “low income” line into a much higher income bracket. This suggests that the participants PKMB are generally better off than were before prior to joining the programme.

Thus the hypothesis that “microcredit granted to AIM’s PKMB participants in the study area has been effective in increasing participants’ incomes as well reducing the incidence of poverty among them after the utilization of the microloan (credit)” is found to be true and could be accepted.

4.3 The Relevance of AIM

Now we come to the question of whether AIM rural microcredit programme is still relevance as the poverty eradication machinery in Malaysia. From the above analysis of the findings we can conclude that (i) the programme participants had managed to increase their household income, (ii) moved out from the hardcore poverty group (iii) the contribution from AIM financed project activities towards participants’s total income is substantial. This finding suggests that AIM rural microcredit is still relevance and is more relevance when we analyses its roles in a wider context. Since its inception in 1987 AIM had disbursed RM5.8 billion worth of loan, with membership of 284,039. This suggests that the outreach of AIM programme is phenomenal and for RM5.8 billion to be in circulation in the rural area is a manifestation that the poor are bankable.

Thus after more than two decades of assisting the poor rural households, AIM is seen by the government as being relevant when it provides AIM with an allocation of RM 100 million to venture into a new programme in 2008. This can be seen in the introduction of the Urban Microfinance Programme with the purpose of expanding its micro-financing approach in the rural area to the poor and the lower-income group in the urban area. By August 2010, PKMB has a total of 17 branches with membership of 43,304 and had disbursed a cumulative total of RM149 million, operating in the major urban region or the state’s capital city in the country. AIM had a strong government backing in term of financial support since its inception which is evidenced in its 5 year Malaysia Plan with an allocation of RM20 million in the Sixth Plan, (Malaysia, 1991:44); RM 200 million in the Seventh Plan (Malaysia, 1996:99); RM 100 million in the Eighth Plan (Malaysia, 2011:63). The government also acknowledges the positive value of AIM in the Ninth Plan (Malaysia, 2006:349) and with the most recent Tenth Plan (Malaysia, 2010: 154):

“Funding programme conducted by agencies such as Majlis Amanah Rakyat (MARA), Amanah Ikhtiar Malaysia (AIM) and Tabung Ekonomi Kumpulan Usaha Niaga (TEKUN), will be strengthened to provide a more

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holistic approach incorporating funding, equipment and training in business and technical areas”.

The seriousness of the government in providing assistance to low income group, the poor and hardcore poor which has been the main feature of the previous national development framework of the NEP, NDP and NVP that focus on the eradication of poverty is now carried over into the “New Economic Model” unveiled in early 2010, which is based on increasing the productivity of workers with the purpose of increasing their income with emphasis on the bottom 40% households especially the low Income, poor and extreme poor households. At the international level had also seen the growth of the microcredit model across the globe and the role of microcredit has been well documented to have social implications such as reducing poverty and empowering the poor by offering them opportunities to access economic resources. From these observation AIM is still relevance as the machinery in the alleviation both the rural and urban poverty.

5. Conclusions

The Grameen Bank has revolutionized the idea of microcredit as a means of reaching the poor directly and preferentially and has thus demonstrated that the poor are bankable and had proven that credit is one of the critical missing links in the rural development. Grameen Bank was so successful that it has become the prominent development model, being widely replicated across the globe. Amanah Ikhtiar Malaysia was established in 1987 with the sole purpose of assisting the very poor households to lift themselves out of poverty primarily by means of benevolent loans has undergone a major expansion in membership amounting to 284,000 and had disbursed a cumulative total of RM5.8 billion of loans to its member.

Many previous studies had similar conclusions that AIM loans had significantly contributed to an improvement in the income level of participants after the utilization of loans. This trend is also sustained in the present study and most participants had moved up the ladder from low to high of income and resulted in the reduction in poverty level. This study had proven beyond doubt the relevance of AIM program as an effective poverty eradication machinery in Malaysia. The introduction of the Urban Microfinance Program in 2008 is a manifestation of its commitment in dealing with the problem of the poor and the lower-income group in the urban area with strong backing from the government.

AIM has been regarded as a complementary to the government poverty alleviation programme. The New Economic Model unveiled in early 2010, had shown the seriousness of the government in providing assistance and emphasis on the bottom 40% households especially the low Income, poor and extreme poor households. The agenda of poverty reduction has been the prominent features of the previous three national development framework namely New Economic Policy, National Development Plan (1991-2000) and National Vision Policy (2001 – 2010). Seeing in this connection, AIM is still relevant and will continue to play its role as a machinery in dealing with poverty both in urban and rural areas in the era of the New Economic Model after having doing it successfully during the NEP, NDP and NVP.

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