

# Women Micro And Small Business Sustainability in Malaysia Through Microcredit

Samer Ali Alshami, Izaidin Majid, Nurulizwa Rashid, Hayder Adil

**ABSTRACT:** *Micro and small enterprises sustainability. An explorative case study was conducted through semi interviews with 22 of women borrowers who received loan from Amanah Ikhtiar Malaysia (AIM) since three years in Selangor. We find that the majority of women who received loan three years ago have successfully operated their micro and small enterprises. However, they still suffer of sustainability and the majority of them still in the infant stage. There are many causes that affect the sustainability of women micro and small enterprises such as lack of product diversity and the inflexible of the implementation process of loan disbursement and repayment. Therefore, re-innovate AIM product as well as process is an important factor for women small business sustainability. In addition, control market competition and protect micro businesses is another important factor towards sustainability.*

**KEYWORDS:** *microcredit; women; micro business; sustainability; Malaysia.*

## 1. INTRODUCTION

Women have been marginalised and subjected under the control of men and denied of participating in the economic market for a long time[1]. Women also have less control of resources and decision-making at intra-household or community especially in the environment where the cultural norms and religious rules support men[2].

**Revised Manuscript Received on June 01, 2019.**

**Samer Ali Alshami**, Centre for Research and Innovation Management Faculty of Technology Management and Technopreneurship Universiti Teknikal Malaysia Melaka

**Izaidin Majid**, Centre for Research and Innovation Management Faculty of Technology Management and Technopreneurship Universiti Teknikal Malaysia Melaka

**Nurulizwa Rashid**, Centre for Research and Innovation Management Faculty of Technology Management and Technopreneurship Universiti Teknikal Malaysia Melaka

**Hayder Adil**, Centre for Research and Innovation Management Faculty of Technology Management and Technopreneurship Universiti Teknikal Malaysia Melaka

Historically, women classified to be an effective member in their household and they don't have significant impact on economic development. In addition, the gender gap still existing and women are deprived of accessing to productive entrepreneurial opportunities compared to men [3]. For example, women own less than 16% enterprises in Malaysia compared to male [4]. Women enterprises are often small and tend to be informal and the proportion of women who are more likely to engage in informal employment with very low incomes is higher compared to the proportion of males [5].

They also appear to have less access to external sources of capital than men. The activities of entrepreneurship have been recognized to be an effective channel to bridge gender inequality gap. Therefore, the government and non-government agencies made substantial effort to create the sources of entrepreneurial opportunities with aiming to alleviate poverty and empower women. However, a large number of poor women were denied of exploiting entrepreneurial opportunities because they did not have sufficient capital and or tangible assets that can be used as a collateral to borrow from commercial banks. In 1976, the pioneer of microfinance professor Muhammad Yunus bridged the shortcoming gap of accessing into capital through developing the group lending model.

Thus, the group lending microcredit has recognized as an effective development tool for women empowerment in many developing countries including Malaysia [6]. In 1986 the Malaysian government replicated Grameen bank model of group lending and established Amanah Ikhtiar Malaysia model after adjusting the characteristics of microcredit services to cope with the Malaysian context. The loan of AIM is based on Islamic principles and Shar'ah rule in which the loan is free of interest except 10% imposed as a managerial and operational cost with 2% as a compulsory saving to secure the given loan as compared to Grameen bank where the loan is subjected to 20% of the interest. In addition, the loan of AIM is larger than the Grameen bank loan because of the average income of in Malaysia either per household or capita is higher than Bangladesh. In addition, the majority clients of AIM are low income

households, especially in urban areas as compared to Crameen Bank, where the majority of its clients are poor households. Currently, AIM provides microcredit to the whole country and according to annual report 2013, [7]and over than 346,245 women clients are benefited from AIM microcredit [8], [9]. The promise Malaysian microcredit lies in its ability to empower women economically through enabling them to participate in economic market through forming their own business and access to independent income[7]. Consequently, they will be able to diversify their household income and smoothen expenditure[10]. In addition, women who access to microcredit and independent income will gain a bargaining power in household decisions making and resources. Despite, the popularity of microcredit, many studies argue the impact of microcredit saying that microcredit can bring groups into obligation and debt from which they cannot get off such as conflict between wives and husbands especially in loan use and management [11], lose loan control especially among poorest people (Kondo et al. 2008; Ledgerwood 2013), and women are subjected to be exploited by their husbands and sons . Therefore, this research aims to examine whether access to Malaysian microcredit enabled women to be successful entrepreneurs and supported the sustainability of their micro and small businesses or left negative effect.

### 3. RESEARCH METHODOLOGY

The research question is a departure point of conducting case study and selecting the right type of research strategy and methods. An exploratory single case study was employed to explore how access to AIM microcredit influence women micro businesses. The case study was used to enable the research to understand the challenges that women entrepreneurs face and highlight their effects on micro and small business performance. Moreover, it has been used to grasp the viewpoints of women entrepreneurs on how to enhance their businesses and what are the critical success factors to improve their micro businesses and consolidate their position in the market. The most appropriate type is a single case study. The main reason for selecting a single case study is to understand the term women empowerment deeply. To operationalise the qualitative method, case study protocol was developed to guide case study procedures and general rules to be followed in using the protocol. The protocol is important to enhance the *reliability* of case study research and is intended to guide the researcher in carrying out the data collection from a single case [14]

A content analysis is used to guide the analysis of this research. In this study, the samples were identified and selected in the early stage during weekly participation in AIM

office. The authors had an opportunity to participate in the weekly group meeting held for the AIM staff and beneficiaries every Monday. Due to the time constrain and budget, sample size was relatively small and limited to 22 members. A semi structure interview was used to collect the data from the respondents in three urban branches in selongor namely Puchong, Shah Alam, Gombak and Selayang and two urban branches in Melaka namely Melaka branch and Masjid Alazeem. The respondents then were selected randomly by picking one from the first three units and then choose every three from that on based on [15]recommendation.

### 4. FINDING AND DISCUSSION

#### Microcredit and Start-up New Business

The promise of microcredit is to empower women economically through providing them the capital and business development trainings that are needed to start-up their micro and small businesses. The interviewees were asked whether microcredit helped them to start-up their businesses and the respondent’s emphases that they got benefits after accessing to AIM microcredit. They had successfully started up their micro and small businesses and 17 of 22 are the owner of their micro and small business while 5 respondents share their businesses with their husbands. However, start-up new business is not the ultimate goal of microcredit institution[16], it rather micro business sustainability[17]. Our finding confirms other studies in the literature suggested that microcredit plays an important role in driving women to economic market and enabled them to get some advantages through participating in the activities of income generators in many countries such as Tanzania [18], and sub-Sahara Africa and Uganda[18], [19].

#### Business Sustainability

In our study, even though, women accessed to microcredit with purpose of developing their micro and small businesses before three years, the majority of their businesses still in the initial stage of development and have not yet grew. The majority of their businesses are exposed to be easily affected from any uncertain economic shocks or household problem. In this study, some respondents argue that microcredit enabled them to access into small size of income, but business profit is not growing. For example case study G indicates that

*Access to microcredit enabled me to open this Hajab shop as you can see, the first year I got good profit. However, now my profit is very low*

*and I want to close this shop, but I don't know what kind of business I can open after that*

In a similar vein, H case study confirmed that

*My business profit is not enough to face my household needs. But it is better than nothing* In addition, Case study U who sales food and beverage stated that *Even though I am doing better now and I have income than before joining group lending, I am still facing many problems that impede my business growth and access to good return.*

This problem seems to be not only in Malaysia but elsewhere. For example, women micro and small enterprises that financed by Women Groups' (WGs) in Kenya facing problems in sustainability and growth [16]. In addition, data from Bangladesh emphases that loan products are contributing toward increased income but are yet to do many things to enhance innovation [20]. There are several challenges that affect the sustainability of women micro and small enterprises in Malaysia. G case study who has Hajab shop (veil) where asked why the profit of her shop was dropped and she said:

*When I opened my shop there were two shops only nearby my business. But now there are more than six shops and mostly foreigners who have good suppliers.* In a similar vein, U case study argued that women are denied of accessing into a productive entrepreneurial opportunities saying that *Malay women still weak and denied from good economic opportunities as compared to other races. Past year, I and five of my friends decided to open subway in Melaka, I discussed this project with them and we managed to provide all needed documents including the collateral. However, the company staffs asked us very difficult requirements and they had initial intention to not give us the license. Six months later, they gave the license to one entrepreneur from their race*".

The terms of loan disbursement as well as repayment play an important role in business in both positive and negative sides. For example, H case study stated that: *Loan disbursement and repayment is more costly and annoying.*

*We are asked to meet every week to repay loan and receive small size of loan that has no significant effect in my business. Sometime, I need a large size of loan especially before Eid (Muslims celebrations) to buy clothes in economics of scale, but with current size of loan it is difficult. Therefore, I always used to borrow from other friends.*

The impact of microfinance differs from one context to another and from one study to another [21]. while the microfinance product and the implementation process still emanate from Asian countries , the origin of microfinance movement[22]. This contradicted statement left an ambiguity gap in how the implementation process of microfinance intervention is related to women empowerment in their household as well as business levels. To bridge this gap, case study (U) was asked to provide her opinion on how can AIM help her to tackle the market competition and other problems.

*"I think if AIM diversify its product by offering us such guarantee to take license from franchising corporations and share us the business is better than providing only small loan with rigor requirement and strict rules". She also points out that "the government of Malaysia should support Malay women through facilitating the process of accessing to business licenses such as (subway) and opening business in good location where the demand is high rather than extending small loan with strict regulation"*.

There are some reasons that impede micro business growth and sustainability which divided into two main reason namely the implementation process of loan disbursement, repayment and market management policy. In one hand the implementation process of loan disbursement was shown to be annoyed to some borrowers. Product flexibility is an important term and has benefits to both borrowers and MFIs [8], [23]. It refers to the "ease with which transactions can be reconciled with cash-flows".

Case study (V) complained about the implementation process of loan disbursement:

*"The implementation process of loan disbursement takes relatively long time which is about 27 days from filling the application form until receiving the loan if the loan size is less than RM 5,000. However, if the loan size above RM 5,000 the implementation process takes long time which can reach three months"*.

While case study (S) argued that: *The weekly meeting is costly and bothering, while the loan repayment is inappropriate with the activities of its business"*

#### 4. RESEARCH CONCLUSION AND IMPLICATIONS

This study found that access to microcredit

enables women to participate in economic activities and own businesses. It also enabled them to make revenue as well as gain profit. However, the current mechanisms of Amanah Ikhtiar Malaysia microcredit do not support the sustainability of micro and small business. The women entrepreneurs argued that the type of product as well as the implementation process of loan disbursement and repayment do not fit with their business requirements. In addition, they complained the policy of market management and competition control. The findings of this paper have important implications for academic research, microcredit institutions and policymaking. For paper, three significant contributions were presented: first, this paper adds new evidence about the effect of microcredit on micro and small business development in Malaysia. It enabled women to participate in the market activities and provides them with needed capital that help them to exploit the entrepreneurial opportunities. They got the business and accessed to independent income. Second, this paper also adds new evidence about the effect of microcredit on diversifying livelihood. Third, this study is one of the few studies that discuss the effect of microcredit on the sustainability of micro and small businesses that owned by women and the first study in Malaysia.

In this paper, we argue that the current model of microcredit has limit effect on micro business sustainability in Malaysia. There is no exact number or percentage about the clients who already graduated from the scheme and become financially self-sufficient. In addition, women micro and small businesses still face several challenges such as the flexibility of microcredit disbursement and repayment as well as the diversity of the given product either the type of product or the size of loan. The massive competition from new entrants is another challenge. Therefore, the policymakers are called to redesign the mechanism of loan disbursement and repayment to cope with women needs. The AIM is also called to diversify its product and include a wide range of trainings before disbursing loan, which is important to develop entrepreneurial competencies towards innovative work behaviour (IWB) [25].

Women borrowers also claimed that market monopoly is a big challenge that impedes Malay women compared to other races [26]. For example, they reported that they face barriers with accessing to modern market or trying to take small business license such as Subway. Therefore, it is very important to activate market equilibrium in such way that the entrepreneurial opportunities are equally distributed between all people rather than dominating them by a group of businessmen who have clout or a group of racers who inherited market control. In doing so, this research provides a

road map on how to protect micro business and consolidate their growth based on women's perspectives which are market control, equal distribution [27] to entrepreneurial opportunities, facilitating the implementation process of loan distribution and repayment, and product diversification rather than providing small loans [28]. Thus, addressing these problems by the government is important to consolidate the sustainability of micro and small business and consistently alleviate poverty. This helps to attain the objective of the new economic policy (NEP) that guides the achievement of the Malaysian 2020 vision to become a developed nation.

The limitation of this research is research approach, due to time constrain this study used case study only and future researches are called to use mixed methods with large size sample to address microcredit issues in deep understanding. The study also has a limitation in exploring the factors that impede women microbusiness sustainability as well as the factors that consolidate their business sustainability. Therefore, future researches are called to explore the issues that impede women micro and small business sustainability and the critical factors that enhance their businesses' sustainability from the perspective of women entrepreneurs.

## REFERENCES

- [1] Kabeer, "Conflicts over credit: Re-evaluating the empowerment potential of loans to women in rural Bangladesh," *World Dev.*, vol. 29, no. 1, pp. 63–84, 2001.
- [2] E. Duflo, "Women, Empowerment, and Economic Development," *J. Econ. Lit.*, vol. 50, no. 4, pp. 1051–1079, 2012.
- [3] L. Sarfaraz and Nezameddin Faghieh, "Women's Entrepreneurship in Iran: A GEM Based-Data Evidence," *J. Glob. Entrep. Res.*, vol. 1, no. 1, pp. 45–57, 2011.
- [4] N. A. Omar, M. A. Nazri, C. Aniza, and C. Wel, "Entrepreneurial Training of Low-Income Women Micro Enterprises in the Service Sector in Malaysia: Understanding the Problems and Challenges," *J. Soc. Dev. Sci.*, vol. 5, no. 4, pp. 245–257, 2014.
- [5] Kumar, R., Sakthidasan @ Sankaran, K., Sampath, R. et al. Analysis of regional atrophy and prolong adaptive exclusive atlas to detect the alzheimers neuro disorder using medical images, *Multimed Tools Appl* (2019). <https://doi.org/10.1007/s11042-019-7213-4>
- [6] S. S. A. Al-shami, M. M. R, I. Majid, and N. R. Syaiful Rizal, "The Effect of Microfinance on Women's Empowerment: Evidence from Malaysia," *Asian J. Women's Stud.*, vol. 9276, no. August, p. 22, 2016.
- [7] S. S. A. Al-Shami, I. B. A. Majid, M. S. R. Bin Abdul Hamid, and N. A. Rashid, "Conceptual framework: The role of Malaysian microfinance on the wellbeing of users' services from the perspective of (AIM) and (TEKUN)," *World Appl. Sci. J.*, vol. 30, no. 30 A, pp. 382–394, 2014.
- [8] S. Samer, I. Majid, S. Rizal, M. R. Muhamad, Sarah-Halim, and N. Rashid, "The Impact of Microfinance on Poverty Reduction: Empirical Evidence from Malaysian Perspective," in *Procedia - Social and Behavioral Sciences*, 2015, pp. 721 – 728.

- [9] S. Samer, I. Majid, S. Rizal, M. R. Muhamad, Sarah-Halim, and N. Rashid, "The Impact of Malaysian Microfinance on Women livelihood," *Am. Sci. Publ. Adv. Sci. Lett.*, vol. 2049, no. 4, pp. 2046–2049, 2015.
- [10] Shakeel PM, Baskar S, Dhulipala VS, Jaber MM., "Cloud based framework for diagnosis of diabetes mellitus using K-means clustering", *Health information science and systems*, 2018 Dec 1;6(1):16.<https://doi.org/10.1007/s13755-018-0054-0>
- [11] Bekele, B. Bock, and H. Folmer, "Women s Studies International Forum," *Womens. Stud. Int. Forum*, vol. 35, no. 4, pp. 256–265, 2012.
- [12] T. Kondo, A. O. Jr, C. Dingcong, and C. Infantado, "Impact of Microfinance on Rural Households in the Philippines," *IDS Bull.*, vol. 39, no. 1, p. P. 51-70, 2008.
- [13] J. Ledgerwood, *The New Microfinance Handbook: A Financial Market System Perspective*. The World Bank, 2013.
- [14] R. K. Yin, *Case Study Research: Design and Methods*, vol. 5, no. 5. 2009.
- [15] U. Sekaran, *Research Method for business A Skill building Approach*, 4ed ed. 2003.
- [16] N. H. W. Wawire and F. M. Nafukho, "Factors affecting the management of women groups' micro and small enterprises in Kakamega District, Kenya," *J. Eur. Ind. Train.*, vol. 34, no. 2, pp. 128–152, 2010.
- [17] S. S. A. Al-shami, M. R. Muhammad, and N. Rashid, "The Effect of Microcredit on Women Household Decisions Making and Resource Controlling in Malaysia," *Soc. Indic. Res.*, vol. 121, no. 3, p. 21, 2017.
- [18] M. P. Kato and J. Kratzer, "Empowering women through microfinance: Evidence from Tanzania," *ACRN J. Entrep. Perspect.*, vol. 2, no. 1, pp. 31–59, 2013.
- [19] C. Rooyen, R. Stewart, and T. de Wet, "The Impact of Microfinance in Sub-Saharan Africa: A Systematic Review of the Evidence," *World Dev.*, vol. 40, no. 11, pp. 2249–2262, 2012.
- [20] Shakeel, P.M., Tolba, A., Al-Makhadmeh, Zafer Al-Makhadmeh, Mustafa Musa Jaber, "Automatic detection of lung cancer from biomedical data set using discrete AdaBoost optimized ensemble learning generalized neural networks", *Neural Computing and Applications*, 2019, pp1-14.<https://doi.org/10.1007/s00521-018-03972-2>
- [21] B. A. de Aghion and J. Morduch, *The economics of microfinance*. Cambridge, Massachusetts. MIT Press, 2005.
- [22] E. H. Yeboah, "Microfinance in rural Ghana: a view from below," University of Birmingham., 2010.
- [23] K. Czura and D. Karlan, "Does Flexibility in Micro ... nance Pay off? Evidence from a Randomized Evaluation in Rural India," pp. 1–57, 2011.
- [24] D. Collins, J. Morduch, S. Rutherford, and O. Ruthven, *Portfolios of the Poor: How the World's Poor Live on \$2 a Day*. Princeton University Press, 2009.
- [25] N. Othman and A. R. Yunus, "The Implement of Human Capital Development (HCD) Programs: Analyzing the Effect of Entrepreneurial Competencies on Innovative Work Behavior (IWB)," *Aust. J. Basic Appl. Sci.*, vol. 9, no. 4, 2015.
- [26] P. of the W. Women, "Progress of the World's Women Work & Poverty," USA, 2005.
- [27] S. S. A. Al-shami, I. Majid, M. R. Muhamd, and N. Rashid, "Household Welfare and Women Empowerment through Microcredit Financing: Evidence from Malaysia Microcredit," *J. Hum. Behav. Soc. Environ.*, vol. 27, no. 8, 2017.
- [28] F. Ferdousi, "Impact of microfinance on sustainable entrepreneurship development," *Dev. Stud. Res.*, vol. 5095, no. April 2016, pp. 51–63, 2015.