"Financing an Income Generating Activities Among the Low Income Urban Households: Malaysian Experience"

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Abstract

This paper aims to provide an insights on the economic performance of the Amanah Ikhtiar Malaysia (AIM) Urban Microfinance Programme based on a case study in Georgetown, Penang. The central focus of the Urban Microfinance Programme is the provision of loan to the low income urban households to be used for financing an income generating activities. In this connection the purpose of this paper is to examine to (i) what extent the Urban Microfinance Programme has been effective in increasing the incomes of its participants and (ii) identify what are the factors that have been contributing towards the increment of the household incomes. AIM had adopted the Grameen Bank (GB) concept of microfinance and after sucessfully serving the rural area in Malaysia for more than two decades with the initial Rural Microfinance Programme since 1987, had ventured into the urban area in early 2008 with the Urban Microfinance Programme to cater to the poor households and low income groups in the urban area. Thus this programme can be seen as the mechanism of lifting the income of the low income urban households.

Keywords: Amanah Ikhtiar Malaysia, Grameen Bank, Urban Microfinace Programme, New Economic Model, low incomes group .

INTRODUCTION

Amanah Ikhtiar Malaysia (The Ikhtiar Trust of Malaysia) or AIM, a non-governmental organization, is the first serious replicator of the Grameen Bank or GB concept of microfinance and was established in 1987. The word Ikhtiar, which means endeavor is the key philosophy behind this programme and Ikhtiar (a Malay word) is translated as a project to help the poor to strive to overcome poverty through hard work. Briefly the centre piece of AIM programme is the specially designed delivery system exclusively with the poor in mind, through the provision of loan to be used in income generating activities (Mohamed Zaini, and Fatimah, 2006). After serving the rural area successfully for more than two decades with its rural microfiance programme, AIM had made further inroad by venturing into the urban area through the implementation of the "Urban Microfinance Programme" or in Malay language Program Kewangan Mikro Bandar (PKMB). This is done in respond to the needs of the poor households and low income groups in urban area through the provision of loan for an income generating activities against the onslaught of the rapid urbanization process.

The rapid process of urbanization has been associated with the swelling of the urban population growth from 30% in 1960 to 40% in 1980 and to 60% in 2000 (World Bank, 2007) and currently stood at 67%. The Tenth Malaysia Plan (2011-2015) noted that 75% of the country population will be urbanized in 2020 (Malaysia, 2010). The acceleration in the urbanization process has been accompanied with the problem of urban poverty, unemployment, high cost of living, overcrowding and uneven distribution of urban wealth. The government thus faced the renewed challenge of solving the problem of wealth and income inequality in the urban area. AIM was quick to realize the problem facing the low income households in urban area, having the vast experienced of dealing with the hardcore poverty group in rural area in the initial rural microfinance programme since 1987. With an allocation of RM100 million from the government, AIM had implemented the PKMB in June 2008. Currently there are 18 PKMB branches operating in the major urban area and its branch in Penang started the operation in February 2009. The main objective of PKMB is in creating the potential of self-employment among the poor household and low income group residing in urban area, with its loans as the prime mover to be used for financing an income generating activities. In this connection the purpose of this paper is to examine to (i) what extent the PKMB has been effective in increasing the incomes of its participants and (ii) identify what are factors that have been contributing towards the increment of the household incomes. To put things in perspective this paper will review the related literature. It will be followed by describing the methodology, the findings and a conclusions.

LITERATURE REVIEW

This section will review briefly the concept of microfinance and the Grameen Bank, urban poverty and the informal economy, New Economic Model, Urban Microfinance Programme or PKMB.

i. Microfinance and the Grameen Bank

In general "microcredit" and "microfinance" are used interchangeably by many researchers, but in actual fact microcredit is part of microfinance. Microcredit is defined as the process of lending capital in small amounts to poor people which will enables them to invest in self-employment (Kasim and Jayasooria, 2001). On the other hand, 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). In this study, the term "microfinance" is used to describe the lending programme by AIM through the provision of loan to the urban households comprises of the poor households and low income group earning an income of less than RM2000 (approximately USD665).

Table 1 provides the list of the microfinance model that had been in existence throughout the world. The idea of microfinance as a tool of combating poverty is being "revolutionized" by Grameen Bank concept in Bangladesh under the guidance of Professor Muhammad Yunus from the University of Chittagong in 1976. He was in fact the recipient of the 2006 Nobel Laureate for Economic. The basic building block of Grameen Bank is a five member group, bringing the bank to the people in the villages, to replace collateral by group liability, with borrowers had a freedom of loan usage in any income generating activities, though group supervision is exercised over processing and repayment of loan (Todaro, 1994; Mohamed Zaini, 2010). In 2009, the Grameen bank had disbursed US$7 billion worth of loan to its member and had managed an astonishing 99 percent loan repayment (Haque and Harbin, 2009).

Table 1 : The Microfinance Model

	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	Indonesia
8	(Bali)	Vietnam
9	Tan Yew Mai	Vietnam
10	Vietnam Bank for Social Policies (VBSP)	India
11	Spandana	India
12	SHARE (Andhra Pradesh)	India
13	Nirdhan (West Bengal)	India
14	Rural Development Organization	Mexico
15	Caja Popular Mexicana	Mexico
16	Compartamos	Colombia
17	BCSC	Peru
18	Accion Commutono Del Peru	Peru
19	El Instituto De Dessaralo De Sector Informal	Chile
20	Foundation Contigo	Philippines
21	Philippines Business for Social Progress	Philippines
22	Ahon Sa Hirap	Philippines
23	Ala sa Kabuyahan Inc	Sri Lanka
24	World Vision Sri Lanka (WVSL)	Sri Lanka
25	Community Credit Service	Sri Lanka
26	Matara Integrated Rural Development Project	Sri Lanka
27	Jeeva Sanwardhanaya Ayanthayana (JSA)	Nepal
28	Nirdhan Nepal	Malawi
29	Malawi Mudzi Fund (MMF)	Kenya
30	Kenya Rural Enterprise Project (KREP)	Zimbabwe

31	Voluntary Organization in Community Enterprise	Zimbabwe
32	Zimbabwe Women Bureau (ZWB)	Zimbabwe
33	Zimbabwe Project Trust	Tanzania
34	Presidential Trust Fund	Ethiopia
35	Tesfa Lemat	Nigeria
36	Lift Above Poverty	Nigeria
37	Nalt Nusho	North Carolina,USA, New
38	Microenterprise Loan Program (North Carolina) Grameen America	York,

Sources: Remenyi, 1991; Hulme, 1990; Todd, 1996; Beatriz and Ariane, 2009
Grameen America. (2011). (http://en.wikipedia.org/wiki/Grameen_America)

Grameen Bank has been widely acclaimed as the most successful development effort in the 1980s, 1990s and the new millennium. It was replicated widely across the globe in Asia, Africa and South America and had spread to the United States, Russia Australia and Norway (Hulme, 1990; Remenyi, 1991; Md Rezaul Karim and Mitsue, 1998; Ganesh Thapa, 2008; Kanika Taneja, 2009). By late 1990s there existed more than 7000 microfinance institutions worldwide and Amanah Ikhtiar Malaysia or AIM is the first serious replicator the Grameen concept which will be highlighted later on in this paper.

ii. Urban poverty and the informal economy

Urban poverty is defined as the percentage of the urban population living below the national urban poverty line. Malaysia first official Poverty Line Income (PLI) was estimated in 1977 and has change from time to time. In 2005, a new PLI was estimated to include the difference between the cost of living between urban and rural area.

In general the overall incidence of urban poverty is low compared to the rural area, which stood at 2.0% for urban and 7.1% for rural in 2007 (Malaysia, 2008). Chamhuri and Yusof (1987) had argued that by resorting to similar poverty line income (PLI) for both the rural and urban areas in measuring the poverty incidence has its problem. Thus if PLI for urban area is higher by 20-30% than that of rural area because costs of living in the city is much higher, will resulted in a higher incidence of urban poverty. While the usage of income is widely used as the measurement of poverty, it is not sufficient enough and thus need to consider variabes such as housing conditions, amenities and others which will make the urban poverty appeared to be more serious. Briefly the causes of urban poverty are associated with urban-biased industrialization strategy as part and parcel of national development strategy (Pramanik et al, 2009), the low level of education, lack of employment, large famliy size, lack of access to social facilities, low wage earner and concentrated in low wage sector (Siwar and Kasim, 1997). Thus in order to sustain their living in the urban area, these households had resorted to the informal sector as a way of earning an income and in Malaysia the informal sector (Kasim and Jayasooria, 2001) had play a prominent role in the urban economy by providing an employment opportunities for the poor and low wage earner.

In general the International Labour Organization (ILO) had put forward the concept of infomal sector in early 1970s and its classic Kenya Report (Hart, 1973). In general the term informal economy refers to all activities normally goes unrecorded in term of formal labour market and include street hawking, casual and contarct workers, domestic workers and home-

based businesses. It has a postive contribution in terms of providing jobs of about 50 to 60 percent in many Southeast and Asian cities.

The informal sector of the developing world is typically composed of very small businesses which operate from homes or street pavements. It had actually resulted from the massive rural-to-urban migration occurring throughout the developing world and is a manifestation of scarcity of undeveloped arable land and way out of rural poverty and unemployment (Todaro, 1969, Mazumdar, 1976). The rural migrants being a new entrant to the labor force had no choice but to create their own employment or to work for a small-scale family-owned enterprise. In general the main characteristics of the informal sector are typically small-scale production and service activities usually individual or family owned, labor intensive and resorted to simple usage of technology. Being self employed, they had little formal education, lacking the skill and capital resources. Their activities had the involvement of as many members of the household (women and children) in the income generating activities, often long working hours (Todaro, 1986). In Malaysia the urban population will continue to grow and as noted earlier 75% of the country population will be urbanized in 2020. Due to the increasing inability of the rural and urban formal sectors to absorb the influx of labor force seems to suggest that informal sector will act as panacea for the growing unemployment problem in urban area of Malaysia.

In the Malaysian context, petty traders and hawkers form the bulk of informal sector and are generaly micro-businesses selling local delicasies, cake, fruits, drink and vegetables and the night markets is a clear manifestation of the informal economy (Kasim and Jayasooria, 2001). The existence of the informal sector has shown its ability to generate employment opportunities and income for urban labor force. However most of the micro-businesses in this sector were hindered from the financial opportunities to start or expanding their business, lacking the collateral required by the formal banking sector in giving loans. This development had paved the way to the emergence of the various microfinance agencies usually the non-government sector in providing financial service to the poor and low income earners namely Yayasan Usaha Maju (YUM), Koperasi Kredit Rakyat (KKR), Projek Tekun (PT) and Amanah Ikhtiar Malaysia or AIM, the focus of this paper.

iii. The New Economic Model

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 namely the New Economic Policy (NEP: 1971-1990), National Development Plan (NDP: 1991-2000) and the New Vision Policy (NVP: 2001–2010) (Omar, 2002, 2010).

Malaysia is currently pursuing the Vision 2020 and will not be possible without economic, social and government transformation. In moving forward, the government had set up a framework comprising four pillars in pursuing the change. Sequentially it started off with its first pillar i.e the concept of *1Malaysia* of uniting all Malaysian to face the challenges ahead in April 2009. This is followed by the second pillar in the form of the Government Transformation Programme *(GTP)* to strengthen public services in the National Key Result Areas (NKRAs) in January 2010.

In March 2010 the New Economic Model (NEM), which is Economic Transformation Programe (ETP) was unveiled with the intention of transforming Malaysia along the line of Vision 2020 from a middle income economy to a high income economy by 2020. The NEM

had the intention to generate benefits for all Malaysians, irrespective of race under its inclusive growth goal and approach. Under the NEM, inclusiveness will enable all communities to contribute to and share in the wealth of the country. The last pillar is the 10th Malaysia Plan 201-2015, the implementation of the government's development programmes. Meanwhile the main emphasis of the NKRAs under the GTP are (i) reducing crime, (ii) fighting corruption, (iii) improving educational outcomes, (iv) improving standards of low income households, (v) improving rural basic infrastructure and (vi) improving urban public transport.

In line with the GTP of improving standards of low income households, a standardized definition will be adopted by all ministries and agencies in identifying and assisting the target group. In this connection the Ministry of Women, Family and Community Development had provided the following definition for low income households in Peninsular Malaysia:

i) Low Income Households (LIH) – households with a total income less than or equal to RM2300 per month.

ii) Poor – households with a total income less than or equal to RM760 per month.

iii) Extreme/hardcore poor – households with a total income less than or equal to RM460 a month.

The purpose of the New Economic Model is to steer the national development towards the year 2020 and among others, the focus is towards the re-orientation to elevate the income levels of the bottom 40% households which will be eligible for support and resources irrespective of ethnicity and location. The government intention is to raise the income generation potential of both the bottom 40% of rural and urban housholds (Malaysia, 2010). In an effort to enhance the economic participation of the urban households, AIM stepped in and implemented the Urban Microfinance Programme in 2008 with an allocation of RM100 million (USD33 million) from the government, a spin off of its highly sucessful rural microfinance programme being in operation since 1987.

iv) From Rural microfinance to Urban microfinance

PKMB is a new "product" of the Amanah Ikhtiar Malaysia starting its operation in 2008 solely in the urban area operation. However AIM's microfinance had its beginning in 1985, initially in the rural area as a pilot project known as Projek Ikhtiar and the success of the pilot project had led to the establishment of the Amanah Ikhtiar Malaysia or AIM in 1987 to promote the concept of microfinance in overcoming the problem of hardcore poverty nationwide notably in the rural area. AIM had started with a single branch in Northeast Selangorin 1986 and has since expanded rapidly and by September 2011 a total of 103 rural branches had been in operation in the poorest district throughout the country. These rural branches are organized via the group-centre concept which are translated in the form of 56,307 groups, federated into 6577 centers operating in the villages via its branches throughout the country (Mohamed Zaini, 2010; Nor Fazidah, 2011). By September 2011 AIM had cumulatively disbursed in excess of 5.8 billion worth loans. Such a circulation of credit or money in the rural area suggests the ability of the poor in using the loans to generate incomes through its various generating activities (AIM, 2011). In 2008 it had had ventured into the urban area with the PKMB.

In general the main objective of PKMB as stated earlier is in creating the potential of self-employment among the poor household and low-income group residing in urban area to be fuelled by AIM's loan. It is opened to household earning an income of less than RM2,000 (USD665) or per capita income of below RM400 (USD133) a month. There are currently 18 PKMB branches in operation in the major urban area of Kuala Lumpur (with 8 branches) and single branch each in other state capital of Melaka, Seremban, Johor Bahru, Kuantan, Kuala Terengganu, Kota Bahru, Ipoh, Kangar, Alor Star and Georgetown. As of September 2011, these branches had total memberships of 33,655 and had disbursed a cumulative loan amounting to RM 229 million (AIM, 2011). The financing terms, condition and description of PKMB is shown in table 2.

Table 2 : Financing Terms, Conditions and Descriptions of PKMB

Number of Loan	Amount of Loan (RM)
First Loan	3000
Second	6,000
Third	10,000
Fourth	15,000
Fifth	20,000
Terms and Conditions	
i. Does not require any collateral or guarantor. ii. Must form a five-member group. iii. To form a centre and attending a weekly centre meeting. iv. To contribute 1% from economic financing to the group fund. v. To contribute RM3.00 to the group fund per week. vi. To contribute RM2.00 per week to the centre fund. vii. Weekly repayment and financing charges 1% per month of the loan amount: a) Repayment period ranging from 3 to 24 months or 12 to 100 weeks	

Source: AIM, (2011)

METHODOLOGY

The purpose of this paper is to examine the impact of the PKMB in the urban area of Georgetwon, Penang, namely (i) to what extent the PKMB has been effective in increasing the incomes of its participants and (ii) to identify what are factors that has been contributing towards the increment of the household incomes. A case study approach was being resorted to, which is approriate as this study, being exploratory in nature rather than forming conclusions. This programme started its operation in Penang in February 2009, a year after its implementation in Kuala Lumpur. 150 programme participants were selected randomly and forming the samples of this study. A well administered questionnaires were collected through a survey in March to April 2011 in 8 blocks namely (i) Georgetown, (ii) Gelugor, (iii) Jelutong, (vi) Bukit Jambul, (v) Bayan Lepas, (vi) Air Itam (vii) Balik Pulau and (viii) Teluk Kumbar.

RESULTS AND DISCUSSIONS

The analysis of the results is divided into three sections namely (a) the respondents' profile, (b) the employment pattern and (c) analysis of the findings.

a) The Respondent's Profiles

This study used frequency of four variables namely age, level of education, household size and marital status as shown in table 3.

Table 3: Profile of the Respondents

Variables	Frequency	Percentage
Age		
20 and below	0	0
21 - 30	11	7.3
31 - 40	38	25.3
41 - 50	55	36.7
51 – 60	33	22.0
61 and above	13	8.7
Mean age = 45		
	150	100
Level of Education		
No formal education	3	2.0
Religious school	2	1.3
Primary school	21	14.0
Lower secondary	39	26.0
Upper secondary	80	53.3
Vocational/technical	3	2.0
Diploma level	2	1.3
Degree level	0	0
	150	100
Household Size		
1 - 3	31	20.7
4 - 6	89	59.3
7 - 9	29	19.3
10 -12	1	0.7
12 and above	0	0
Mean household size = 5		
	150	100
Marital Status		
Single	4	2.7
Married	131	87.3
Divorced	4	2.7
Widowed	11	7.3
	150	100

PKMB is entirely for woman and as results 100% of the respondents are woman. However AIM loan can be utilized by the male or other family members of the particular households. In term of the age, the highest number is in the 41 to 50 year age group accounting for 36.7% and the average age is 45 years old. This shows that they are in the economically active age

group. 79.3% of the respondents had attended the lower and upper secondary school (26% and 53.3%), while 14% had completed the primary education, with only 2% did not have any formal education. In term of hosuehold size, the highest number is in the 4-6 household size accounting for 59.3% with an average household size of 5, which is similar to the national figure. With regard to marital status, 87.3% were married women.

b) Respondent's employment pattern

Table 4 : Employment Pattern of the Respondents: "Before" and "After"

Employment	"Before" PKMB		"After" PKMB	
	N	Percentage	N	Percentage
Self-employed	68	45.3	125	83.3
Government sector	1	0.7	1	0.7
Private sector	39	26.0	7	4.7
Housewife	42	28.0	17	11.4
Others	-	-	-	-
Total	150	100.0	150	100.0

Table 4 shows that 45 percent of the respondents were self employed before joining the PKMB programme. The figure goes up to 83.3 percent after joining it, which suggests that with loans at their disposal they had switched their job and will be discussed below. Further analysis shows that 95 percent of the respondents were involved in non-agricultural activities while 5 percent in the agriculture sector and shown in table 5.

This table shows almost 95 percent of the respondents are in non-agricultural sector, with 78 percent in the business sector which include retailing, selling/hawking of food, catering/coffee shop, selling of apparel , direct selling and beauty product. Only 13.2 percent and 3,9 percent were involved in the manufacturing and services respectively. The remaining 5.2 percent is in the agriculture sector which include fishing, animal husbandry and padi farming.

Table 5 : Type of Acitivities by Respondents

	Activities	N	Percentage
	Agriculture		
i)	Padi farming	1	0.6
ii)	Animal husbandry	1	0.6
iii)	Fishing	6	4.0
	Sub - total	8	5.2
	Manufacturing		
i)	Food and drink	14	9.3
ii)	Art and Craft	5	3.3
iii)	Packaging of spices	1	0.6
	Sub-total	20	13.2
	Business		
i)	Retailing	4	3.4

ii)	Selling/hawking of food	85	56.7
iii)	Catering/operating coffee shop	8	5.2
iv)	Selling cloths	10	6.6
v)	Direct selling	8	5.2
vi)	Beauty products	1	0.6
	Sub –total	116	77.7
	Services		
i)	Sewing	4	2.7
ii)	Driving School	1	0.6
iii)	Health service	1	0.6
	Sub -total	6	3.9
	Total	150	100%

c) Analysis of the Findings

As noted above the purpose of this paper is to examine (i) the effectiveness of PKMB in increasing the incomes of its participants and (ii) identifying factors in contributing towards the increment of the household incomes. These two aspects will be discussed below.

i. Changes in the Household Income of "before" and "after"

An analysis of the household incomes is based on the changes of "before" and "after" the utilization of loans and is shown in table 6. An analysis found that the participants had increased their household income from RM1193 ("before") to RM2216 ("after"), an increment of 86% or RM1023. It is anticapted that with a bigger size loan in future, the participants will likely to get a much more higher income. The Penang PKMB started its operation in early 2009, which is entirely new. The range of income here is based on six categories namely *(i) VLI = Very Low Income, (ii) LI = Low Income, (iii) LMI = Low Middle Income, (iv) LI = Middle Income, (v) HI = High Income, (vi) HIG = Highest Income.*

Table 6 : Distribution of Household Income Per Month: "Before" – "After"

Income	"Before"		"After"	
	Frequency	Percent	Frequency	Percent
≤ 1000	100	66.7	47	31.3
1001-2000	35	23.3	51	34.0
2001-3000	11	7.3	24	16.0
3001-4000	2	1.3	11	7.3
4001-5000	1	0.7	6	4.0
≥5001	1	0.7	11	7.3
Total	150	100	150	100
Mean	1192.8333		2216.0000	
Median	800.0000		1500.0000	
Mode	500.00		1000.00	
Std. Deviation	1401.77960		2034.21505	

(RM100 is equivalent to approximately US$33)
Sources: Field Data 2011

The starting point in the analysis goes back to the "before" situation, whereby 66.7% of the respondents were in the *"Very Low Income"* range of less than RM1000. After utilizing the

loan, the percentage in *VLI* was reduced to 29.4%, as most respondents had actually experiencing an upward movement across the board from *"Very Low Income"* into a much higher range of *"Low Income"*, *"Low Middle Income"*, *"Middle Income"*, *"High Income"* and *"Highest Income"*, which is described below:

a) Households in the *"LI"* has increased from 23.3% ("before") to 34.0% ("after"), an increment of 10.7%.

b) Similar positive result is seen in the *"LMI"*, which had increased from 7.3% (before") to 16.7% ("after"), an increment of 9.4%.

c) A much more positive result can be seen in the top three income range of above RM3000 (combination of the *MI, HI* and *HIG*), which had increased from 2.8% (1.4% *"MI"* + 0.7% *"HI"* + 0.7% *"HIG"*) in the "before" situation to 20% (8.0% *"MI"* + 8.0% *"HI"* + 4.0% *"HIG"*) in the "after" situation. The actual results are an increased in all categories:

(i)   1.4% (before) to 8% (after) - *MI,* (ii)   0.7% (before) to 4% (after) - *HI*   and (iii) 0.7% (before) to 8% (after) - *HIG.*

The whole range of income patterns as describe above shows an upward trend and this has proven the effectivenes of PKMB on its participants.

The next task to determine whether the increase in the household income is significant or not. In order to determine whether there is an improvement in economic conditions of the participants, we used t-test with results as shown in table 7. The probability value is (.000) less than the alpha value (α=.05) and the results show that there is a significant difference in the mean income for the "before" (RM1193) and "after" (RM2216) for the programme participants. This conclusions is based on the significant level, α=.05 (5%) or level of confidence (95%).

Table 7: Paired Samples T-Test of "Before"-"After" Situation of the Household Income

Income	Mean	Standard Deviation	Std. Error Mean	95% CI of the Difference		t	df	Sig.
				Lower	Upper			
"Before" and "After" Income	-1023.167	1279.118	104.44	-1229.54	-816.79	-9.797	149	.000

From the test we can conclude that there is a significant difference between income of "before" and "after" the utilization of loan and thus PKMB has brought about a significant improvement in the income among the participants. However it is neccessary to analyse further to see wheteher the increment in income had been accompanied with the movement from low income threshold to a higher one.

ii) The Progress of the Household from "Extreme Poor" to "Poor" to "Low Income"

Three category of income is used in this study to analyze the progress of the participating households of moving from the lower to a much higher income threshold. The establishment of income category in this study is in line with Malaysian Government Transformation programme (GTP) as mentioned above and thus three income category based on table 8 has been used:

i) Low Income Households (LIH) – households with a total income less than or equal to RM2300 per month.

ii) Poor – households with a total income less than or equal to RM760 per month.

iii) Extreme/hardcore poor – households with a total income less than or equal to RM460 a month.

Table 8: Progress of the Household: From Lower to Higher Income

Income (RM)	Before		After	
	N	%	N	%
460 and below	15	10.0	1	0.7
461- 760	52	34.7	17	11.3
761 -2300	68	45.3	77	51.3
2301 and above	15	10.0	55	36.7
Total	150	100	150	100

An analysis of table 8 shows that the percentage of households in the "hardcore" category, had declined from 10% (before) to 0.7% (after), a reduction by 9.3%. Similarly the percentage of households in the "poor" category had also been reduced from 34.7% (before) to 11..3% (after), a reduction of 23.4%.

In the "low income" category had seen the increasing number of households from 45.3% in the "before" to 51.3% in the "after" sitautions. There are also a sizeable number of households that had progress further into income line of "RM2301 and above", i.e from 10% in the "before" to 36.7% in the "after" situations.

From the above analysis we can conclude that majority of the households had managed to progress positively from (i) the extreme poor income line to (ii) poor income line to (iii) low income line and (vi) above the low income line after utilizing the loans.

iii) The contributing factors towards the increment of the household income: dependent and independent variables

Table 9: The Explanantory Variables for Influencing an Income

Dependent Variable: Amount of Income in the "After" situation

Source	Sum of Squares	Df	Mean Square	F	Sig.
Model	1.144E9	95	1.204E7	3.161	.000
Age	7.926E6	4	1981513.476	.520	.721
Education	7.689E6	4	1922363.409	.505	.732
Skill	2.575E7	2	1.288E7	3.381	.041
Loan Amount	4.590E7	2	2.295E7	6.025	.004
Activity type	1.055E7	3	3516666.190	.923	.436
Experience	2.731E7	3	9104593.184	2.891	.079
Age * Activity type	2220963.188	2	1110481.594	.292	.748
Education * Activity type	43302.550	1	43302.550	.011	.915
Activity type * Experience	1.649E7	4	4123725.554	1.083	.374
Loan Amount * Activity type	1.342E7	2	6707928.103	1.761	.181
Age * Education	3.829E7	6	6381738.686	1.676	.144
Age * Experience	5.105E7	11	4641132.734	1.219	.297
Age * Loan Amount	8.327E7	5	1.665E7	4.373	.002
Age * Skill	3712669.577	2	1856334.788	.487	.617
Education * Experience	3.733E7	6	6222281.826	1.634	.155
Education * Loan Amount	1.846E7	3	6153457.171	1.616	.196
Education * Skill	1674532.341	1	1674532.341	.440	.510
Loan Amount * Experience	8.145E7	4	2.036E7	5.347	.001
Skill * Experience	1.697E7	3	5657786.935	1.486	.229
Skill * Loan Amount	2.780E7	1	2.780E7	7.299	.009
Error	2.095E8	55	3808564.400		
Total	1.353E9	150			

a. R Squared = .845 (Adjusted R Squared = .578)

Discussion in the preceding section has shown that the increase in income among the programme participants has been significant. In relation to this we are know in a position to analyze the varibales that were responsible for influencing the income of the participants. Based on the factorial analysis as shown in table 9, we get this Analysis of Variance (ANOVA) and will be discussed next.

a) The value of R square is given as 0.845. Thus 84.5 percent of the variation of income increased through the PKMB is explained by variation in the independent variables. The important variables that were responsible for influencing the income is revealed as follows:

i) It has been found that three independent variables are highly significant namely (i) skill at 5% level of significance, (ii) amount of loan at 1% level of significant and (iii) experience at 10% level of significant. The amount of loan is the main predictor of income since it was found that 57% of the respondents were in the second loan cycle of RM6000 (USD2000) and 39% were in the first loan cycle of RM3000 (USD1000).

ii) Other independent variables are not statistically significant. For instance, age is not an important factor in explaining an income. This is because majority of the respondents were in the active age group as shown in table 3. Similarly education is not important since 70 percent had received the secondary level of education and the other 30 who were also educated as shown in table 5. The type of activities is not an important factor because 95% of the 150 respondents were in the non-agricultural sector (being urban based activities) namely selling of non-agricultural goods such operating a food stall, selling foodstuff, cloth, tailoring, opening of provision shops and various other related activities.

iii) However further analysis suggests that an interaction of the two variables seems to be stastically significant for influencing an income namely (a) age and amount of loan at 1% level of significance, (b) amount of loan and experience at 1% level of significance and (iii) skill and amount of loan at 1% level of significance. With these we can conclude that variables such skill, amount of loan and experience are significant predictor of income.

From the above analysis we can conclude that PKMB had contributed to an increment in the household income of its participant after the utilzation of the loan. The Analysis of Variance had shown that the amount of loan has been the main predictor of income along with age and experience. The average age of the participants is 45 years old and had shown that they are in their active age group and has been doing various income generating activities prior to getting PKMB loan. Thus with the acquisition of AIM loan had enabled them to activate their income generating activities but based on their previous experienced.

CONCLUSIONS

With an allocation RM100 miilion from the government, the PKMB was implemented in 2008, a spin off of its highly sucessful rural microfinance programme. The main focus of PKMB is the provision of loan to the low income urban households to be used for financing an income generating activities. Most of these participants were in the informal economy and PKMB loans were widely used as a starting-up capital and in expanding their various small businesses to generate more income. Finding of the study had found that the participants had experiencing a significant increased in their household income and managed to progress upward in term of the income threshold. Similarly the amount of loan, experience and skill seem to be the main predictors of income. Thus the PKMB had managed to bring about a positive impact among its participants in the form of self employment made possible with an input of microfinance from AIM. Thus AIM PKMB can be reagrded as the mechanism of lifting the income of the low wage earner of the urban households.

APPRECIATION

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