

**Financing An Income Generating Activities Among the Poor
Rural Households: The Case of the Amanah Ikhtiar Malaysia**

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Financing An Income Generating Activities Among the Poor Rural Households: The Case of the Amanah Ikhtiar Malaysia

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This paper aims to provide an insight on the economic performance of the Amanah Ikhtiar Malaysia (AIM) Rural Microfinance Programme based on a case study in Kelantan, Malaysia. The central focus of the AIM's Rural Microfinance Programme is the provision of loan to the low income rural households to be used for financing an income generating activities. In general Amanah Ikhtiar Malaysia or AIM modeled along the GB concept of Bangladesh was established in 1987, being the first serious replicator of the Grameen concept. 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. In relation to this, the purpose of this paper is to examine (i) to what extent the Amanah Ikhtiar Rural Microfinance Programme has been effective in increasing the incomes of its participants and (ii) its effectiveness in the reduction in the incidence of poverty among its participants. This case study was conducted in Kelantan based on a sample of 140 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 can thus be regarded as the effective programme with excellent machinery in dealing with poverty in the rural area.

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1. Introduction

The war against poverty is not a new agenda for many developing countries. This is because since gaining independent from their former western colonial master after World War II, almost all of these countries have implemented variety of social and economic development programmes in an effort to improve the standard of living among its population notably in the rural areas. Among the programmes implemented were the Community Development Programme, the Green Revolution, Integrated Rural Development and agricultural credit scheme either as a specific programme or as a key component in the rural development strategy. However, the role of credit as the mechanism in the alleviation of rural poverty is not so prominent in the conventional development approach (Mohamed Zaini, 2010). The situation has changed drastically with 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. 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 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. In general, AIM is a non-governmental organization that has been recognized by the government because it is complementing and not competing against the government effort in combating poverty. AIM approach is consistent with the national policies of the New Economic Policy (NEP: 1971-1990), National Development Policy (NDP: 1991 -2000), National Vision Policy (NVP: 2001-2010) focussing on the poor. The current "New Economic Model" unveiled in early 2010, had sustained the earlier policies but this time putting emphasis on the bottom 40% households of the low income group, poor and extreme poor households. Seen in this light, AIM can be regarded as an important machinery in the alleviation of poverty in Malaysia.

The purpose of this paper is to examine (i) to what extent the Amanah Ikhtiar Rural Microfinance Programme has been effective in increasing the incomes of its participants and (ii) its effectiveness in the reduction in the incidence of poverty among its participants. Thus in order to get an answer on these issues, a study was conducted in several AIM branches in the state of Kelantan, Malaysia based on a sample of 140 respondents. 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 concept of microcredit and Grameen Bank. 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.

a) The Concept of Microcredit and Grameen Bank

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. 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. Briefly the Grameen Bank seeks 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.

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 11/8/2012

b) The Brief Background of the 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 mean 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”*.

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 it 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.

Table 2 below had demonstrated that starting with only 20 members during its early stage of formation, the number had increased to 42,861 during the next ten years (1996). By September 2011, the enrolment figure went up to an astonishing 284,893 members. Such a figure suggests that AIM had managed to provide the ray of hope and opportunity for its members to strive hard to overcome the problem of poverty. This is a remarkable achievement especially when it is an initiative of the non government sector. The amount of loan disbursed cumulatively over the past two decades that had surpassed 5.8 billion shows that a circulation of credit or money in the rural area had proven the ability of the poor in using the loans to generate incomes through its various generating activities.

Table 2: Membership And Amount of Loan Disbursed : 1986 to 2011

Year	Memberships	Amount of Loan Disbursed
1986	20	-
1987	359	-
1988	283	-
1989	909	-
1990	3220	RM 891,488
1991	9401	RM 2,970,467
1992	18,918	RM 7,318,141
1993	25,470	RM 18,512,693
1994	33,001	RM 23,339,550
1995	39,401	RM 34,716,000
1996	42,861	RM 47,912,552
1997	51,052	RM 90,216,140
1998	55,954	RM102,685,700
1999	59,716	RM 82,980,990
2000	66,683	RM 107,247,260
2001	77,283	RM 128,126,650
2002	85,229	RM 140,712,480
2003	88,657	RM 152,082,150
2004	148,628	RM 325,969,550
2005	148,664	RM 304,531,030
2006	157,218	RM 344,883,284
2007	173,973	RM 432,246,370
2008	191,432	RM 565,911,058
2009	237,933	RM3,726,021,473
2010	263,795	RM4,832,066,685
2011 (31 September)	284,893	RM5,891,850,606

Sources: Mohamed Zaini Omar (2010); AIM, (2010; 2011).

e) Exclusive Delivery System of AIM Programme of AIM

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

- a) Suitable loan conditions and simple procedure and as a result loan 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 support.

c) The 'group' concept has been the basic building block of this programme as shown in figure 1 had been strengthened by federating the group into a centre which thus

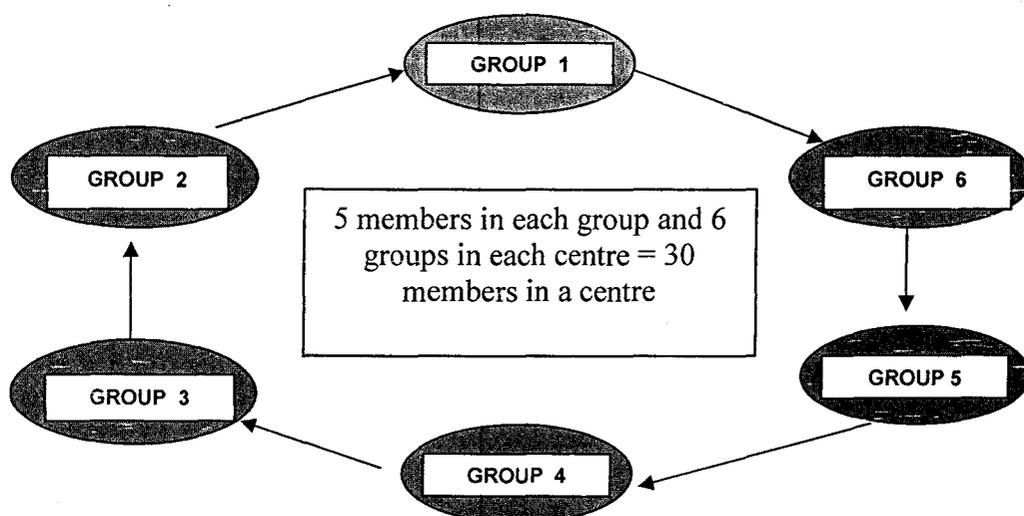
developed into a unique “sociological phenomenon of multi-layered filters” of peer pressure and support. This has contributed to the maintenance of credit discipline.

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.

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

f) Apart from the loan product comprising of the economic loan, education loan and multipurpose loan, it also provides saving (group saving) and security (Islamic insurance and welfare fund) services.

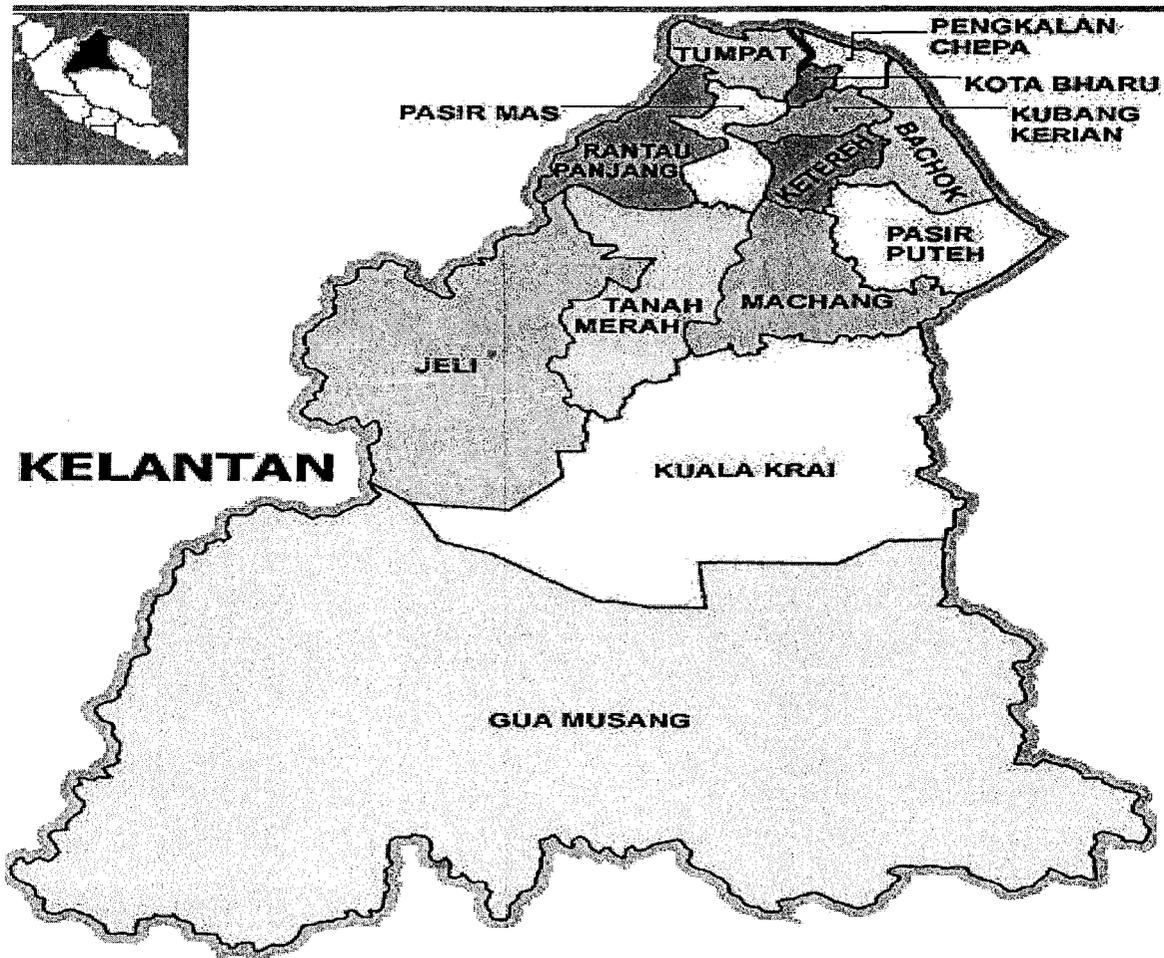
Figure 1 : The Group-Centre Concept in AIM microcredit scheme



3. Methodology of the Study

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 Kelantan, Malaysia. Kelantan is the state in Malaysia with the highest number of AIM’s borrowers amounting to 39,503 followed by Kedah with 32,439 borrowers. AIM branches in Kelantan comprises of (i) Tanah Merah, (ii) Pasir Mas, (iii) Tumpat, (iv) Kuala Krai, (v) Machang, (vi) Jeli, (vii) Pasir Putih (viii) Bachok, (ix) Gua Musang and (x) Kota Bharu. 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.

Figure 2: The District of Kelantan



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 140 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 3: Conceptual Framework of “Before” and “After” Design

	“Before” the Programme	“After” the Programme
Programme Participants	<i>Ea1</i>	<i>Eb1</i>

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 which is 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 140 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) to what extent the AIM’s programme has been effective in increasing the income of its participants after the utilization of loans and (ii) whether it has led to the reduction of the incidence of poverty among its participants The analysis is divided into two sections namely:

- (a) The respondents’ profile based on Table 4
- (b) Analysis of the findings based on Tables 5, 6, 7 and 8

a) The Respondent's Profiles

AIM programme is entirely for woman and as results 100% of the respondents are women, the 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 58.6%, with 20% and 38.6% in the 30-39 and 40-49 ages' groups respectively. On the whole the average age of the sample is 45 years old. This therefore indicated that they are in the economically active age group. In terms of education, 72.1% of the respondents had received the secondary school education (combination of the 26.4% in the lower secondary and 45.7% in the upper secondary), while 17.1% had completed their primary education with 6.4% did not have any formal education. This suggests that most respondents have the ability to read and write and this important in their economic pursuit. In term of household size, the highest number is in the 4-6 category, accounting for 46.4%. The average household size 5 per households and this is line with the national figure.

Table 4: Profile of 140 sample respondents

Variables	Frequency	Percentage
Age		
Below 20	0	0
20 – 29	12	8.6
30 – 39	28	20.0
40 – 49	54	38.6
50 – 59	34	24.3
60 and above	12	8.6
<i>Mean age = 45</i>		
	140	100
Level of Education		
No formal education	9	6.4
Religious school	1	0.7
Primary school	24	17.1
Lower secondary	37	26.4
Upper secondary	64	45.7
Vocational/technical	5	3.6
	140	100
Household size		
1 – 3	40	28.6
4 – 6	65	46.4
7 – 9	27	19.3
10 – 12	7	5.0
12 and above	1	0.7
<i>Mean household size = 5</i>		
	140	100

Source: Field data, 2012

b) Analysis of the Findings

In order to determine the economic performance 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” 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.

i) Previous Impact Study:

Table 5: Various Impact Studies on AIM Borrowers: 1988 – 2011

Impact Studies	Average household incomes “without” micro-credit	Average 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 AIM members in Northwest Selangor
AIM Impact Study 2 (1990)	RM 221	RM 391	+RM 170 (77%)	150 AIM members and 50 from the “control group” in Seberang Perai and Northwest Selangor
M. Jimenez (1990)	RM 185.6	RM 431.6	+RM 246 (133 %)	50 AIM members in Northwest Selangor
SERU (1991)	RM 198	RM 466	+RM 268 (135 %)	587 AIM members (396 active members and 191 ex-members) in Kedah, S.Perai and Selangor
Chamhuri Siwar (1992)	RM 162.6	RM 459.0	+RM 309 (138%)	310 AIM members in Northwest Selangor, Seberang Perai, Kelantan Terengganu and Kedah
AIM Impact Study 3 (1993)	RM 223	RM 532	+RM 296 (182.3 %)	Based on 152 AIM borrowers in Perak, Northwest Selangor, S. Perai, Kedah, Kelantan and Terengganu.
Mohd Taib Dora (1993)	RM 194.85	RM 254.92	+RM 60 (30.8%)	Sample of 60 AIM borrowers in Selangor.

Mohamed Zaini (1995)	RM 165	RM 317	+RM 152 (92 %)	265 AIM borrowers and 254 “control group” in Baling, Kedah
Sukor Kasim (2000)	RM 201	RM 627	+RM 426 (211%)	207 AIM active borrowers, 25 non-borrowing AIM members, 12 dropouts & 104 control group
AIM Impact Study (2007)	RM324	RM1948	+RM1624 (502%)	Internal Impact Study conducted in 2007
Mohamed Zaini et al (2011)	RM1287	RM2703	+1416 110%	172 members covering 8 AIM’s branches in Kedah
Mohamed Zaini et al (2012)	RM1193	RM2216	+1023 (86%)	150 members of Urban microfinance in Pulau Pinang

Sources: Mohamed Zaini Omar (2010, 2011,2012)

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.

ii) The Present Study

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

Income (RM)	Before		After	
	N	%	N	%
1000 and below (<i>VLI</i>)	83	59.3	18	12.9
1001 – 2000 (<i>LI</i>)	40	33.7	39	27.9
2001 – 3000 (<i>LMI</i>)	6	4.3	38	27.1
3001 – 4000 (<i>MI</i>)	7	5.0	16	11.4
4001 – 5000 (<i>HI</i>)	3	2.1	10	7.1
5001 and above (<i>HIG</i>)	1	0.7	19	13.6
Total (N)	140	100	140	100
Mean Income	RM1367.71		RM3134.21	
Standard Deviation	1532.723		2553.396	

(RM100 is equivalent to approximately US\$33.00)

An analysis based on table 6 found that the participants had increased their household income from RM1367 (“before”) to RM3134 (“after”), an increment of 129% or RM1766. 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 59.3% or 83 respondents in the “*VLP*” 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 “*LP*” have been reduced from 33.7% (“before”) to 27.9% (“after”), but in actual fact this has led to an increased in the other income categories especially in the “*LMP*”, which had increased from 4.3% (before”) to an astonishing 27.1% (“after”), an increment of 22.8%.

iii) 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 7.8% (5.0% “*MI*” + 2.1% “*HI*” + 0.7% “*HIG*”) “before” to 32.1% (11.4% “*MI*” + 7.1% “*HI*” + 13.6% “*HIG*”) in the “after” situation. The actual results of an increment in these three categories are:

(a) in the “*MI*” from 5.0% (before) to 11.4% (after).

(b) in the “*HI*” from 2.1% (before) to 7.1% (after).

(c) in the “*HIG*” from 0.7% (before) to 13.6% (after).

This 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.

iii) T-test

Table 7: Paired Samples T-Test of “Before” and “After” Situation Household Monthly Income

Variable	Number of Cases	Mean Income	Standard Deviation	Standard Error
"Before"	140	RM1367.71	1532.723	129.539
"After"	140	RM3134.21	2523.396	215.801
Difference in Mean RM1766.50	Std Error 239.101	t-value -8.936	Degree of Freedom 139	Significant level 0.000

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 7. 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” (RM1367) and “after” (RM3134.21). 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 in the past studies and in the present study had proven beyond doubt the effective of the microcredit programme of reaching the poor and brought about a positive impact in the form of a higher income.

v) 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	13	9.3	0	0
RM441- RM750	34	24.3	8	5.7
RM751 -RM2000	76	54.3	49	35.0
2001 and above	17	12.1	83	59.3
Total	140	100	140	100

An analysis shows that the percentage of households in the “extreme poverty” category, those with income less than RM440 had declined from 9.3% (before) to 0% (after) and thus AIM microcredit had managed to get rid of the hardcore poverty group. Similarly the percentage of households in the “poor” category, those with an income in the range of RM441 – RM750 had also been reduced from 24.3% (before) to 5.7% (after), with a much higher percentage of reduction by 18.6%.

In “low income“ category, those with income of RM751- RM2000, had also seen the reduction from 54.3% “before” to 35.0% “after”. The findings shows that most of the household in this “low income” category had actually crossed into RM2001 and above income threshold with a substantial number from 12.1.% “before” to 59.3% after becoming a member and utilization of loan, an increment of 47%.

vi) Validation of the hypothesis

From the above analysis it is therefore clear that the participants in Kelantan had managed to increase their household income from RM1367 (“before”) to RM3134

(“after”), an increment of 129% or RM1766. 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.

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.

Various studies had found that AIM’s loans had been effective in increasing the income of its member and managed to push them up the social ladder i.e, from being very poor to poor and out of poverty threshold. AIM can thus be regarded as an “association of the very poor people” working together for their common good. AIM has actually 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.

With all the accomplishment, credit (not loan) should be given to Amanah Ikhtiar Organization as it painstaking business of venturing into a challenging territory by putting Grameen Bank concept of microcredit onto the Malaysian soil effectively. Thus as convincingly pointed by Sham in the early 1990s on the role of credit as the machinery in poverty alleviation and still effective based on various and present studies in Malaysia (1991: 250):

“Credit is increasingly perceived as one of the most powerful means for alleviation of poverty in the short run. It provides the poor with much needed access to productive resources, which can generate new employment and income generating opportunities”

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