

Measuring the relationships between educations with income increments among *Sahabat* in Mukah Sarawak

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Abstract: The role of microfinance institutions in poverty reduction and wellbeing improvement has attracted the policymakers' attention in the developing countries across the globe as well as Malaysia generally and Mukah specifically. This study aims to determine the level of acuity and to measure the relation between education levels with income increments among *Sahabat* in Mukah Sarawak. This was a survey conducted among 371 participants in Mukah, Sarawak in 2015. This study employed the use of questionnaires to obtain information regarding microfinance. Data was collected via a face-to-face interview/self-administered questionnaire in Malay language. Data were then entered and analyzed using statistical software. This study adopted a quantitative analysis include descriptive statistic and Kruskal Wallis Test. This research study was achieved through the use of questionnaires to 371 respondents Majority of the respondents in this study was' from Balingian, Oya, Mukah and Dalat. Overall the respondents were females and 90% of them were married. More than half of the respondents were between the ages of 53 and above. About one-third of them reported to have lower secondary of education. Finding shows that the levels of acuity among the respondents are in high level and there is an association between income increments across the different education levels. This study has able to provide evidence on the positive relation between higher education levels with income increments among the respondents. The outcomes of this research are crucial in benefiting policy makers of the microfinance administration with regards to ways to enhance income increment among rural demography in Mukah and Sarawak.

Key words: Microfinance; Income increments; Education; *Sahabat*; Mukah

1. Introduction

Microfinance is the provision of financial services to low income clients in solidarity lending groups including consumers and self-employed, who traditionally are lacking access to banking and related services. Microfinance has a broad category of services, which includes microcredit. Starting from the year 1970, microfinance programmed has introduced in Bangladesh to provide financial access to rural demography that avoided by financial institutions. This microfinance programmed benefits the rural demographic by enabling them to use the financial assistance to perform business. The poor are lacking on capital and it is difficult to enable them to improve their lives if the poor rely solely on daily income. In order to track the most important developments in the microfinance market in a regular manner, the portfolio of 100 key institutions that represent the overall investable MFI market, including all geographies and types of institutions are often referred to Amanah Ikhtiar Malaysia (AIM). AIM is the largest and the oldest microfinance institution in Malaysia. AIM is a private trust that was established in 1987. AIM operates as a microfinance institution (MFI) that provides capital financing, welfare, entrepreneurship training,

leadership training, savings and healthcare financing assistance. The establishment of AIM, was organized by University Science Malaysia, Malaysian Islamic Economic Development Foundation (YaPEIM), the State Government and the Centre for Asia Pacific.

It replicated Grameen Bank model with some modification to suit the local context (AIM Annual Report, 1989). The project called "Ikhtiar Project" was carried out in 1986 as a program to eradicate poverty of the rural poor in Northwest Selangor, through providing small loans from RM1000.00 to maximum RM 50,000.00 based on *Sahabat* profile and repayment capabilities. The loans were to finance small business activities such as agricultural, farming, fisheries and livestock's, whereby the project was successful where the small loans given to the hard core poor could reduce extreme rural poverty (Gibbons and Kassim, 1990). AIM provides financing on a small scale for the selected applicants and payment are made on the weekly basis in the form of groups five members. *Sahabat* is the name given to AIM borrowers. Requirement method for the loan on a weekly basis encourages the loan applicants to manage finances more efficiently to prevent loan default. *Sahabat* consist of household women with different education background in Mukah Sarawak. Along with education and experience in small businesses, *Sahabat* have to manage their own funding wisely to enable them to

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generate income with returning capital. A study by Samarakoon and Parinduri (2015), revealed that there no evidence that education can improve women in microcredit programmed including women asset ownership and community participation. This study aims to determine the level of acuity and to measure the relation between education levels with income increments among Sahabat in Mukah Sarawak.

2. Review of Past Studies

Microfinance is a provision of a broad range of financial services such as savings, credit, insurance and payment services to the poor or low-income group who are excluded from the normal banking sectors (Ledgerwood, 1999). Microfinance is a small-scale financial services primarily credit and savings – provided to people who farm or fish and who operate small enterprises or microenterprises where goods are produced, recycled, repaired, or sold; who provide services; who work for wages or commissions; who gain income from renting out small amounts of land, vehicles, draft animals, or machinery and tools; and to other individuals and groups at the local levels of developing countries, both rural and urban” (Robinson, 2002). The successful experience of the Grameen Bank (GB) in Bangladesh as reported by Morduch and Haley (2002) and Rahman and Nie (2011) showed that credit or benevolent loan could be an important instrument for poverty eradication and uplifting the socio-economic condition of the rural poor.

Research by Alalade et al. (2013) stressed that when people are empowered and loans are made easily available to especially poor people to start small scale business, our society would be better off with reported that 98% of the sampled borrowers enjoyed an increase in their income, with two-third of them managed to escape from poverty after borrowing at least one AIM loan. Setting up microfinance institutions was a strong commitment to alleviate poverty, raise the standard of living of the people and help to generate job opportunity, by Based on researcher Al-Mamun et al. (2012), the Second Internal Impact Study proved that overall improvement among participating households’ living standard. Based on the research, microfinance is effective to help households to improve their standard of living when the poor people start doing their small business to generate profit. Apart from the financial impact on microfinance on the participants, Morduch in Saad and Duasa (2010) said that there is also a social dimension involved in the programmed. The improvement in their health status, the children’s education, involvement within the society and their morale has significantly improved their overall living condition. In their research Rahman and Ahmad (2010) assessed the impact of rural development scheme on the poor’s livelihood and found that ethics and morals also influence the household income.

However little study on the impact of a rural microcredit program which women borrower gaining financial management skills, owning bank accounts, gaining greater mobility outside their homes and taking pride in contributing to household income, household asset and micro-enterprises (Lakwo, 2016). Many potentially excellent women entrepreneurs are constrained by poor understanding of the importance of savings, poor access to credit (especially at reasonable interest rates), lack of business knowledge, and limited access to formal sector financial services, as well as by the constant pressure of household responsibilities. According to the Bernasek (2003) the Grameen Bank in Bangladesh becomes an international model for “microcredit” as a poverty alleviation strategy. The conclusions that are drawn from this evaluation are that Grameen Bank is not a panacea for poverty alleviation and improving women’s lives, that it has increased the income of borrowers, has led to improvements in specific aspects of their lives, and that it has potential infused in conjunction with other progressive social change. Human capital is the knowledge and skills people accumulate through formal instruction, training and experience that facilitate the creation of personal, social and economic well-being (Becker, 1993).

3. Research methodology

The purpose of this study is to identify the level of acuity and to measure education contextual with income increments among Sahabat in Mukah Sarawak. There are divided into 4 areas, which are Balingian, Oya, Dalat and Mukah. The target population used in this study is focusing on the borrowers of loans in AIM at Mukah town, Sarawak. According to the AIM Mukah Branch Officer, there are total of 2317 Sahabat in Mukah, association to Krejcie and Morgan, the population of this study is 42,922 residents and the sample size collect become 371 respondent. In this research, quantitative approach is used with the questionnaire as the instrument which researcher will distributed the questionnaires to the subject of the research for the purpose of answering the questionnaires. Convenience sampling used along with the questionnaire as the instrument distributed to the subject of the research for the purpose of answering the questionnaires. In the questionnaire, 5 point Likert Scale has been used. Questionnaire is divided into three main parts which are profile of respondent demography, Sahabat acuity, and income increment, comment and suggestion. After questionnaire are being collected, researcher analyses data by two phases which are descriptive analysis by using software of Statistical Package for the Social Science (SPSS) version 21 for the Part I and Part II. Part III Kruskal-Wallis test have been done to measure respondent education contextual with income increment.

4. Research findings

The focus groups of this study are loan borrower from *Sahabat* in AIM Mukah. In this research, Cronbach's Alpha reliability test was used to measure to analyses the reliability of the data obtained from the questionnaire. According to Hair et al. (1998) had suggested that the alpha value between 0.6 represent the lower limit of

acceptability for reliability. After computation, all factors for reliability were higher than 0.6. Meanwhile, the alpha value for the total factors was 0.916. It means that all the items apply from the constructs are statistically good and reliable.

Table 1: Respondents' demographic profiles

Characteristics		N	(%)
Age	18-22	3	0.8
	23-27	38	10.2
	28-32	35	9.4
	33-37	36	9.7
	38-42	51	13.7
	43-47	45	12.1
	48-52	72	19.4
	53 and above	91	24.5
Marital Status	Single	40	10.8
	Married	331	89.2
Education Level	UPSR and below	130	35.0
	PMR/SRP	124	33.4
	SPM/STPM and above	117	31.5
Ethnic Origin (Race)	Malay	11	3.0
	Iban	102	27.5
	Melanau	238	64.2
	Others	20	5.4
Loan Amount	RM1000-RM2000	31	8.4
	RM3000-RM5000	118	31.8
	RM6000-RM19900	192	51.8
	RM20000-RM50000	30	8.1

A total of 371 respondents participated in the survey. Table 1 presents the respondents' demographic profiles. As shown, the majority of our respondents, (89.2%) were married and (10.8%) respondents were still single. Overall, about (24.5%) of the respondents 53 above years old, followed by (19.4%) aged between 48 to 52 years old. Only (0.8%) aged between 18-22 years old. Majority the ethnic were Melanau about (64.2%), followed by Iban (27.5%). Others with only (5.4%) refer to Chinese and Indian, minority races in Mukah. Furthermore, majority of our respondents according

to the educational level, (35%) were UPSR and below, followed by (33.4 %) PMR/SRP and lastly (31.5%) were SPM/STPM and above. With regards to the distribution of survey respondent according to loan amount, (51.8%) of the respondents were taking loan with the amount of RM6000-RM19900, (31.8%) respondents were taking loan with the amount of RM3000-RM5000, (8.4%) respondents were taking loan with the amount of RM1000-RM2000, and lastly (8.1%) respondents were taking loan with the amount of RM20000-RM50000.

Table 2: Mean and standard deviation (SD) respondent acuity toward AIM

Items	Mean	Std. Deviation
Respondent Acuity toward AIM		
Sahabat understand about loan scheme offered by AIM	4.647	0.511
Sahabat get advantages from the course organized by AIM	4.631	0.483
AIM can help to give financial support on income increment	4.690	0.463
Is it easy to deal with AIM		
Duration for loan approval process takes a long time.	4.283	1.070
The payback period in the schedule of payment easier to follow	4.442	0.712
Can you make a full commitment to AIM?	4.609	0.521
Is the loans offered by AIM affordability		
AIM can be trusted in conveying the relevant information of the scheme offered?	4.596	0.544
AIM is your mainly choices to make loan	4.625	0.485

Table 2, shows the mean values for borrower's perception toward AIM as listed in the section A in the questionnaire. Most respondents agree that the AIM has help to increase the level of living quality in Mukah Sarawak. The highest (mean=4.690) for the question on whether the AIM can help to give

financial support on income increment which tell us that with microfinance they can earn for living and business. The lowest mean value is (mean=4.283), whereby respondent agree with strictly loan process duration implement by AIM.

Table 3: Mean for Income Increment with Education Level

	Education Level	Mean	Median
Income Increment	UPSR and below	4.5477	4.5855
	PMR/SRP	4.6508	4.6508
	SPM/STPM and above	4.4342	4.4414
	Chi Square	357.377	
	df	2	
	Asymp	.000	

In the output present above, the PMR/SRP recorded a higher mean score than other education level with (mean= 309.50) with the significant level was 0.000. This is less than alpha level of 0.05, so these result, suggest there is a different between income increments across the different education level. The result revealed that there a statistically different in income increment across the education background with (Gp1, n =130: UPSR and below Gp2, n =124: PMR/SRP and Gp3, n =117: SPM, STPM and above.

5. Conclusion

From the findings of this research and literature review from past research done on related issues, objectives of this research were concluded to be achieved. The results and the analysis showed that the AIM created a good impression and also able to fulfill the respondents' needs. First objectives of this study are to identify the level of acuity on income increment among *Sahabat* in Mukah, Sarawak. The results showed that in the "AIM can help give financial support on income increment dimensions; the highest choice by the most respondents is the AIM can raise their living of standard. The findings were support by (Mokhtar, 1994), that showed that microcredit loans increased household income on the microfinance borrowers. The second objective was to measure the relation between education levels with income increments among *Sahabat* in Mukah Sarawak. The PMR or SRP level shows proof to be the highest mean rank among others compare to others. The education level also play important role in managing their personal and business income. This study support by Wakoko (2004), held in Uganda which education can lead women empowerment to make decision making in microcredit by controlling their farming business. The last objective was to seek recommendation of income increment in Mukah, Sarawak. These objectives were proved when most of *Sahabat* answered and give their feedback for the section D, recommendation and suggestion part. The objective to seek recommendation was accomplished and *Sahabat* know what are the best ways to improve performance of AIM Mukah, Sarawak.

Based on the recommendations from *Sahabat*, that we had conducted, most of the respondent's thinks that AIM parties should held more frequent courses to borrowers to teach them about financial management, so that the loan can be used effectively. Secondly, most of the respondents suggested that the AIM reduce the payment within one month to the

borrowers, so that the borrower can repay the needs and requirements that need to be prioritized. This is because; the respondents can pay at any time according to their ability. The borrowers cannot increase their standard of living if they don't have any knowledge on financial management to run the business. They also suggested that the AIM should give more courses and training to motivate their performance in their business and AIM should monitoring their business often because monitoring also needs to be done regular, its help borrowers to expand the business better and in the right way. In addition, some respondents recommended that the AIM should create more productivity and innovation. The improvement for product and the innovation can create opportunity for new entrepreneur to expose their chance to do more business in future. This way can attract many new or fresh entrepreneur improve their business. Lastly, some respondents recommended that the AIM should insure that income increment can give improvement in their health status, the children's education, involvement within the society and their morale has significantly improved their overall living condition.

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