

## EVALUATING THE EFFECTIVENESS OF A MICROCREDIT PROGRAM IN THE ELEVATION OF BORROWERS' QUALITY OF LIFE IN MALAYSIA

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**Abstract:** Microcredit program offers productive and social capitals to empower the poor in becoming successful entrepreneurs. This program is part of poverty eradication strategies adopted by many countries for moving the poor out from shackles of poverty and thus elevating their quality of life. Although the program has been established in Malaysia for more than three decades, poverty in the country persists. Triggered by the issues, the objective of the study is to investigate the impact of microcredit program on the elevation of borrowers' quality of life. The microcredit is evaluated based on three dimensions namely loan size, loan tenure and training. Meanwhile, the quality of life is assessed in four improvements of life namely health, economy, family and household. Data were gathered from 386 borrowers of a Malaysian microcredit institution and analysed using Binomial Logit Model. Findings indicated that loan size, loan tenure and training had significant impacts on the elevation of borrowers' quality of life. These discoveries provide useful insights to policy makers and microcredit providers in which increasing loan size, extending loan tenure and sufficient training would enhance the borrowers' life. Additionally, educating borrowers with appropriate skill, knowledge and technology will prepare them to face challenges and uncertainties in the digital world. Hence, microcredit is an essential investment to expedite the aspiration of Malaysian government and sustainable development goals of the United Nation in ending hunger and poverty as well as elevating the quality of life of the poor.

**Key words:** life, loan size, loan tenure, microcredit, poverty, program, training, quality.

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### Introduction

Quality of life refers to the degree in which an individual is healthy, comfortable, and able to participate in or enjoy a descent and prosperous social well-being. The

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quality of life encompasses every sphere of life from physical health, economy, education, wealth, material, households, occupation, property, shelter, freedom and faith. The World Bank refers the poor as individuals with low quality of life.

As of 2019, the rate of poverty incidence in Malaysia is 5.6 percent and it is expected to spike due to economy contraction by 17.1 percent in the third quarter of 2020 (NST online, 24 August 2020). The outbreak of covid19 pandemic has The poor deprive of necessities needs such as nutritious food, clean water, clothes, comfort home, freedom, education, healthcare and employment. Ending poverty and hunger as well as elevating the quality of life of every single person by 2030 is the aspiration of Malaysian Shared Prosperity 2030 and sustainable development goals of the United Nations, resulted in many businesses suffering losses, people losing jobs, increasing cost of living; hence, would result in thousands of households entangled with low quality of life. Ironically, this devastation phenomenon will delay the country's aspiration of becoming a zero poverty nation in due time.

Malaysia was ranked by Quality of Life Index (QLI) 2019 at 42<sup>nd</sup> position out of 80 countries, with a score of 6.27 from the total score of 10.0. The measurement of score is in the continuum of 0 (the lowest) to 10 (the highest). This QLI is a survey conducted by the World Economic Intelligence Unit to measure the quality of life of citizens for each nation. Additionally, the QLI showed that Malaysia is far behind its neighbouring country namely Singapore. The latter country was ranked at the 4<sup>th</sup> position with a score of 8.02. Hence, more effort should be put by the government to elevate the quality of life, so that Malaysians can enjoy a better quality of life as what is experienced by Singaporeans.

Indeed, the poor are those who are entangled with low quality of life. Struggling with the issue of survival, income and resources are merely sufficient to cover their ends meet. Depriving of capital, skill, knowledge and creativity negate them from generating self-income (Haque et al., 2018). Even worse, they are also unable to obtain monetary assistance from usual financial institutions due to lacking of surety requirements (Kliestik et al., 2018). Thus, nurturing and inculcating entrepreneurial activity is one way to elevate the quality of life among the poor (Terano et al., 2015).

To date, abundances strategies and approaches have been taken by Malaysian government to mitigate the afore-mentioned issues and one of them is microcredit program. The microcredit program was established as part of poverty eradication strategies to increase the participation of the poor in the economy. Furthermore, it aims to empower the poor to create their job opportunities through entrepreneurship.

Microcredit is a changemaker, in which it is hoped to elevate the quality of life of the poor from destitute to comfort. Its modus operandi is providing the poor with small loan and helping them to venture into domestic business with minimal cost. The poor are also given support through continuous training. This is to elevate their

knowledge, skill and motivation. Eventually, the successful of any microcredit program is divulged by the elevation of borrowers' quality of life.

Despite that microcredit programs have been established in Malaysia since 1987 which was more than 30 years, the poverty incidence persists. Many remain in inferior quality of life. The public are skeptical on the impact of microcredit in improving borrowers' quality of life. As such, a study is needed to investigate whether or not a microcredit program plays a significant role in the elevation of the borrowers' life.

Although abundance of studies have been carried out to examine the impact of microcredit on borrowers' quality of life, the quality of life has been gauged in various dimensions, amongst them are income (Ahmad and Bakar, 2016; Ahmad et al., 2016) housing materials (Al-Mamun, 2011; Ahmad and Bakar, 2016), technology (Jumbri et al., 2020) and four improvements in life (Fayyaz et al., 2016). Hence, there is no definite measurement and this leads to intertwine and inconclusive results.

Nevertheless, the four improvements in life present the most comprehensive and holistic dimensions of quality of life which resemble the quality of life proposed by Global Multidimensional Poverty Index (Oxford, 2016). This dimension was used to examine the impacts of microfinance on borrowers' quality of life in Pakistan (Fayyaz et al., 2016), So far, as researchers are concerned, scarce of studies have been carried out to examine the borrower's quality of life in four improvements of life in the context of Malaysian microcredit borrowers. As Pakistan and Malaysia are distinct in economy, culture and way of life, the outcome might not be similar; thus, it is interesting to be investigated.

Triggered in filling this gap and emulating prior studies (Ahmad and Bakar, 2016; Al-Mamun, 2011; Al-Mamun, 2012; Ahmad and Bakar, 2016; Fayyaz et al., 2016; Haque et al., 2019; Jumbri et al., 2020), the objective of this study is to examine the impacts of microcredit programme in its three dimensions namely loan size, loan tenure and training on the elevation of borrowers' quality of life in the context of Malaysia. The quality of life is measured in four life improvements namely health, economy, family and household.

The paper starts with introduction and follows by reviewing the literature. It is then trailed by research methodology, findings and discussions. Later, it is followed by academic and practical contributions. Finally, the paper ends with a conclusion, limitations and recommendations for future research.

### **Literature Review and Hypotheses Development**

Microcredit institutions are established by many governments throughout the globe as part of poverty eradication programmes. The objective of this institution is to reduce the number of poor and elevate their quality of life by granting them productive and social capitals. These capitals are channelled for investment or

other entrepreneurial activities in strengthening their livelihood (Grabara et al., 2020).

### *Microfinance and Quality of Life*

To date, abundances of studies have been conducted to investigate the impacts of microcredit on borrowers' quality of life. The microfinance was measured in its three domains namely loan size, loan duration and training (Fayyaz et al., 2016; Terano et al., 2015). Meanwhile, the quality of life has been gauged in multi-dimensional perspectives (Adnan and Ajija, 2015; Ahamad and Bakar, 2016; Al-Mamun et al., 2011; Al-Mamun et al., 2012; Chowdhury and Che Mohd Salleh, 2017; Fayyaz et al., 2016; Haque et al., 2019; Jumbri et al., 2020; Nik Abdul Aziz, 2017; Terano et al., 2015).

Adnan and Ajija (2015) examined the impact of microcredit namely Baitul Maal wat Tamwil on the elevation of borrowers' quality of life in East Java, Indonesia. The study was conducted on 200 women borrowers. Using paired t-test and several poverty measurements indexes, findings revealed that loan size had positively influenced the elevation of borrowers' quality of life in the perspective of income.

Al-Mamun et al. (2011) examined the impact of microcredit program namely Amanah Ikhtiar Malaysia (AIM) on borrowers' quality of life before and after they participated in the program in Malaysia. The quality of life was measured on 11 indicators, comprising of permanent housing materials, types of flooring, walls and roofs, safe environment, cooking fuel, accessibility to public water supply and healthy sanitary facilities. Utilising multiple regression analysis, the study found that loan size, loan tenure and training had positive impacts on the borrowers' quality of life.

In another study conducted by Al-Mamun et al. (2012), they compared the impact of microcredit program on quality of life between those who resided in urban and rural areas in Peninsular Malaysia. Based on multiple regression analysis, findings showed that loan size, loan tenure and training had significantly affected the quality of life for both types of borrowers. However, the magnitude of impact was higher on the former as opposed to the latter borrowers.

A systematic literature review was conducted by Ahamad and Bakar (2016) on the impacts of Islamic microcredit on its borrowers' quality of life for twenty years publication period from January 1995 to June 2015. Factors affecting borrowers were loan size, loan tenure, training, morality and religiosity, age as well as level of education. They discovered many studies indicated that loan size was the main important element in elevating the borrowers' quality of life. Furthermore, they suggested that the size of loan should be optimum, timely and tailored to the business requirements.

They also found many studies revealed that the longer the loan tenure, the better would be the borrowers' quality of life. This was due to long time involvement and

engagement with the program. Additionally, training was also an important factor in elevating the borrowers' income and quality of life.

Furthermore, Ahamad and Bakar (2016) found that quality of life had been gauged in various dimensions namely income, consumption expenditure, welfare, increase living conditions, elevation of life standard and well-being of borrowers. The quality of life was also measured in terms of providing social services such as basic education, awareness of health, overall welfare, improved in children education, increasing assets, self-confidence, personal responsibility for the family, self-capability and household income.

Haque et al., (2019) conducted a comparative study on Pakistan and Malaysian microcredit borrowers by examining the impact of capital and training on the sustainability of the borrowers' enterprises. Data were analysed using Smart PLS version 3. Results indicated that both training and capital had significant impacts on the sustainability of the borrowers' enterprises and thus would elevate their quality of life.

Jumbri et al. (2020) examined the impacts of AIM microcredit programme in relation to the elevation of borrower's quality of life in Malaysia. The quality of life was assessed based on the borrowers' income, entrepreneurship and technology skills. The study was conducted on 200 borrowers of the microcredit programmes in one of the states in Malaysia. Based on multiple regression analysis, findings indicated that loan size, loan tenure and training played positive significant impacts on the borrowers' quality of life. Eventually, their household monthly income and technology skill elevated after participating in the program.

Meanwhile, Nik Abdul Aziz (2017) conducted a study to examine the impact of AIM microcredit program on borrowers' quality of life in one of the states in East Malaysia. The study was carried out on 300 borrowers and analysed using multiple regression analysis. Findings indicated that loan size, loan tenure and training had a positive effect on the borrowers' quality of life. The findings further indicated that positive impacts were shown by the elevation of income, self-independency and level of decision-making in household. However, no impact was found on the control of household resources.

Terano et al. (2015) investigated the impacts of microcredit program on borrowers' quality of life. The quality of life was evaluated in terms of the elevation of income. Respondents consisted of 100 microcredit borrowers in Bangladesh. Based on multiple regression analysis, findings indicated that borrowers' quality of life was positively related to loan size and loan tenure but it was not related to training. Hence, the higher is the loan size and the longer is the loan tenure, the higher is the elevation of borrowers' quality of life.

Fayyaz et al. (2016) carried a study on the impact of microcredit on borrowers' quality of life. This prior study was conducted on 400 women who were microcredit borrowers in Pakistan. The quality of life was evaluated in four life improvements comprising of health, economy, family and household. Elevation in

health life is construed to increase in the spending of nutritious food and medical care as well as coping with stress. Elevation in economy refers to the increase in the ability of paying utility bills, dealing with business, being involved with income generating programs and personal saving.

Elevation in family life is equivalent to being better in managing marriage relationship, gaining respect from family members, providing quality time to family and socialising with friends and families. Elevation in household life denotes increase in number assets and resources possess, better accessibility to clean water, electricity, sanitation and toilet facility. This elevation in household resembles the living standard proposed by Global Multidimensional Poverty Index (Oxford, 2016) with six indicators namely cooking fuel, sanitation, drinking water, electricity, flooring and assets.

Based on multinominal logit model, findings indicated that loan size and training had significant impacts on borrowers' quality of life. Loan tenure, on the other hand, had no significant impact with the borrowers' quality of life.

Chowdhury and Che Mohd Salleh (2017) investigated the impacts of microcredit on borrowers' quality of life. Respondents consisted of 230 women entrepreneurs in Bangladesh. However, findings indicated that loan size, loan tenure and training had no significant impacts on borrowers' quality of life. This prior study suggested that the government enhance the existing policy towards enhancing the borrowers' quality of life.

Ahamad et al. (2016) conducted a study to examine the impact of microcredit program namely Muslim Aid Bangladesh (MAB) on borrowers' quality of life. The impact is assessed in three domains that are loan size, loan tenure, training and loan sufficiency. Meanwhile, the quality of life is assessed in relation to household expenditure and household income. The study was conducted on 95 borrowers from Chittagong, Bangladesh. Based on Multiple Linear Regression model, findings indicated that loan size and loan sufficiency had significant impact on household income. Additionally, loan size, loan tenure and loan sufficiency showed significant impacts on household expenditure.

#### ***Loan Size and Quality of life***

Fayyaz et al. (2016) stated that loan size has a significant impact on borrowers' quality of life. A few studies found that the higher the loan size, the higher would be the borrowers' quality of life (Adnan and Ajija, 2015; Ahamad et al., 2016; Al-Mamun et al., 2011; Al-Mamun et al., 2012; Fayyaz et al., 2016; Jumbri et al., 2020; Haque et al., 2019; Terano et al., 2015).

On the other hand, Chaudry and Che Mohd Salleh (2017) did not find any significant relationship between loan size and quality of life. This is because higher loan would more likely cause tension and burden for borrowers to pay back due to higher monthly instalment and interest imposed. As many studies supported that there is a significant relationship between loan size and borrowers' quality of life (Adnan and Ajija, 2015; Ahamad et al., 2016; Al-Mamun et al., 2011; Al-mamun

et al., 2012; Fayyaz et al., 2016; Haque et al., 2019; Jumbri et al., 2020; Terano et al., 2015), the current study formulates the following hypothesis.

H1: Loan size has a significant impact on borrowers' quality of life.

#### ***Loan Tenure and Quality of Life***

Borrowers who take longer time to settle their loan would be more likely to engage longer with the microcredit program. This makes them capable in managing and channelling funds for the betterment of their livelihood. According to Mohamed and Fauziyyah (2020), loan tenure has a significant impact on microcredit borrowers' quality of life.

Several studies indicated that the longer the loan tenure, the more experiences the borrowers become; thus, they are competent to elevate their quality of life (Ahamad et al., 2016; Mohamed and Fauziyyah, 2020). Even though many studies indicated that loan tenure had a significant impact on borrowers' quality of life (Ahamad et al., 2016; Al-Mamun et al., 2011, Al-Mamun et al., 2012; Mohamed and Fauziyyah, 2020; Terano et al., 2015), Fayyaz et al. (2016) found that there is no significant impact between the variables. The current study aims to emulate the majority and hence the following hypothesis is proposed.

H2: Loan tenure has a significant impact on the elevation of borrowers' quality of life.

#### ***Training and Quality of Life***

Training will be the best way to educate the microcredit borrowers in strategizing and managing their business. Continuous training is essential to raise the competency and entrepreneurial skill required for elevating the quality of life, specifically among women entrepreneurs (Fayyaz et al., 2016; Samer et al., 2015). Lack of training was one of the problems faced by microcredit borrowers in Bangladesh (Ahamad et al., 2016, Kamarudin et al., 2020) and thus they encountered difficulties in handling the problems.

Prior studies have indicated that training provided by microcredit providers played a significant impacts on the elevation of borrowers' quality of life (Adnan and Ajija, 2015; Ahamad et al., 2016; Al-Mamun et al., 2011; Al-Mamun et al., 2012; Fayyaz et al., 2016; Haque et al., 2019; Jumbri et al., 2020; Terano et al., 2015). Emulating prior studies, the following hypothesis is formulated.

H3: Training has a significant impact on the elevation of borrowers' quality of life.

#### ***Control Variables***

Demographic factors such as age, level of education, marital status are the control variables of this study. Previous studies indicated that age (Fayyaz et al., 2016; Mohamed and Fauziyyah, 2020), level of education (Ahamad, 2016; Samer et al., 2015) and marital status (Fayyaz et al., 2016) had an impact on borrower's quality of life. Age was a crucial factor of productivity (Mohamed and Fauziyyah, 2020). Young people are more motivated and strive harder for better quality of life (Fayyaz et al., 2016). Samer et al. (2015) discovered that marital status and level of

education (Terano et al., 2015) played positive impacts on the elevation of women's quality of life.

### **Methodology**

The population for this present study was borrowers of a prominent Malaysian microcredit provider in one of the states in Malaysia. As of 2017, there were about 45,000 borrowers and it is projected to escalate to 50,000 in the year 2020. According to Krejcie and Morgan (1970), the suggested sample size for this population is about 380 respondents. To assure that the number of respondents was not less than this size, approximately 500 questionnaires were personally sent to borrowers from 1<sup>st</sup> Mac to 31<sup>st</sup> May 2020. The respondents were randomly selected from the population list of the microcredit institution borrowers.

### **Research Design**

A pre-test was carried out prior to the final survey. In this phase, a total of twenty questionnaires were personally distributed to five experts in the field and fifteen microcredit borrowers. This was to assure that the language used in the instruments were clear, coherent and understandable. The pre-test was crucial to avoid any ambiguity in the instruments apart from assuring face validity. All items in the measurements were adapted from scales that had been tested and validated from prior study (Fayyaz et al., 2016). After taking all suggestions and comments, the questionnaire was revised and amended.

The questionnaire was divided into three segments. The initial segment was questions on respondent's demographic profile. The second segment was the question items to measure the microcredit program in its three domains namely loan size, loan tenure and training. Meanwhile, the third segment was the question items to measure dependent variable that was the quality of life in four improvements of life which was adopted from Fayyaz et al. (2016).

#### ***Measurement of Microcredit program***

Microcredit provides productive capital to help borrowers in generating income and thus elevating their quality of life. Emulating Fayyaz et al. (2016), the microcredit program was evaluated by three dimensions that were borrower's loan size, loan tenure and training. The borrowers were requested to state their loan size in the given scales. For loan size (LS), the scale is in the continuum of 1 to 5; 1 = (less than 10,000), 2 = (10,001-15,000), 3 = (15,001-20,000), 4 = (20,001-25,000), 5 = (25,001 or more). The scale for loan tenure is also in the range of 1 to 5; 1 = 1-12 months, 2 = 12-23 months, 3 = 24-36 months, 4 = 36-48 months, 5 = 48 months and more. Similarly, measuring the scale of training (T) is also from 1 to 5, 1 = 1 day, 2 = 2 days, 3 = 3 days, 4 = 4 days and 5 = 5 days and more.

#### ***Measurement of Quality of Life***



The quality of life was a focus and dependent variable of this study. It was measured based on four dimensions namely improvement in health life, improvement in economic life, improvement in familial life and improvement in household life. The measurements were constituents of 20 items which were adopted from Fayyaz et al. (2016). The improvement in health life includes four elevation of one's health. It consists of 4 question items: i) purchasing food such as grocery, fruits and clothing; ii) consumption of nutritious food such as dairy product, fruits and meat; iii) purchasing medicine as advised by doctor; and iv) ability to manage and handle work pressure.

The improvement in economic life consists of 4 question items: i) capability of paying utility bills such as rental and transportation costs; ii) involving with matters related to business; iii) participating in activities that generate income; and iii) personal saving. The improvement in familial life also consists of 4 question items: i) capability of managing spousal relations; ii) command is respected by family; iii) capability of providing quality time to the family; and iv) capability of socializing, visiting friends and relatives. The improvement in household life includes: i) number of room; ii) type of toilet; iii) accessibility to clean water; iv) number of home appliances; v) connected to electricity; vi) motor vehicle; vii) number of household assets; and viii) media and electrical gadgets. The items were gauged by 5-point Likert scales ranging from strongly dissatisfy (1) to strongly satisfy (5). Table 2 depicts the quality of life dimensions.

**Table 1. Quality of Life Dimensions**

Dimensions	Items	
Improvement in health	i. food (groceries, fruits, clothes)	
	ii. food consumption (dairy product, meat and fruit)	
	iii. ability to purchase medicine as suggested by doctors	
	iv. capable to manage work pressure	
Improvement in economy	i. capable to settle utility bills (rental and transportation)	
	ii. involving with matters related to business	
	iii. participating in income generated activities	
	iv. individual saving	
Improvement in family	i. capability to handle spousal relationship	
	ii. command is followed by family members	
	iii. capability to provide quality time for family	
	iv. capability to socialise with friends, relatives	
Improvement in household	i. number of rooms	ii. type of toilet
	iii. accessibility to tap water	iv. number of home appliances
	v. connecting to electricity	vi. motor vehicle
	vii. household assets	viii. media and electrical gadgets.

A total of 500 questionnaires were distributed either personally or through mobile phone sent in a google form to the respondents. A cover letter was attached to the questionnaire which briefly explained the objective of the study. The respondents were guaranteed that the information was for research purpose only and will be treated confidentially and anonymously. They were asked to answer immediately. The respondent who did not response after 1 week would be contacted by the researcher. They would be reminded on the importance of their feedback. Finally, after 1 month, 386 questionnaire were able to be collected, accumulating to 77.2 percent of response rate.

#### ***Binomial Logit Model***

A binomial logistic regression was used to predict the probability that respondent's quality of life would fall into one of the two categories either elevate or does not elevate. The Statistical Package for Social Sciences (SPSS) version 26 technique was utilised in analysing the data. The independent variables were microcredit with its three domains namely loan size (LS), loan tenure (LT) and training (T). Other variables namely age, marital status and level of education were included as control variables. Meanwhile, the dependent variable was quality of life in four improvements of life namely health, economy, improve family and household.

Model Quality of Life (QOL) contains microcredit and its three dimensions namely loan size, loan tenure and training as follows:

$$QOL_i = \beta_0 + \beta_1 \text{Loan Size}_i + \beta_2 \text{Loan Tenure}_i + \beta_3 \text{Training}_i + \beta_4 \text{Age}_i + \beta_5 \text{Marital}_i + \beta_6 \text{Education}_i + u_i \dots (1)$$

QOL was measured by four improvement in health, economy, family and household. It is then categorised into 2 categories namely 1 and 2. The value 1 indicated that the borrowers' QOL elevates, on the other hand, the value 2 indicated that the borrowers' QOL did not elevate.

#### **Findings**

All respondents were female and Malays. Three hundred and thirty respondents or 85.5 percent were married while the remaining 56 respondents or 14.5 percent were single, divorcee or widow. Forty one respondents or 10.6 percent had education of lower than high school and the balance of 345 or 89.4 percent respondents were higher than high school or SPM or equivalent to O-level. Three hundred and forty five respondents or 89.4 percent had education higher than high school (High school is equivalent to SPM or O-level).

**Table 2. Demographic Profile**

Profile	Frequency	Percentage (%)
<b>Age</b>		
35 years and below	189	49.0
Above 35 years	197	51.0
Total	386	100.0

<b>Marital Status</b>		
Single/Divorce/Widow	330	85.5
Married	56	14.5
Total	386	100.0
<b>Education</b>		
Lower than high school (equivalent to SPM or O-level)	41	10.6
Higher than high school	345	89.4
Total	386	100.0

### ***Quality of life, Loan Size, Loan Tenure, Training***

The respondent's quality of life was assessed based on four improvements in life that were health, economy, family and household. Loan size, loan tenure and training were independent variables while age, marital status and education were control variables.

Findings indicated that the data were within normal distributions. The means values were in the range of 1.65 to 3.78 with training that scored the highest. Meanwhile, the standard deviations were from 0.98 to 1.23, which were within normal distribution (George and Mallery, 2010). Table 3 depicts the means scores, standard deviations and reliability test of quality of life, loan size, loan tenure, training, age, marital status and education.

**Table 3. Means Score, Standard Deviations and Reliability Test of Quality of Life**

Variables	Min	Max	Mean Score	Standard Deviation
Quality of life	1	2	1.65	1.14
Loan size	1	5	3.64	1.05
Loan tenure	1	5	3.45	1.21
Training	1	5	3.78	1.11
Age	1	2	1.67	1.23
Marital Status	1	2	1.77	0.98
Education	1	2	1.86	1.13

### ***Results of Binomial Logistic Regression***

The results of binomial logistic regression equation indicated that loan size and training had significant impacts on respondent's quality of life. Other factors namely age and marital status also had significant impacts on respondents' quality of life. Table 3 depicts the findings of binomial logistic regression.

**Table 4. Binomial Logistic Regression**

Independent variable	Coefficient ( $\beta$ )	Exp ( $fx$ )	Valid	
			Statistics	Sig.
Constant	0.543	1.683	0.667	0.000
Loan Size	0.956***	2.563	34.432	0.000
Loan Duration	0.363**	1.038	0.070	0.048
Training	0.980***	2.964	54.856	0.000
Age	-0.402**	0.500	3.433	0.032
Marital Status	0.345**	0.720	0.575	0.043
Education	0.154	1.106	0.123	0.793

## Discussion

The aim of this study is to investigate the impacts of microcredit on the elevation of borrowers' quality of life in four life improvements. These include improvement in health, improvement in economy, improvement in family and improvement in household. The impacts of microcredit are measured in three dimensions namely loan size, loan duration and training.

Hypothesis 1 predicts that loan size has an impact on the elevation of borrowers' quality of life. Findings supported the hypothesis (H1:  $\beta_1 = 0.956^{***}$ ,  $p < .000$ ) that the higher the loan size, the higher is the elevation of borrowers' quality of life. The findings are in tandem with prior studies (Adnan and Ajija, 2015; Ahamad et al., 2016; Al-Mamun et al., 2011; Al-Mamun et al., 2012; Fayyaz et al., 2016; Haque et al., 2019; Jumbri et al., 2020; Terano et al., 2015) but inconsistent with Chaudry and Che Mohd Salleh (2017).

Indeed, the loan provided by microcredit program is a source of capital to the borrowers. The higher the capital provided by the microcredit program, the higher will be the borrowers' ability to expand their business and thus earn higher return. They can reinvest and spend part of the return to elevate their quality of life. This is because they have the ability to purchase stuffs for comfort life such as health care, nutritious food and households. Additionally, the relationship with family members will also improve as they are able to provide a comfort living.

Hypothesis 2 predicts that loan tenure has an impact on the elevation of borrowers' quality of life. Findings showed that loan tenure was significantly and positively related to borrowers' quality of life (H2:  $\beta_2 = 0.36$ ,  $p < .05$ ). The findings concurred with prior studies (Adnan and Ajija, 2015; Ahamad et al., 2016; Al-Mamun et al., 2011; Al-Mamun et al., 2012; Jumbri et al., 2020; Terano et al., 2015) but they did not support Fayyaz et al. (2016).

In other words, those who have longer involvement with microcredit program will have a greater likelihood of creating better business. They will be assisted on how to earn higher income and are able to manage themselves for a better quality of life. Furthermore, the longer the loan tenure, the lesser will be the monthly payment and hence less burden to the borrowers. Prolonged participation will help the borrowers

to be experienced and matured in managing the elevation of four improvements in life namely health, economy, family and household.

Hypothesis 3 predicts that training has an impact on the elevation of borrowers' quality of life. Findings indicated that training was found to be positive and related to the elevation of borrower's quality of life ( $H3: \beta_3 = 0.980^{***} p < .000$ ). The results are consistent with prior studies (Adnan and Ajija, 2015; Ahamad et al., 2016; Al-Mamun et al., 2011; Al-Mamun et al., 2012; Fayyaz et al., 2016; Haque et al., 2019; Jumbri et al., 2020; Terano et al., 2015).

In other words, the higher the training, the higher is the likelihood on the elevation of borrowers' quality of life. Those who attended more training are more likely to be knowledgeable, skilful, motivated, confidence; thus, they are capable to elevate their quality of life. They can manage their business efficiently and channel resources for the comfort of their life.

Other factors namely age and marital status were also found to influence borrowers' quality of life. Age was negatively and significant related to the quality of life ( $\beta_1 = -0.402^{**}, p < .05$ ). The findings concurred with prior studies (Fayyaz et al., 2016; Mohamed and Fauziyyah, 2020) that the older is the borrower, the lesser will be the elevation on the quality of life.

However, this does not mean that the microcredit should prioritize young borrowers. Young borrowers should be given more fund as they are more energetic, motivated to succeed and resilient. They strive to work, ready to face any challenges, risk and uncertainties in pursuit to succeed. Senior borrowers, on the other hand, should be given more training and supervision so that they would be on par with the young borrowers.

Marital was positively related to the elevation of borrower's quality of life ( $\beta_1 = 0.956^{***}, p < .000$ ), which is consistent with prior studies (Fayyaz et al., 2016; Samer et al., 2015). This is because, those who are in marital status strive to work hard as they feel responsible to support and provide a comfort life for their family.

### **Implication to management**

The study provides an insight to the management on the importance of increasing loan size, extending loan tenure and providing training on the elevation of borrowers' quality of life. The loan size should be granted according to the requirement and progress of the business. The longer the tenure of the loan, the longer the borrowers will be engaged and connected to the program. Hence, prolonged relationship will increase borrowers' self-esteem, confidence and ability to elevate their quality of life.

The management should also consider providing continuous and sufficient trainings to the borrowers. Training will enhance the borrowers' confidence level, knowledge and assist them in managing resources and personal affairs for the betterment of their life.

### **Implication to the Academic**

The study contributes to the body of knowledge on the impacts of microcredits on the elevation of borrower's quality of life in four life improvements. The four life improvements are aligned to the living standard as proposed by Global Multi-dimensional Poverty Index (Oxford, 2016) that integrates material and non-material elements. The four improvements in life are expected to provide holistic, comprehensive and universal views of quality of life; thus, it can be implemented for all regardless of ethnicity, culture and faith.

### **Conclusion**

Findings indicated that microcredit program in its three dimensions namely loan size, loan tenure and training has significant impacts on the elevation of borrowers' quality of life. The elevations on the quality of life are indicated by four improvements in life that are health, economy, family and household. Increasing loan size, extending loan tenure and educating borrowers via training will connect and engage them with the program. The higher the connection, the better will be the borrowers' competency and thus empower them to manage and elevate their quality of life. The discoveries provide competent insights to the policy makers, microcredit providers, microcredit borrowers and the like in which a concerted effort should be played by them in enhancing borrowers' life. Eventually, it is hoped that the aspiration of Malaysian Shared Prosperity 2030 and sustainable development goals of ending poverty and hunger as well as elevating the quality of life of the poor will be realised in due time.

### **Limitation and Recommendation for Future Study**

Although the study has contributed to the body of knowledge, few limitations have been noted. First, this study is a cross sectional survey whereby the data were collected in one point of time. Although borrowers' quality of life can be examined, the study cannot assess their pre and post status. The differences in the status are important in determining the progress of the borrowers' quality of life before and after participating in the program. As such, future study is recommended to carry out a longitudinal survey to examine the impact of microcredit on the borrowers' quality of life in pre and post events.

Second, the study is conducted among borrowers from a Malaysian microcredit institution. The findings may not be similar and applicable to other microcredit institutions. A comparative study is suggested to be conducted in other microcredit institutions either locally or internationally. The diversities and similarities in findings are interesting to be explored and discovered.

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## OCENA SKUTECZNOŚCI PROGRAMU MIKROKREDYTÓW W ZWIĘKSZANIU JAKOŚCI ŻYCIA POŻYCZKOBIORCÓW W MALEZJI

**Streszczenie:** Program mikrokredytów oferuje kapitał produktywny i społeczny, umożliwiający ubogim osiągnięcie sukcesu jako przedsiębiorca. Program ten jest częścią strategii eliminacji ubóstwa przyjętych przez wiele krajów w celu wyprowadzenia ubogich z pęt ubóstwa, a tym samym podniesienia jakości ich życia. Chociaż program został wprowadzony w Malezji od ponad trzech dekad, bieda w tym kraju utrzymuje się. Celem badania, wywołanego problematyką, jest zbadanie wpływu programu mikrokredytów na poprawę jakości życia kredytobiorców. Mikrokredyt jest oceniany na podstawie trzech wymiarów, a mianowicie wielkości pożyczki, okresu pożyczki i szkolenia. W międzyczasie jakość życia oceniana jest na podstawie czterech ulepszeń życia, a mianowicie zdrowia, ekonomii, rodziny i gospodarstwa domowego. Dane zebrano od 386 kredytobiorców malezyjskiej instytucji udzielającej mikrokredytów i przeanalizowano je za pomocą dwumianowego modelu logitowego. Ustalenia wskazały, że wielkość pożyczki, okres jej obowiązywania i szkolenie miały znaczący wpływ na poprawę jakości życia pożyczkobiorców. Te odkrycia dostarczają przydatnych spostrzeżeń decydentom i podmiotom udzielającym mikrokredytów, w których zwiększenie kwoty pożyczki, wydłużenie okresu spłaty pożyczki i dostateczne szkolenie poprawiłoby życie pożyczkobiorców. Dodatkowo wykształcenie pożyczkobiorców w zakresie odpowiednich umiejętności, wiedzy i technologii przygotowuje ich do stawienia czoła wyzwaniom i niepewnościom w cyfrowym świecie. Stąd mikrokredyt jest niezbędną inwestycją, aby przyspieszyć dążenie malezyjskiego rządu i cele Narodów Zjednoczonych do



zrównoważonego rozwoju w zakresie zakończenia głodu i ubóstwa, a także podniesienia jakości życia ubogich.

**Słowa kluczowe:** życie, wielkość kredytu, okres spłaty kredytu, mikrokredyt, ubóstwo, program, szkolenie, jakość.

### 评估小额信贷计划在提高马来西亚借款人生活质量方面的效力

**摘要:** 小额信贷计划提供生产性和社会资本,使穷人有能力成为成功的企业家。该方案是许多国家采取的消除贫困战略的一部分,该战略旨在使穷人摆脱贫困的束缚,从而提高其生活质量。尽管该计划已经在马来西亚建立了三十多年,但该国的贫困依然存在。受这些问题的触发,研究的目的是调查小额信贷计划对提高借款人生活质量的影响。小额信贷的评估基于三个维度,即贷款规模,贷款期限和培训。同时,通过改善健康,经济,家庭和家庭的四个方面来评估生活质量。数据是从马来西亚小额信贷机构的386名借款人那里收集的,并使用二项式Logit模型进行了分析。调查结果表明,贷款规模,贷款期限和培训对提高借款人的生活质量有重大影响。这些发现为决策者和小额信贷提供者提供了有用的见解,在这些领域中,增加贷款规模,延长贷款期限和进行足够的培训将延长借款人的生活。此外,对具有适当技能,知识和技术的借款人进行教育将使他们做好准备,以面对数字世界中的挑战和不确定性。因此,小额信贷是一项必不可少的投资,可加快马来西亚政府和联合国可持续发展目标的愿望,以消除饥饿和贫困以及提高穷人的生活质量。

**关键词:** 生活, 贷款规模, 贷款期限, 小额信贷, 贫困, 计划, 培训, 质量。