

# **Factors Affecting Performance of Sahabat Amanah Ikhtiar Malaysia (AIM) Pendang Branch**

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## **Abstract**

*This study aims to determine which predictors influence the performance of Sahabat Amanah Ikhtiar Malaysia (AIM) Pendang Branch. This research focuses on four variables that influence Sahabat performance: age, geography, marital status, and engagement period. The study's sample was drawn from the AIM Pendang branch, which covers operational blocks in Ayer Puteh, Kubur Panjang, Padang Durian, Padang Kerbau, Padang Pusing, Pokok Tai, Sungai Tiang, Tanah Merah, Tobiar, and Tokai. The data for the analysis came from the Amanah Ikhtiar Malaysia Pendang Branch database and the Sahabat Financial System (SAFIS) database. The data were analyzed using descriptive statistics and hypothesis testing in version 20 of the IBM Statistical Package for Social Science (SPSS) software. The results suggest that geography is significant to performance, while age, marital status, and period of engagement are not. In conclusion, the geography factor has an impact on the performance of the Sahabat Amanah Ikhtiar Malaysia (AIM) Pendang Branch. Future research should, as a recommendation, cover the entire state of Kedah.*

Keywords: *Performance, engagement, Amanah Ikhtiar Malaysia*

## **Introduction**

As a rapidly developing nation, Malaysia aspires to improve its people's quality of living and economy. The business sector has made a significant contribution to a country's economic development. This industry has become a popular option among Malaysians. Entrepreneur engagement in entrepreneurship will improve national economic growth, create job opportunities and minimize unemployment.

Malaysia has taken several initiatives and introduced various strategies to boost the performance of entrepreneurs since the implementation of the New Economic Policy (NEP). Agencies such as the Ministry of Entrepreneur & Cooperative Development (MeCD), Small and Medium Industry Development Corporation (SMIDEC), the Economic Business Group Fund (TEKUN), and Amanah Ikhtiar Malaysia (AIM) were founded to carry out a variety of programs, including entrepreneurship training. Various financial funds dedicated to assisting entrepreneurs in increasing their companies, such as MeCD, TEKUN, AIM, and SME Bank, provide loan facilities to help entrepreneurs boost their performance and become influential entrepreneurs. Loans from SME Bank, for example, are not capped, but they are dependent on the project's progress and the needs of the company involved, as well as the company's ability to fund medium-sized projects, with a lesser emphasis on small and micro-business projects. Entrepreneurs will be able to compete more effectively with the aid of this agency.

Microfinance refers to the issuance of small sums of credit to the vulnerable and others who lack collateral, financial records, or credit history (Haque, Siwar, Bhuiyan, & Joarder, 2019). Amanah Ikhtiar Malaysia (AIM) is one of Malaysia's largest microfinance institutions. AIM establish in September 1987 as a result of the Ikhtiar Project, an action research project funded by the Asia and Pacific Development Centre (APDC), the Islamic Economic Development Foundation of Malaysia (YPEIM), and the Selangor State Government and carried out by the Centre for Policy Research of University Science Malaysia (USM). AIM is registered under the Trustees (Incorporation) Act 1952, as modified in 1981 (Act 258), and provides a small mortgage to low-income Malaysian households (Raheem & Meera, 2018). The Ikhtiar Project was formed in 1986 based on the Grameen Bank model, with minor adjustments. The main objective of its establishment was to uplift households out of poverty by providing small loans. In implementing its operation, AIM receives financial support from Yayasan Pembangunan Ekonomi Islam Malaysia (YPEIM), Ministry of Rural Development, Ikhtiar Project Fund, and private institutions (Nawai & Mohd Shariff, 2007).

The AIM Pendang branch has been actively funding many funds to Sahabat given by Amanah Ikhtiar Malaysia's Headquarters. Sahabat is a small-scale entrepreneur who, through hard work and dedication, can produce a credible result. Many of them struggled to remain alive due to a lack of funding and business acumen. This study aimed to see a relationship between age, geography, marital status, and periods of engagement with AIM and Sahabat's performance, as shown below:

- i. To identify the relationship between the age of Sahabat AIM Pendang with their performance.
- ii. To identify the relationship between the geography factor of Sahabat AIM Pendang with their performance.
- iii. To identify the relationship between the marital status of Sahabat AIM Pendang and their performance.
- iv. To identify the relationship between the engagement periods of Sahabat AIM Pendang with their performance.

## **Literature Review**

Sahabat AIM's performance is measure in terms of income. The micro-credit program developed by AIM can help the Sahabat AIM diversify their sources of income from their businesses. The previous study revealed that after joining the microcredit program, the rural women in Bangladesh improved their livelihood status significantly (Ahmed, Siwar, Idris, & Begum, 2011). Moreover, the monthly average income of the respondents with credit is US\$27.6, which is three times higher than that of the respondents without credit, which was US\$7.9. Recent research also indicates that the higher income of the women borrowers helped considerably raise the income level of their households and thus helped them reduce vulnerability more effectively than the women who did not borrow (Haque, Siwar, Bhuiyan, & Joarder, 2019). Credit showed to have contributed to an increase in respondents' average monthly household income over the last five years. The respondents' average monthly income five years before the study was RM516.15, while their average monthly income at the time of the study was RM1765.86. In addition, the respondents' household income increased by 242.12% in five years. As a result, AIM's micro-credit plan aims to fund measures to boost income and empower the poor to improve Sahabat's performance.

Previous studies have also examined the relationship of demographics with the Sahabat's performance, including age, period of engagement, and marital status (Duasa & Zainal, 2020; Hamdan, Othman, & Wan Hussin, 2012; Haque, Siwar, Ghazali, Bhuiyan, 2018; Tammili, Mohamed, & Terano, 2018,). The studies of the relationship between age with Sahabat's performance showed mixed findings. The previous study that investigate the impact of AIM microcredit on the total income of borrower's households in the East Coast Region, Malaysia showed a negative influence of the age of respondents on the total family income (Haque et al., 2018). In addition, another study revealed that age negatively and significantly affects per capita income only at middle and lower quantiles but not at higher quantile of per capita income (Duasa & Zainal, 2020). These results indicate that young participants of AIM contribute to higher per capita income when per capita income is at lower and middle levels but not at a higher level of per capita income. Another study found that married couples between the ages of 41-50 seem to be the most successful microcredit recipients compared to single or younger recipients (Hamdan

et al., 2012). This result could be due to their experiences and good team spirit as they work together to improve their business. The AIM microcredit program positively impacted households and poverty reduction in Kedah, specifically among married participants between 40-49 years (Omar, Noor, & Dahalan, 2012).

The study of the relationship between the number of years involved in AIM with the total family income showed a positive and significant result (Haque et al., 2018). Another study involved 495 members of AIM located in urban Malaysia found that the borrowers who accessed microcredit earlier are more likely to generate more income and assets compared to those who received loans lately and those who have not yet received a loan (Al-Shami, Majid, Mohamad, & Nunulizwa, 2017). In addition, the study on the effect of access to AIM microcredit on women household income in urban and rural Selangor and Melaka provinces in Malaysia indicates that access to AIM microcredit has a positive impact on old clients' household income as compared to new clients (Samer, Majid, Rizal, Muhamad, & Rashid, 2015). Nevertheless, a previous study revealed no significant relationship between marital status and the income-to-investment ratio (Tammili et al., 2018). Furthermore, the relationship between Sahabat's location and their performance continues to elude researchers' attention. As a result, the hypothesis concerned with Sahabat's performance has been formulating as follows:

*Hypothesis: There is a significant relationship between age, engagement period, marital status, geography, and performance.*

## **Methodology**

This research is classified as a descriptive quantitative study design to gather data to be analyzed to answer questions about the extent of the relationship between the variable in consideration. The unit of analysis is an individual who is the Sahabat (Amanah Ikhtiar Malaysia Member). This study consist of 341 Sahabat from 3453 Sahabat AIM Pendang Branch in Kedah State, who formed the target population. The researcher chose this target population because we want to see the significance of performance related to age, geography, engagement period of Sahabat, and marital status. Based on Krejcie & Morgan's (1970) table for determining sample size for a given population of 3453, a sample size of 341 would be needed to represent the population.

The data sources use a database from Amanah Ikhtiar Malaysia Pendang Branch in Sahabat and Financial System (SAFIS). The IBM Statistical Package for Social Science (SPSS) version 20 was used to analyze data from SAFIS. This study used a descriptive and inference analysis to determine factors affecting the performance of the Sahabat AIM Pendang Branch.

## **Finding**

### **Normality Test**

An assessment of the normality of data is a prerequisite for many statistical tests because normal data is an underlying assumption in parametric testing. The well-known tests of normality, namely the Kolmogorov-Smirnov Test and the Shapiro-Wilk Test, were used in this study. The Shapiro-Wilk Test is more appropriate for small sample sizes (< 50 samples) but can also handle sizes as large as 2000. For this reason, this study was used the Shapiro-Wilk test as numerical means of assessing normality. If the significant value of the Shapiro-Wilk Test is greater than 0.05, the data is normal. If it is below 0.05, the data significantly deviate from a normal distribution. The result of normality testing is present in Table 1. As the significant value under the Shapiro-Wilk column is below 0.05, the data used in this study is not normally distributed

Table 1: *Normality Test*

	Kolmogorov-Smirnov <sup>a</sup>			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Performance	.160	341	.000	.890	341	.000

a. Lilliefors Significance Correction

## Descriptive Analysis

This section describes each study variable descriptively by analyzing 341 Sahabat AIM Pendang Branch.

### Age

Figure 1 shows the level of age. The respondents aged 48 to 57 years comprise 32.6%, whereas 38 years until 47 comprise 35.8% of the total. Those to 58 years and above are 14.7 %. Other than that, age 18 years until 27 years are less than 3%.

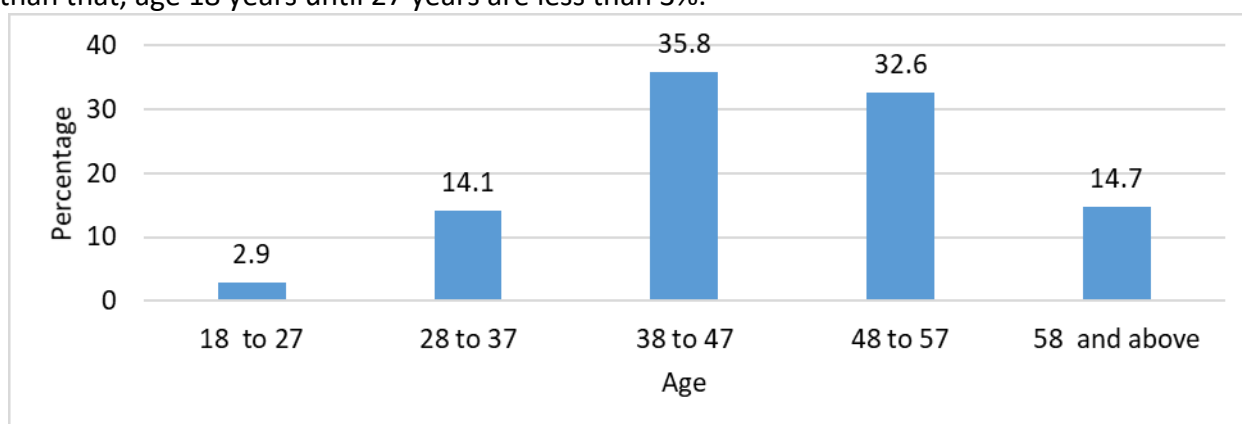


Figure 1: *Description of Samples Age*

### Geography

Figure 2 shows the location of Sahabat of the AIM Pendang Branch. The frequency shows that the Sg Tiang is a higher frequency of 48 respondents with 14.1%. The Pokok Tai had a low frequency of 27 respondents, with 8.5% being Sahabat AIM.

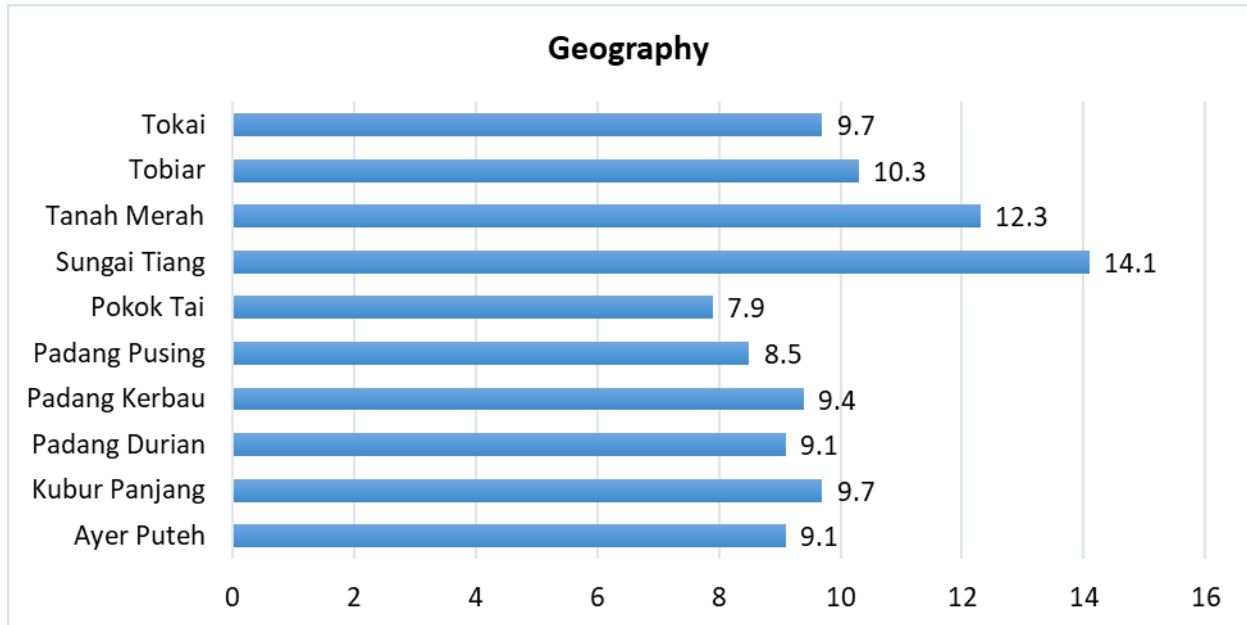


Figure 2: Description of Samples Geography

### Marital Status

Figure 3 shows the distribution of respondents by marital status. Most Sahabat is married (95.6%), and the rest are single mothers (4.4%).

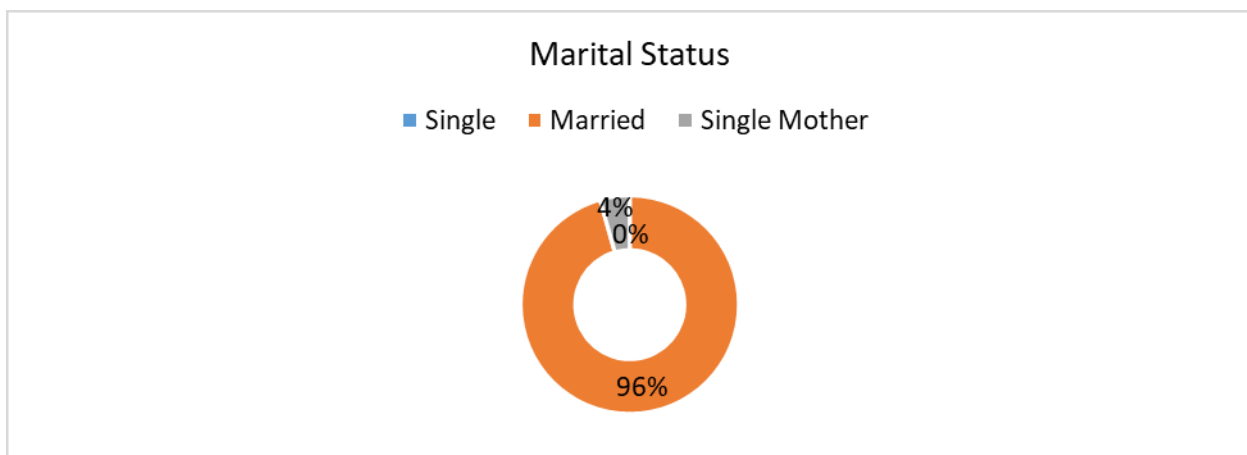


Figure 3: Description of Samples Marital Status

### Period of Engagement

Figure 4 shows the engagement period of Sahabat AIM. Many Sahabat had an engagement period with AIM ranging from 6 to 9 years (26.7%). Only 15% have joined AIM under five years.

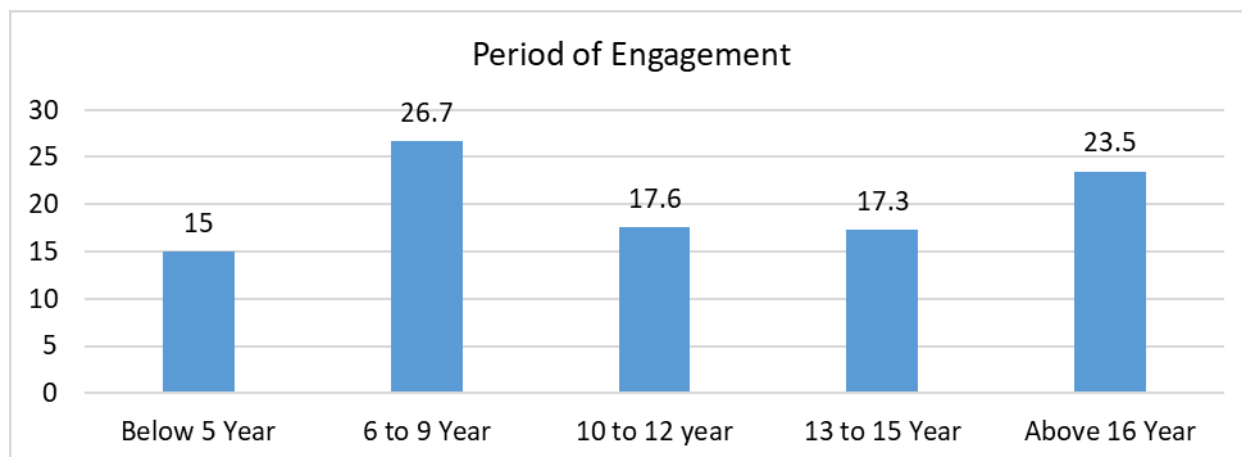


Figure 5: Description of Samples Engagement with AIM

### Performance

Figure 6 shows the performance of the Sahabat AIM Pendang Branch. The performance of Sahabat refers to the total net income of Sahabat AIM from their business activities. Findings show that 25.5% of Sahabat have a net income between RM4001 to RM 5000, whereas 23.8% have a net income below RM3000. Furthermore, 12% of Sahabat have a net income between RM6001 to RM7001, 10.3% are between RM3001 to RM4000, and a net income between RM5001 to RM6000 is only 8.8%.

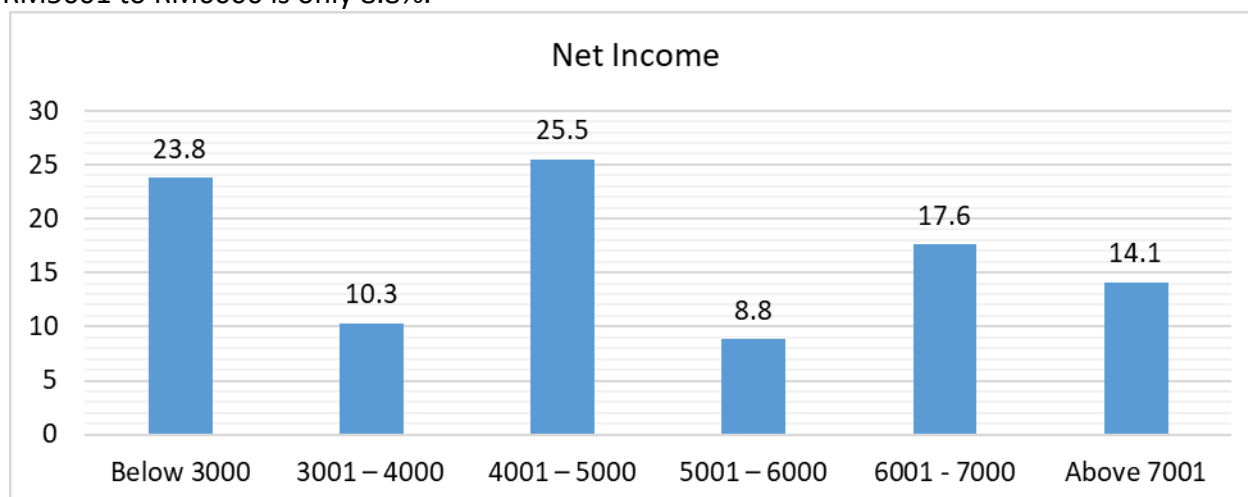


Figure 6: Description of Samples Net Income

### Hypotheses Testing

Spearman A and Kruskal-Wallis correlations were run to determine the relationship between the independent and dependent variables. Table 2 shows the Spearman correlation, its significance

value, and sample size. There was a weak relationship between age and performance of AIM Sahabat, which was not statistically significant ( $r_s = 0.028$ ,  $p = 0.607$ ). Based on this result, hypothesis 1 is rejected.

Table 2  
*Correlation between Age and Performance*

			Performance	Age
Spearman's rho	Performance	Correlation Coefficient	1.000	.028
		Sig. (2-tailed)	.	.607
		N	341	341
	Age	Correlation Coefficient	.028	1.000
		Sig. (2-tailed)	.607	.
		N	341	341

Next, Spearman's rank-order correlation was run to determine the relationship between the period of engagement and the performance of Sahabat AIM. Table 3 presents a weak correlation period of engagement and performance of Sahabat AIM, which was not statistically significant ( $r_s = -0.008$ ,  $p = 0.884$ ). Based on this result, hypothesis 2 is rejected.

Table 3  
*Correlation between Period of Engagement and Performance*

			Performance	Engagement
Spearman's rho	Performance	Correlation Coefficient	1.000	-.008
		Sig. (2-tailed)	.	.884
		N	341	341
	Engagement	Correlation Coefficient	-.008	1.000
		Sig. (2-tailed)	.884	.
		N	341	341

Table 4 below presents the correlation between marital status and performance of Sahabat AIM for Pendang Branch. A Kruskal-Wallis H test showed no statistically significant difference between marital status and performance of Sahabat AIM,  $\chi^2(1) = 0.707$ ,  $p = 0.401$ . Based on this result, hypothesis 3 is rejected.

Table 4



**Correlation between Marital Status and Performance**

<b>Test Statistics<sup>a,b</sup></b>	
	Performance
Chi-Square	.707
Df	1
Asymp. Sig.	.401

a. Kruskal Wallis Test

b. Grouping Variable: MaritalSt

As indicated in Table 5, a Kruskal-Wallis H test showed a statistically significant difference between geography or location of Sahabat AIM, specifically Pendang Branch, and performance,  $\chi^2(9) = 65.466$ ,  $p = 0.001$ . Based on this result, hypothesis 4 is supported.

Table 5

**Correlation between Geograph and Performance**

<b>Test Statistics<sup>a,b</sup></b>	
	Performance
Chi-Square	65.466
Df	9
Asymp. Sig.	.000

a. Kruskal Wallis Test

b. Grouping Variable: Geography

**Summary of Findings**

As a summary of the findings, Table 6 summarizes the results of the hypotheses tested in this study.

Table 6

**Summary of Hypothesis Testing**

<b>Hypothesis</b>	<b>Statement</b>	<b>Supported / Rejected</b>
H1	There is a significant relationship between age and	Rejected

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	performance.	
H2	There is a significant relationship between the period of engagement and performance.	Rejected
H3	There is a significant relationship between marital status and performance.	Rejected
H4	There is a significant relationship between geography and performance.	Supported

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## Discussion and Conclusion

The finding showed that the link between age and performance is insignificant. This result is because Sahabat's age has no bearing on their ability to obtain AIM funding. AIM will grant funding to anyone who meets the requirements. Among the conditions of the group's approval including people of the same gender, no blood relation, consciousness, trustworthy and agree to be a member of the group. Furthermore, some Sahabat AIM is in their 50s and 60s, and their income is far more than that of youthful Sahabat. It is because they have already worked in the industry for a while. On the other hand, the younger generation can employ internet-based facilities for their business, such as online marketing, e-commerce platforms, and social media.

The period of engagement and performance also has an insignificant relationship. AIM's focus has shifted from the impoverished to the Bottom 40 (B40). Compared to the impoverished who utilized AIM loans to start a business, most B40 groups have been in business for a long time and have borrowed from AIM to grow or raise cash. The association between marital status and performance is insignificant. This result is because persons of all marital statuses, whether married or single mothers, have an equal chance of receiving funding from AIM, which Sahabat may utilize to expand their business and boost their family's income.

There is a strong link between geographic location and performance. This finding is because AIM shows that Sg Tiang has a greater frequency of 48 respondents (14.1%). This region has a better Sahabat rating since it is adjacent to Pendang town, making it simple to start a small business. Before deciding on a place for their functional area, AIM had to assess several factors, including the intended operation location's ability to use money, local economic activity, and population density. As a Felde area with a large population, it is unsurprising that Sg Tiang performs better than other regular village areas. Furthermore, this area may provide them with other business opportunities.

Several recommendations can be made based on the findings of this study. First, the study's findings demonstrated that geography impacts Sahabat AIM Pendang Branch's performance. Following these findings, the study suggests that AIM management allocate more of their loan amount for location based on the higher percentage outcome in this study. The Sahabat's income was unaffected by their age, marital status, or engagement period. The management must develop ways to increase their income by providing entrepreneurship training, a networking ecosystem, and a platform for marketing such as Lazada for Sahabat. AIM also needs to motivate people by encouraging the Sahabat AIM to raise additional funds to continue.

In addition, with the capital resources supplied by AIM, periodic incentives by location for full-time homemakers must be made, and houses can reduce the burden of families while improving their performance. AIM loans enable these housewives to run modest companies. After supplying them with funding, the entrepreneurial unit should provide them with supervision and training to guarantee that their firm functions successfully. If they have trouble, the AIM must respond quickly to alleviate the situation because some business owners are inexperienced in managing their operations.

This research contributes significantly to our understanding of the elements that influence the performance of the Sahabat AIM Pendang Branch. The researcher presents numerous recommendations for further research as a result of this study. The performance of Sahabat as influenced by its location is the subject of research. Future researchers may use a descriptive research study design to see if performance in Sahabat AIM Kedah influences other factors. Researchers in the future should concentrate on the entire state of Kedah.

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