Prifysgol Cymru
Y Drindod Dewi Sant
University of Wales
Trinity Saint David

EXPLORING THE CHALLENGES FACED BY MICROFINANCE INDUSTRY IN FACILITATING ECOSYSTEM FINANCING FOR MICROENTERPRISES IN MALAYSIA

by

ROSZY NON

1711639

Submitted in fulfilment of the Requirements for the

DOCTOR OF BUSINESS ADMINISTRATION (DBA)

February 2023

ABSTRACT

The alleviation of poverty is the most challenging task that is faced by all countries. One of the effective tools to alleviate poverty, applied across nations, is microfinance. Microfinancing is one of the most effective tools being used to alleviate poverty in most nations, including Malaysia. Microfinance services began with a single product, the microcredit small loan facility, which later evolved into a range of financial services along with non-financial services. Since then, there have been many spinoffs from developments in microfinance, such as the diversity of microfinance models and products. Likewise, there have been similar efforts made in Malaysia. Despite the efforts, participation by microenterprises remains low in comparison to small and medium enterprises. Thus, this study intends to analyse and better understand the challenges faced by microenterprises with the aim of developing a conceptual model for the microfinance ecosystem to increase their participation. This study involves qualitative research using one-to-one interviews with microenterprises, focus group discussions with industry participants, and case studies of selected microfinance institutions. The research is an exploratory study with purposive sampling using simple random clustered sampling. Firstly, the study discovered that microenterprises' low participation is mainly due to differing beliefs, negative perceptions, and unfavorable experiences. Secondly, the study used thematic analysis to identify five main challenges faced by microenterprises, including a lack of knowledge and skills, poor management practices by microfinance institutions, inadequate outreach efforts, insufficient social support systems, and ongoing problems with business sustainability. Thirdly, the study proposes a conceptual model that integrates core functions, rules, and supporting functions through a market system approach to address the challenges faced by microenterprises. This approach ensures a coherent and continuous flow of activities. Finally, the study contributes to existing literature on microfinance in Malaysia by identifying key elements and challenges of the industry, providing practical insights to stakeholders for developing effective strategies. It proposes a model for an inclusive microfinance ecosystem and underscores the importance of education and tailored approaches due to heterogeneity of microenterprises while suggesting that government and donor agencies act as facilitators rather than core players. The study also lays a foundation for future research, including comparative studies and assessment of the proposed model's applicability.

ACKNOWLEDGEMENT

I would like to express my heartfelt gratitude to my beloved family who have been my pillars of strength throughout my academic journey. I appreciate their unwavering support and encouragement, even when it meant sacrificing our precious family time. Their love and sacrifices have been the driving force behind my achievements, and I could not have done this without them.

I would also like to extend my sincere appreciation to my supervisor, Professor Dr. Wan Norhayate binti Wan Daud, for her continuous guidance, motivation, and support throughout the course of my research. Her valuable insights and suggestions have been instrumental in shaping my ideas and improving the quality of my work.

Furthermore, I would like to acknowledge the contribution of my professor in the DBA course, Dr. Lester Massingham, and all the faculty staff involved from UWTSD, LSC UK, and LSC KL for their invaluable support and encouragement. Their expertise and commitment have helped me navigate the challenges and complexities of this academic journey.

Once again, I am deeply grateful to everyone who has played a part in making this thesis a success. Thank you all for your unwavering support and belief in me.

DECLARATION

Note: This page is removed for confidentiality.

TABLE OF CONTENT

LIST OF TABLES

LIST OF FIGURES

LIST OF ACRONYMS

AFBI	Asian Development Bank Institute
AFI	Alliance for Financial Inclusion
BNM	Bank Negara Malaysia
BRAC	Bangladesh Rural Advancement Committee
CGAP	Consultative Group to Assist the Poor
DOSM	Department of Statistics Malaysia
MIX	Microfinance Information Exchange
MFI	Microfinance Institution
ME	Microenterprise
MSME	Micro, Small & Medium Enterprise
NGO	Non-Governmental Organisation
SMEs	Small and medium enterprises
SDG	Sustainable Development Goal
SHGC	Self-Help Group Community

CHAPTER ONE

INTRODUCTION

1.1 Background of Research

Poverty is one of our generation's most difficult problems. All countries are continually discussing strategies to relieve poverty in local and international forums. The poorest households in underdeveloped countries are the most vulnerable, with few options and few chances to survive; illness in a family member or a poor crop owing to major weather changes can bring severe economic suffering.

In 2015, the United Nations Development Program (UNDP) pledged to eliminate poverty in all its forms worldwide as one of 17 sustainable development objectives to ensure that no one is left behind. Around the world, there are numerous participatory and community-based development projects that assist people who are impoverished or at risk of becoming poor. These projects' main purpose is to assist the poor and vulnerable.

Poverty eradication in all its forms was one of the 17 Sustainable Gevelopment goals established (SDG) by the United Nations Development Programme (UNDP) in 2015. The SDG is the blueprint established by United Nations to achieve a better and more sustainable future in propelling a fairer and more just world. The SDG is a collection of 17 goals which was designed by the United Nations General Assembly in 2015 and aimed at being achieved by the year 2030. The concept of SDG focuses on fulfilling human development with simultaneously focuses on preserving natural resources and ecosystems in which the entire world relies on. In general, the scope of SDG encompasses economic growth, social inclusion and environmental protection. This study relates to largely on SDGs of Goal 1 (No poverty), Goal 5 (Gender Equality), Goal 8 (Decent Work and Economic Growth) and Goal 10 (Reduced Inequalities) through the provisions of microfinancing in products and services to the poor including the women and the community as a whole.

In this connection, poverty alleviation efforts and programmes are being undertaken all over the world, with the primary goal of eradicating poverty among the poor and disadvantaged through a variety of participatory and community-based development projects. Poor people will be more likely to lose jobs, businesses will close, services will be disrupted, and living costs will rise as a result of a pandemic, to name a few things.

Almost all of the progress made in the past five years will be wiped out by the current crisis. Depending on the intensity of the economic shock and the rate of recovery, 40 million to 60 million people will slip into severe poverty (living on less than $1.90 per day) by 2020, according to the World Bank. By 2020, the global extreme poverty rate could increase by 0.3 to 0.7%, to roughly 9%. So long as most poor people are found in rural areas with little or no education, work in agriculture, and are under the age of 18, the fight to end extreme poverty is not over.

Whatever the case may be, the fight against poverty must continue with tenacity and persistence. Microfinance is a common strategy used to alleviate poverty in many countries. Microfinance has been proved to be a successful instrument in eradicating poverty, according to various experts (for example, Khandker 2003; Gertler, Levine, & Moretti 2003; Park & Ren 2001). Several microfinance programmes, including Grameen Bank in Bangladesh, Bank Rakyat Indonesia in Indonesia, and the Foundation for International Assistance (FINCA) in Washington, DC, have proved this matter.

The United Nations supported microfinancing as one of the measures to reduce the number of people living in poverty in 2015 because of its broad effectiveness. Many academics and policymakers believe that microfinance will benefit the poor, particularly women, by not only assisting them in supporting their income-generating activities but also by boosting their self-confidence, which will encourage them to start their own enterprises.

Microfinance began with a single product, microcredit, and has now expanded to cover a variety of financial and non-financial services. Dr Muhammad Yunus, a Nobel Laureate, coined the terms "microcredit" and "microfinance" in 1976, illustrating how conducting business with the poor might benefit all stakeholders by providing modest loans to entrepreneurs who couldn't secure standard bank loans. Grameen Bank is a Bangladeshi bank that provides loans to underprivileged Bangladeshi women who have a 90% repayment rate. The bank is a Bangladeshi microcredit institution that provides modest sums of money to people who are unable to obtain loans from other banks due to a lack of sufficient collateral.

About 7,000 microlenders with 25 million customers have been assisted by banks around the world (Crabb and Keller, 2006). In 2018, there were 139.9 million borrowers benefited from the services of MFIs compared to 98 million in 2009 with estimated credit portfolio of $124 billion according to MIX. The global market for microfinance has grown to $157 billion in 2020 and expected to reach $304 billion in 20206 reported by Research and Markets, (2022). Some of the major factors contributing to the expansion include the women across rural areas reported by Globe Newswire (2020). Microlending has strengthened the economic rights of women while also contributing to national growth. For instance, the Grameen Bank reported in Annual Report 2020 has $36 billion in outstanding loans, with women accounting for the majority of the borrowers. The $2.7 billion bank has 2,568 branches and serves 81,678 villages, accounting for more than half of Bangladesh's entire population. A $459 loan is the average amount borrowed. Rural Bangladesh's economic activity has risen significantly since the bank was established, despite a countrywide literacy rate of 74%, with 728% of those being women according to UNESCO (2020).

The bank is now supporting the funding of renewable energy projects in 30 Bangladeshi rural communities, as well as providing loans to enable individuals to buy solar panels and internet-enabled phones. Although the Grameen Bank model does not provide a global solution to poverty, it does pave the path for longer-term poverty eradication efforts by empowering some of the world's poor. In both rich and poor countries, the Grameen Bank concept is now being used to combat poverty.

Since then, numerous spinoffs in the development of microfinance models have emerged, including the community-based organisation model, the cooperative-based model, the commercial-based model, and many others being developed to address the needs of micro-borrowers. For example, ProCredit, for example, is the first commercial microfinance network in Central and Eastern Europe. In 2011, the ProCredit group was comprised of 21 banks operating in Eastern Europe, Latin America, and Africa's transition economies and emerging markets. Between 2005 and 2007, a slew of new commercial microfinance networks emerged, including AccessHolding, MicroCred, and Advans, all of which built on the network model's success. These networks have primarily filled market voids in some of the world's poorest countries.

The International Finance Corporation, a commercial arm of the World Bank, and the Kreditanstalt für Widenraufbau financed approximately 20 microfinance banks throughout Africa between 2006 and 2010. AccessHolding had €479.8 million in assets as of December 2011, including investments in seven microfinance banks in Azerbaijan, Liberia, Madagascar, Nigeria, Tajikistan, Tanzania, and Zambia. All investments are made by regulated firms with full commercial bank or special microfinance licences.

Another example is Rotating Savings and Credit Associations (ROSCAs), which provide microfinance services in developing countries around the world and are known by a variety of names, including merry-go-rounds in Kenya, tandas in Mexico, tontines in West Africa, chit funds in India, kibati in Tanzania, stockvel in South Africa, and esusu in South Africa (Nigeria). ROSCAs are associations of people who agree to meet for a set period in order to save and borrow money. Money is collected at each meeting, and the revenues are distributed to one member on a rotating basis. The group may opt to start a new cycle or disband after the last member has received the lump sum payout.

Another success story of microfinance is Bank Rakyat Indonesia, which has grown significantly on a larger scale while remaining a commercially driven financial institution (BRI). In 1983, BRI changed from a government-subsidized agricultural credit provider to a self-financed micro-banking network, with gradually growing deposits, loan portfolios, profitability, and outreach to the underserved. Even though BRI's finances were severely harmed by the Asian financial crisis of 1997–1998, the company was reformed in 2000 with a large recapitalization.

In an initial public offering (IPO) in 2003, the Indonesian government sold 40% of BRI's shares to the general public. The IPO on the Indonesian Stock Exchange offered a new degree of transparency and reporting as well as a real double bottom line, with public investors expecting a profit while the government retained majority ownership for simple economic reasons.

In 2007, BRI became Indonesia's most profitable bank, and in April 2008, it became the country's largest bank in terms of loan portfolio size. In 2010, it purchased Bank Agroniaga in order to expand its reach in the agro sector. In 2018, the bank has 446 branch offices, 5000 BRI units, and 1,778 sub micro-outlets, with total assets of Rp1296.90 trillion, 32 million depositors, and 3 million borrowers (Nikkei Asia).

Microfinance is one of the many conventional sectors that are being transformed by digital, which is touching everything and making it more efficient. Microfinance organisations will benefit from technological developments by lowering the number of staff working in the field on tasks such as background checks, loan disbursement, follow-ups, and collection. They can then offer lower borrowing rates to low-income people because this lowers the cost of doing business, which in turn lowers the borrowing rate (Hishigsuren 2020).

Microfinance institutions in Malaysia are not exempted from the growth that the sector has seen in other developing countries. There are two types of microfinance institutions in Malaysia: bank and non-bank institutions. Bank MFIs include commercial banks and development banks that finance agricultural entrepreneurs. Public banks such as AmBank, CIMB Bank, AgroBank, Bank Rakyat, Bank Simpanan Malaysia, SME Bank, and Bank Pertanian Malaysia Berhad (Agrobank) are examples of these banks. The National Savings Bank, known as Bank Simpanan Malaysia, is one of Malaysia's primary mobilisers of micro-savings, ranking among the top three in terms of microloans and savings. There are also non-bank MFIs that operate on a member-based model, such as Amanah Ikhtiar Malaysia (AIM), TEKUN, and Koperasi Kredit Rakyat (KKR). The AIM, founded in 1987 based on the Grameen Bank's rural microfinance philosophy, had recorded 377,380 total borrowers with more than 98% of repayments made by April 2019. As of 2019, AIM had 340,000 overall members (called "Sahabat") with over 68,000 groups in over 10,000 locations. Members of the Sahabat programme must have a family income of less than RM3855 (equal to US $900) and a monthly per capita income of less than RM828 (equal to US $200) according to the Poverty Line Index (PLI) Malaysia.

Religion-based organisations such as Zakat institutions exist in each Malaysian state and offer a range of microfinance services, from financial assistance to training and development. TERAS, a subsidiary of Majlis Agama Islam Selangor, is one such organisation. It provides one-time financial and non-financial aid to the Muslim poor to help them develop their entrepreneurial potential. Depending on the firm's needs, the amount of capital granted can range from RM3,000 to RM40,000. The Zakat-funded microenterprises are not obligated to repay the funds but must meet a predefined poverty threshold established by a Fatwa before being considered for the aid.

Malaysia has several authorities and organisations responsible for microfinance, such as the Small and Medium Enterprise Corporation and Bank Negara Malaysia (BNM). The National SME Development Growth Council (NSDC) is chaired by the Prime Minister and consists of 16 ministries and important agencies. It directs policy, oversees the implementation of development programmes, and improves the quality of SME entrepreneurs. In addition, there are several avenues available for SMEs to seek information and remedies, including the Financial Mediation Bureau (FMB) and the Credit Counselling and Debt Management Agency (Agensi Kaunseling & Pengurusan Kredit [AKPK]). The financial landscape has become more complex, making these options widely available. According to a Survey performed on 1,529 SMEs as reported in Financial Stability and Payment Systems Report by Bank Negara Malaysia (2018), the unregistered enterprises had higher profits, averaging 17.7% compared to 16.1% for legitimate SMEs.

Based on the latest data recorded in the Malaysia Statistical Business Register (MSBR) published by the Department of Statistics, Malaysia (DOSM), there were about 1.226 million MSMEs in 2021, which accounts for 97.4% of overall establishments in Malaysia. MSMEs are mostly concentrated in Selangor (19.8%) and Kuala Lumpur (14.7%), followed by Johor (10.8%) (Human Resources Development Fund, 2019). MSMEs are considered as engine of economic growth with a contribution of 38.3% to the country’s GDP as of December 2018 (Bernama, 2020).

1.2 Problem Statement

This section examines challenges faced by Malaysia's microfinance industry and the need to assess the perspectives of all participants for a smooth and efficient ecosystem. According to a report by the World Bank, as of 2018, only 38.6% of adults in Malaysia had a bank account, with significant disparities in access between urban and rural areas. This highlights the need to increase financial inclusion and provide better microfinance services to microenterprises (MEs).

However, many microfinance programmes fail to reach microenterprises in need, especially in rural areas. According to a report by the Malaysian Ministry of Finance, as of 2019, only 9% of microenterprises in Malaysia had accessed microfinance services. Bank MFI outreach programmes have limited distribution networks and require proof of income, hindering access for poor microenterprises and startups. Additionally, according to a survey by the Asian Development Bank, only 25% of MFIs in Malaysia provided enterprise development services to their clients.

Government microcredit programmes appear to overlap in function, resulting in resource waste and impeding microfinance ecosystem development. According to the same report by the Malaysian Ministry of Finance, there are currently more than 30 microcredit programmes delivered through various ministries, agencies, and MFIs, leading to duplication of resources and inefficient use of funds. Additionally, a survey by the World Bank (2022) found that 38% of microfinance providers in Malaysia cited a lack of coordination among stakeholders as a significant challenge to microfinance ecosystem development.

Despite various government initiatives to support microenterprises (MEs) in Malaysia, usage rates of microfinance products and services are much lower for MEs compared to small and medium-sized enterprises (SMEs). This is supported by a World Bank report (March 2022) found that only 25% of loans disbursed were taken up by MEs, and less than 50% of the 275 programmes conducted between 2016-19 were catered to MEs in Malaysia. Among the programmes initiatied by Malaysian government are stimulus packages, including Pemerkasa, Pemerkasa Plus, and Pemulih Packages, to aid in the economic recovery of the country, primarily aimed at SMEs. The Pemulih package included various initiatives targeting economic sectors, such as education and training, infrastructure, business advisory, technology extensions, incubators, standards and certifications, and public accessibility platforms, and also provided support to MSMEs.

Although Malaysia has succeeded in reducing high poverty rates and income disparities with less than 1% of households living in extreme poverty (DOSM, 2009) and the government focusing on the poorest 40% of the population (B40), the World Bank reports that low-income households remain especially vulnerable to economic shocks, rising living costs, and mounting financial obligations. However, while the lowest 60% of the population appears to have caught up to the top 40% in terms of income growth over the last decade, the absolute income difference has widened, fuelling public perceptions of the poor being left behind reported by Khazanah Research Institute (2020). As a matter of fact, the World Bank has reported that upon revising its national poverty line in July 2020, it has recorded 5.6% of Malaysian households are currently living in absolute poverty.

Thus, this study aims to explore and understand further the current microfinance industry in Malaysia by focusing on microenterprises primarily and by analysing the issues and challenges they may encounter when dealing with the microfinance providers. According to Hartarska and Nadolnyak (2008), the purpose of microfinance institutions is to remove microfinance limits and provide a wide range of financial services to the poor, in this case, the MEs, who have limited access to traditional banking mainstreams.

1.3 Research Objectives

Malaysia has dedicated many years to the long-term growth of microfinance as a means of increasing GDP and enhancing welfare. Malaysia's microfinance journey has been a learning experience as she attempts to expand the social and economic impact of microfinance, particularly in the midst of a global pandemic crisis. This has prompted the government, academics, practitioners, and agencies to keep reviewing the processes and, where possible, avoid reinventing the wheel until "we get it right."

Therefore, this study aims to contribute to a better knowledge of Malaysia's current microfinance business by analysing its deficiencies, gaps, and irregularities in order to establish an adequate microfinance environment for microenterprises in the country.

The objectives of this study are as follows:

1. Research Objective 1(RO1): To analyse the challenges faced by microenterprises in the microfinance industry in Malaysia.

2. Research Objective 2(RO2): To identify the key essential components of the microfinance industry in Malaysia.
3. Research Objective 3(RO3): To propose a conceptual model for developing the microfinance industry ecosystem for microenterprises in Malaysia.

1.4 Research Questions

The research questions of the study are:

1. Research Question 1(RQ1): Why is the participation of microenterprises relatively low as compared to small and medium enterprises in the microfinance industry in Malaysia?
2. Research Question 2(RQ2): What are the key components required to form an inclusive ecosystem in the Malaysian microfinance industry?
3. Research Question 3(RQ3): How does the proposed conceptual model assist in developing the ecosystem of microfinance in Malaysia?

1.5 The Significance of this Study

The significance of this study can be discussed in terms of theoretical and practical aspects.

1.5.1 Theoretical Aspect

The study is beneficial to all major players, including regulators, bank MFIs, non-bank MFIs, NGOs, microenterprises, and communities because microfinancing is essential to economic growth and poverty alleviation in Malaysia. By identifying the core components of microfinance in Malaysia and understanding the challenges faced by MEs and industry players, the study contributes to the literature on the market ecosystem. This understanding can help industry players formulate appropriate strategies based on their roles. Furthermore, this study could serve as a basis for future research, including a comparative study on the effectiveness of inclusive microfinance programs across different cultural backgrounds and demographic groups, as well as a study on the correlation between financial literacy and the success or failure of microfinance businesses. Additionally, researchers can conduct correlation tests on the inter-relationships among the components of the microfinance ecosystem in Malaysia, and examine the proposed conceptual model of the microfinancing ecosystem for its relevancy. To assess the long-term effectiveness and efficacy of the research design, future studies can analyze the GDP contribution of microenterprises.

This study benefits all major players, including regulators, bank MFIs, non-bank

MFIs, NGOs, microenterprises, and communities, because Malaysia recognises the importance of microfinancing in economic growth and poverty alleviation.

1.5.2 Practical Aspect

The results of this study are highly significant as they establish an appropriate microfinancing environment for microenterprises, benefitting not only the impoverished but also industry players such as MFIs. By offering more attractive products and services tailored to specific demographic and geographic groups, MFIs can achieve better financial outcomes, resulting in higher repayment rates, potentially lower operational expenses, and more sustainable businesses. The study will also provide insight into the reasons behind the low participation of microenterprises in the microfinance system, which can assist government officials, policymakers, and regulators in drafting policies.

This study provides new information for Malaysian academics, scholars, and practitioners to focus more on microenterprises as clients and increase their participation in the microfinance industry, ultimately contributing to achieving the SDG goals by 2030. It is significant for microenterprises, MFIs, and NGOs, as well as government officials and regulators, as they produce new rules and guidelines for the industry. The study provides critical insights into the problems faced by individual microenterprises, proposing a conceptual model of an ecosystem that includes the essential components required to ensure continuous support for microenterprises. Regulators and other government bodies can use this proposed ecosystem model as the basis for developing microfinancing ecosystems in Malaysia.

For instance, policy makers can formulate strategies tailored to specific demographic and geographic groups of microenterprises before drafting any industry plans. This study provides socioeconomic benefits and improves conditions for the poor, who are seeking ways to alleviate poverty by increasing their income earnings and enhancing their quality of life.

1.6 Scope of Research

This study aims to investigate the perspectives of microenterprises (MEs) on microfinancing in Malaysia. To achieve this, all key players in the microfinance ecosystem need to work together to identify and address issues collaboratively. The study seeks to better understand the microfinance industry by analysing the needs of microenterprises, identifying shortcomings, and proposing potential initiatives to improve the microfinance ecosystem.

According to the Malaysian Department of Statistics, the Malaysian population was projected to reach 32.4 million in 2020, with a 1.3% growth rate, and Selangor represents nearly 20% of the total population. As one of the most populous and culturally diverse states in the country, Selangor is a suitable representation of Malaysia. As a result, the study will only focus on the state of Selangor and specific locations where the researcher can conduct a survey.

1.6.1 Limitations

The study will be limited to two districts in Selangor, one focusing on the urban poor and the other on the rural poor, due to economic constraints and the unfavorable conditions created by the Covid-19 pandemic. Additionally, there will be restrictions on meeting important industry figures and visiting business premises in person due to government restrictions on movement and social distancing during the study. Another limitation is the lack of previous studies in the country that can be cited for better understanding of the research subject. Most interviews will be conducted online due to movement constraints imposed by the government, which could result in different responses compared to face-to-face interviews. Finally, budgetary constraints will also restrict the conduct of the study.

1.7 Definition of Key Terms

1.7.1 Ecosystem

In the context of microfinance, an ecosystem is defined as all living individuals working together to achieve the same goal: improving the poor's economic situation. The ecosystem must be dynamic and adaptable to changing surroundings in order to evolve, and its establishment should enable the development process to be self-sustaining. A market system must involve entities from the private and public sectors, as well as civil society and, yes, customers. The terms "ecosystem" and "market system" are frequently interchanged because "market" is frequently associated with the private sector (Ehrbeck, Pickens, & Tarazi 2012).

Many factors influence whether financial service needs are translated into demand that can be met by a financial service provider, including the degree to which providers are adequately informed to identify client needs, potential clients have information about providers, and the two parties have mutual trust. A provider's capacity to generate and sell an appropriate product is also influenced by its capabilities in terms of product creation and distribution channels, as well as its motivation to improve both.

1.7.2 Microfinance

Microfinance is the provision of a wide range of financial services, such as deposits, credit, and payment services, to low-income people and microbusinesses (ADB 2011). According to the Reserve Bank of India, microfinance is an economic development instrument that helps the underprivileged earn their way out of poverty. Credit, savings, insurance, money transfers, and counselling to name a few, are among the services offered.

To put it another way, microfinance is a method of providing financial services to low-income individuals who do not have access to traditional banks. Microfinance is defined by the Consultative Group to Assist the Poor (CGAP) as the provision of loans, savings, and other basic financial services to the poor.

1.7.3 Microfinance Institutions (MFIs)

Microfinance Institutions (MFIs) are organisations that provide microfinance services, and they can range in size from small non-profits to large commercial banks. According to CGAP, a MFI is any organisation that provides financial services to the poor, such as credit unions, small commercial banks, financial non-governmental organisations, and credit cooperatives. According to Investor Words, a financial institution that specialises in banking services for low-income groups or people.

MFIs offer transaction services at a fraction of the cost of traditional financial institutions. They provide transaction services for amounts that are often less than the average transaction costs imposed by mainstream financial institutions. Traditional banks provide account services to small-balance accounts, and microfinance organisations provide transaction services for amounts that are often less than the average transaction costs imposed by mainstream financial institutions.

1.7.4 Microcredit

Microcredits are tiny loans made to underprivileged borrowers with little or no collateral to help them launch a small business (microenterprises). Loan sizes range from RM1,000 to RM50,000, with interest rates ranging from 6% to 14%, depending on the MFI and the borrower's risk profile. While microcredit programmes are being combined to provide borrowers with a variety of services and tools, such as savings accounts, training, networking, and peer support, they are also being bundled to provide borrowers with a variety of services and resources.

The terms "microfinance" and "microcredit" are interchangeable and have similar meanings. Microfinance is sometimes used to refer to a wider range of financial services, such as microloans, microinsurance, microsavings, and electronic money transfers, among other types of financial services.

1.7.5 Microenterprise (ME)

A microenterprise (ME) refers to an entrepreneur who runs a small business that normally has no credit track record with financial institutions. They employ a small number of employees, if any. There is no standard scale worldwide. However, in Malaysia, a typical microenterprise usually operates with fewer than five employees of sales turnover of less than RM300,000 annually. All but a few MEs specialise in providing goods and services for their local areas. These include fisheries, small farmers and hawkers, as well as street food stalls and food trucks, as well as shoemakers, tailors, bakery owners, caterers, and more. MEs help company owners improve their quality of life while also helping the local economy by increasing spending power, revenue, and job development.

1.7.6 Financial Inclusion

Financial inclusion refers to ensuring that everyone has equitable and inexpensive access to financial services, regardless of their income level. It applies to individuals as well as corporations that provide services (Corporate Finance Institution). According to the World Bank, financial inclusion means that people and businesses have access to useful and affordable financial products and services that meet their needs—transactions, payments, savings, credit, and insurance—and that these products and services are delivered responsibly and sustainably.

The Association of Development Agencies (ADA) defines it as a set of efforts made to address banking and financial exclusion, and it encompasses a wide range of financial and non-financial products and services made available to the poor.

1.8 Organisation of the Thesis

This thesis is divided into five chapters. The first chapter acts as an introduction to the study, outlining the research's background and stating the problem. Based on the context and difficulties indicated, the study's research aims, and research questions are then presented. The significance of the study, as well as its scope and limits, were also highlighted in this chapter. At the end of this chapter, the readers will find definitions for the key terms used in this study.

The second chapter reviews the literature on microfinance. This chapter gives an overview of the microfinance industry in Malaysia and its role. The inclusive microfinance ecosystem was next investigated in this chapter, which focused on the demand side, supply side, supporting services, the role of government and regulators, as well as financial inclusion. In addition, this chapter discusses the microfinance idea. This chapter draws to a close after outlining the gaps in the literature.

The third chapter discusses the research methodology used in this study. This chapter begins with a discussion of the research methodology and design. This chapter covers the study's population, sampling, and focus group. In addition, data collection, as well as reliability and validity, are also covered in this chapter. Also considered were documentation, site inspections, data management, and data secrecy. This chapter concludes with a discussion of ethical issues.

The fourth chapter presents the findings of the survey respondents. The respondents' demographic profile and focus group discussion profile are presented first, followed by the background and response rate. The chapter then introduces four case study profiles: Amanah Ikhtiar Malaysia (AIM), Teraju Ekonomi Usahawan Sdn Bhd (TERAS), Bank Rakyat Berhad (Bank Rakyat), and Self-help Group Community (One Village/Industry One Product), followed by the findings from one-on-one respondents' interviews and focus group discussions. This chapter continues with a case study and its findings. The data and analyses are presented with the consideration of the study's research questions.

While the previous chapters detailed the motivations for this study, evaluation of the literature, discussions on the techniques used, the last chapter will discuss the results and propose a conceptual model for the said industry. However, before analysing the conclusions based on the research questions, this chapter opens with a recapitulation of the study. In addition, this chapter highlights the study's theoretical and practical contributions. Then, before making a recommendation for future research, this chapter emphasises the limitations.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The literature on microfinancing is reviewed in this chapter. The microfinance industry and its role in Malaysia are discussed. The inclusive microfinance ecosystem was then covered in this chapter, which focused on the demand side, supply side, supporting functions, government and regulator roles, and financial inclusion based on market system framework. In addition, the microfinance theory and financial inclusion is covered in this chapter. This chapter comes to an end after pointing out the gaps in the literature.

2.2 Microfinance Industry in Malaysia

Microenterprises (MEs) are considered the backbone of every economy in most countries worldwide (Akbar, Omar, Wadood & Al-Subari, 2017; Thaker, 2018) . Similarly, MEs are considered a cornerstone in Malaysia (Jamak et al., 2014; Chin & Lim, 2018). Microenterprises offer a promising solution to alleviate poverty through business development and have been used effectively to combat regional and global economic downturns (Geremewe, 2018). Microenterprise (ME) is an essential component of the global economy, as evidenced by its contribution to the growth of large economies like the USA and the UK through the presence of Microenterprises and Entrepreneurship (Doran, McCarthy & O'Connor, 2018). In developing economies such as African nations (Omoruyi, Olamide, Gomolemo & Donath, 2017) and emerging economies like China (He & Qian, 2019), microenterprises generate more employment and contribute more to the GDP than larger medium and large size organizations. The prevalence of microenterprises is growing in various regions worldwide, including ASEAN countries like Malaysia and Indonesia (Muradin & Ibrahim, 2018) and other regions like Mexico and Latin America (Muñoz & Mayor, 2015; García, 2018). Previous studies have demonstrated various benefits of microenterprises, such as job creation (Amoah & Amoah, 2018), poverty alleviation (Geremewe, 2018), economic improvements (Tahir, Razak & Rentah, 2018), community development (Purusottama, Trilaksono & Soehadi, 2018), and socio-political betterment (Maksum, Rahayu & Kusumawardhani, 2020). These benefits contribute to economic growth, transforming societies and creating jobs and revenue creation (Jamak et al., 2014).

Most academics have created their own definitions because there is no widely accepted definition of SME (Hooi 2006; Omar & Ismail 2009). SME groups have been classified by researchers and practitioners based on the socioeconomic advancement of each country (Chelliah et al. 2010). These businesses are classified as having 500 or fewer employees in the United States (Cavusgil et al. 2008), while Lin and Chaney (2007) define SMEs in Taiwan as having 650 or fewer employees.

In Malaysia, a review of the definition was undertaken in 2013 and a new SME definition was endorsed at the 14th NSDC Meeting in July 2013 (SME Corporation of Malaysia). In manufacturing category, small enterprises is defined as having a sales turnover of between RM300,000 to RM15 million or full-time employees between 5 and 75; medium enterprises with a sales turnover of between RM15 million and RM50 million or full-time employees between 75 and 200; micro enterprises with sales turnover of less than RM300,000 or less than 5 full-time employees. Whilst in Services and other sectors, small enterprises is defined as having sales turnover of between RM300,000 and RM3 million or full-time employees between 5 to 30; medium enterprises with sales turnover of RM3 million and RM20 million or full-time employees between 30 and 75; micro enterprise as sales turnover of less than RM300,000 or less than 5 full-time employees (SME Corporation of Malaysia, 2022).

Micro, small, and medium-sized businesses (MSMEs) are vital to a country's economic development and success. MSMEs are essential part of the economy in industrialised countries, accounting for more than 98% of total establishments, 48% of total employment, and 37% of GDP (DOSM, 2021). Using these economies as a baseline, Malaysian MSMEs have a lot of room to expand their economic contribution.

In a number of entrepreneurial books, the role of government business support services in Malaysia is discussed. Salleh and Ndubisi (2006) observed issues faced by local MSMEs in the implementation of government business support in their study on MSME development in Malaysia. These issues include: 1) a lack of coordination among service providers, 2) poor service consumption, 3) a lack of knowledge of these services, and 4) government bureaucracy. Hakimin et al. (2010) found that this empirical evidence is true. Norliya, Mashita, and Zaharah (2010) also found that this empirical evidence is true.

The MSMEs, including microenterprises, continue to complain about financial constraints, despite government help, as they struggle to access money through banking systems (Mazliana Muridan & Patmawati Ibrahim, 2018). This is a worldwide phenomenon that includes Malaysia. According to a survey published in 2005 by the Asian Banker, only approximately 5% of the world's 500 million low-income firms have access to financial services. High on the list of causes of MSMEs' financial issues is the belief that MSMEs are typically high-risk groups, deficient in financial discipline and unable to develop trustworthy financial track records.

Rather than formal sources of funding, informal sources of financing are the primary source of funding for most Malaysian MSMEs. In a 2018 survey conducted by Bank Negara Malaysia (BNM), it was found that MSMEs heavily relied on self-financing (around 51 percent) followed by funding from family and friends (17 percent). Only 27 percent of respondents in the survey reported receiving financing from financial institutions, mainly banks, while nine percent of respondents relied on other financing sources such as government grants and alternative financing. It was observed that less established MSMEs relied more on self-financing, with increasing use of external financing as their business grows. Financial institutions play a vital role in providing long-term loans to MSMEs, with short-term loans accounting for only 24.1 percent of all outstanding MSME loans in 2017 (OECD 2020). The survey of MSMEs revealed that the most significant constraints they face are related to documentation, collateral, and the perceived bankability of their businesses, according to Bank Negara Malaysia (2018).

MSME funding hurdles have been the subject of numerous studies over the years, and these problems continue to exist. The availability of external capital for

MSMEs is of interest to academics, and governments all around the world are worried (Berger & Udell 2006). In fact, finance shortages have been identified as a serious issue for MSMEs around the world at various stages of development. Recent research on individual nations, such as China (Wu et al. 2008), the United Kingdom (Hussain et al. 2006), and the United States (Berger & Udell 2006), has demonstrated that these problems remain unanswered. According to Hanson (1983), Westhead and Wright (2000), and Wu et al. (2008), financial support from banks is especially important to small businesses' survival and prospects of success during the start-up stage.

In actual fact, a lack of sufficient money in a firm, regardless of size, location, or type of economic activity, is a key impediment to the entrepreneurial process (Westhead and Wright, 2000). Small businesses rely largely on bank borrowing as a key source of external capital because they are either excluded from or have limited access to the stock market (Walker 1989). Small businesses have long complained about being at a disadvantage because obtaining financing is difficult. The disparity in loan demand and supply among SMEs is referred to by Binks et al. (1990) as the "financial gap between SMEs and banks”. A financial gap is defined as a situation in which a company has profitable opportunities but insufficient cash, either from internal or external sources, to take advantage of them.

A credit gap happens when a small business' need for financing outweighs the willingness of banks to supply it, resulting in a credit gap. The funding gap exists because financial institutions use income-gearing procedures as a basic criterion for evaluating possible loans by examining predicted future income flows of firms. The majority of SMEs' data, on the other hand, is kept private and not accessible to the broader public. The vast majority of SMEs do not have audited financial accounts. As a result, many businesses struggle to communicate quality and establish a reputation in order to overcome the information opacity that exists in their operations (Berger & Udell 1998). Today, the International Finance Corporation (IFC) estimates that 65 million firms, or 40% of formal micro, small and medium enterprises (MSMEs) in developing countries, have an unmet financing need of $5.2 trillion every year, which is equivalent to 1.4 times the current level of the global MSME lending as claimed by World Bank.

Another point of view is that the availability of capital for SMEs is highly dependent on the country's financial system, as well as the lending infrastructure and technology that support it. Government restrictions and financial institutions determine the quantity of credit available through these techniques (Berger & Udell 2006). Information, tax, legal, judicial, and bankruptcy settings, as well as social and regulatory environments, are all part of the lending infrastructure. While dealing with opacity issues, financial institutions use lending technology to estimate the supply of borrowed capital to firms. There are two different types of loan technology frameworks that are now in use.

The first is transaction lending, which uses quantitative data to make decisions, such as asset-based and financial statement lending. The second is relationship lending, on the other hand, is based on qualitative data gathered from regular contact with the organisation seeking financial services (Cole 1998; Berger & Udell 1995; Petersen & Rajan 1994). There are many factors that financial institutions take into account when they decide whether to give a small business loan (Haines et al. 1989). These include things like manager strengths, income potential, market strength, project feasibility, and even location (Wu et al. 2008).

In a study performed by Rosli and Ghazali (2007) to understand how bank managers assess small business borrowers in the Malaysian environment, the intended purpose of the loan, repayment of prior loans, and loan activity at other banks were ranked as the top factors in the credit evaluation of small business borrowers. Thus, the study's main findings imply that bank executives prioritised risk while dealing with small company borrowers. Thus, many small business entrepreneurs have sought loans from family, friends, and acquaintances due to financial troubles (Hussain et al. 2006). According to a survey made Biz2Credit Small Business Lending Index™ (2020), big banks approved only 13.6% of small business loan applications.

Furthermore, several scholars claimed that state-owned microcredit schemes usually fail to distribute loans properly due to a lack of implementation experience, political problems, top-down approaches, and policy backing. For instance, similar remarks concerning government-dependent MFIs have been made in Malaysia (Adejoke 2010; Roslan, et al. 2007) investigated the delivery mechanisms and outreach of four Malaysian microfinance institutions namely Amanah Ikhtiar Malaysia (AIM), Tabung Ekonomi Kumpulan Usaha Niaga (TEKUN), Koperasi Kedai Rakyat (KKR), and Bank Pertanian Malaysia (2007). It was mentioned that close monitoring and interactions with borrowers appear to be crucial for early detection of loan issues.

Furthermore, the microfinance scheme's close linkages to other government organisations that give development aid to the rural poor may be viewed as vital to its success. In Malaysia, in particular, there is a need to expand microenterprises and support disadvantaged families in both rural and urban areas, as well as provide more financial support (Chan 2005; Khandker 2000 and Miazur 2000) conducted an effect analysis of a microfinance strategy in Bangladesh (2010). Both studies found microcredit programmes benefit disadvantaged people by improving their per capita income, consumption, and household net worth. According to Chan (2005) and Adejoke (2010), microcredit schemes have a significant positive impact on microenterprises and the standard of living of the rural poor in Malaysia. Ul-Hameed et al. (2018) conducted a systematic review to examine the effect of microfinance on the ability of low-income households to initiate new businesses, while Banerjee et al. (2018) found evidence of a positive association between microfinance programs and business growth.

Microfinance in Malaysia is governed by the Moneylender Act 2002, the Banking and Financial Institutions Act 1989, the Development Financial Institutions Act 2002, and the Cooperative Societies Act 1993 (Zakiah 2004). Microfinance business models include mass market, cooperatives, monoline, and distributor networks (BNM 2010). To name a few include associations, bank guarantees, community banking, cooperatives, credit unions, grameen, group, individual, intermediaries, NGOs, peer pressure, ROSCAs, small business, and village banking models (Srivanas H., 2015). Some of the first microfinance institutions to introduce micro loans to microenterprises were Majlis Amanah Rakyat (MARA), a Bumiputera trust council, and the Credit Guarantee Corporation (CGC).

The Agriculture Bank of Malaysia (Agrobank), Farmers Organization Authority (LLP), Federal Land Development Authority (FELDA), Rubber Industry Smallholders Development Authority (RISDA), and other agro-based co-operative societies are among the rural credit institutions that provide micro credit to the agriculture sector. Microcredit is also provided by a variety of non-governmental organisations (NGOs) (Kasim & Jayasooria 1993). In fact, organisations particularly non-governmental organisations (NGOs) and religious institutions/faith-based organizations (FBOs), can effectively contribute to poverty alleviation via microcredit as MFIs were ‘initially funded through a non-profit model, not commercial for-profit enterprises’ (Brickell et al. 2020). In Sabah, there are Amanah Ikhtiar Malaysia (AIM), Yayasan Usaha Maju (YUM), and Sabah Credit Corporation (SCC), while in Selangor, there is Koperasi Kredit Rakyat (KKR). Tabung Ekonomi Kumpulan Usaha Niaga (TEKUN) is a government-run microcredit organisation.

Banking institutions and non-bank businesses that provide microfinance products and schemes are classified as MFIs. Among the banking institutions are Public Bank, AmBank, CIMB Bank, Agrobank, Bank Rakyat, and others. The National Savings Bank, commonly known as Bank Simpanan Malaysia, is one of the top three microfinance institutions (MFIs) in Malaysia by number of microloans and savings accounts, whereas AIM is the country's largest non-bank MFI with 340,000 members. The Moneylender Act 2002, the Banking and Financial Institutions Act 1989, the Development Financial Institutions Act 2002, and the Cooperative Societies Act 1993 are all pieces of microfinance legislation (Zakiah 2004).

Prior to 2003, commercial banks' microfinance involvement was limited to providing lines of credit to AIM and acting as a conduit for programmes like the Credit Guarantee Corporation's loan fund for hawkers and small merchants (CGC). In May 2003, the government established a Micro Credit Scheme with the purpose of increasing agricultural output and small and medium business activities.

Two banking organisations, Agrobank and Bank Simpanan Nasional (BSN), as well as AIM, will undertake the plan. Borrowers can get a maximum loan of RM20,000 without putting up any collateral, and the debt reduction interest rate is set at 4% per year. The government recognises that the development of the microfinance industry is critical in encouraging broader financial inclusion, given that microenterprises account for about 80% of Malaysia's SMEs (BNM 2006). In order to create a sustainable microfinance company, the National SME Development Council (NSDC) accepted a complete microfinance institutional framework suggested by BNM in August 2006, which includes banking institutions, development finance institutions (DFIs), and credit cooperatives.

This for-profit microfinance enterprise will enhance existing government-sponsored microfinance initiatives. This is essential for ensuring that microbusinesses receive adequate and consistent support. As a result of this development, eleven local banks now provide microfinance products, allowing micro businesses to access legitimate financial institutions for funding according to BNM (2022). While BSN was given the job of providing microfinance, Bank Rakyat was given the job of providing microfinance to cooperative members, and Agrobank was given the job of continuing to lend to agriculture and agro-based businesses. Banking institutions would make microfinance more accessible to a larger number of people due to their huge nationwide branch network. According to BNM, the Malaysia Cooperative Societies Commission should be established to strengthen credit cooperatives' role in lending to microenterprises.

Recognising the wide range of financial demands of microbusinesses, these financial institutions have developed a number of business models and strategies that take advantage of institutional strengths and specialisations. Several banks have taken a mass market approach, selling microcredit products through their current branch network. Others, such as Bank Rakyat, have adopted a cooperative model of microfinance for their members. Some have used the distributor network technique, which relies on key business partners' distribution expertise. Another possibility is the monoline approach, which consists of a dedicated microfinance operation with its own unique branding and microbusiness-specific operations.

A community-based microfinance programme that prioritises local community ownership and knows what is best for them would be acceptable because Malaysia is such a diverse country in terms of ethnicity, religion, race, and culture. To put it another way, local communities will decide what type of project they want, who will work on it, and when it will be implemented. As indicated in Chapter One, the KKR project is an excellent example of a community-based microfinance strategy that has proven to be effective and workable and might be reproduced elsewhere. With limited community participation in microfinancing arrangements and services, it is very likely that unmatched products will emerge to fulfil the needs of the community's microenterprises. Local communities' views and inputs should be considered because they are in a better position to understand the needs of their local economic activity.

Despite the many different types of microfinance organisations that offer schemes and services, some of these obligations overlap, and some situations are not addressed by the appropriate microenterprise users (Hamdan et al., 2012). Traditional and Islamic insurance companies should be more aggressive in encouraging microbusinesses to make profitable investments and insure themselves against natural disasters or medical issues that would wipe out their hard-earned money (Hamdan et al., 2012). Another factor to consider is that government entities often appear to be bureaucratic, making it more difficult for microbusinesses and microfinance institutions to communicate and collaborate toward common goals (World Social Report, 2020).

Given the various types of participants mentioned above, the facilitator and coordinator roles are even more critical, not only to ensure that savings are mobilised to fund the credits, but also to ensure that all initiatives undertaken by these microfinance participants and other agencies are in sync with the national agenda to eradicate poverty (Armstrong et al. 2018). Microfinance is an undeniably effective technique for poverty eradication in Malaysia. In collaboration with several MFIs, the government has devised a variety of policies and programmes. However, a few studies have found that Malaysia's development programmes, particularly microfinance, have had an ambiguous impact (Ganle et al. 2015; Angelucci et al. 2013; Van Rooyen et al. 2012). Regardless, the Malaysian government recognises the importance of microfinance in accomplishing socioeconomic and the commitment to the Sustainable Development Goals of the United Nations. As a result, a slew of organisations has sprung up to provide financial and non-financial services to the millions of people who live in poverty and lack access to traditional financial services.

Bank Negara Malaysia's Financial Blueprint 2022-2026 reported that SMEs received 45% of business financing, an increase from 39% in 2011. Of these, 75% were microenterprises, with traditional banks and government organizations providing outstanding funding of RM312 billion. In addition to financing from microfinance institutions, the BNM's Fund for MSMEs remains available to support the provision of financing to MSMEs. The allocation for the BNM's Fund has increased significantly from RM9.1 billion in 2019 to RM31.1 billion in 2021. To further strengthen the microfinance industry, strategies will be implemented in the future. Budget 2022 announced two new facilities under the BNM's Fund, namely the Business Recapitalisation Facility and the Low Carbon Transition Facility (BNM Annual Report 2021). These facilities assist MSMEs in strengthening their capital structure and to support green financing in line with SDGs commitment.

2.2.1 Role of Microfinance Industry

Responsible finance emphasises the value, respect, and protection of consumers (McKee, Lahaye, & Koning 2011). As a result, providers' efforts to promote responsible finance have an effect on institutional behaviour, market access, product and service range, and the competitive environment, all of which affect the market's functioning and suitability of financial services. Suppliers may be required to take the lead in promoting responsible finance because most of the services are provided to the poor, who are typically situated in nations with low supervisory power.

Industry methods that are adopted nationally or internationally are referred to as "standards." Financial authorities get instructions and recommendations from international standard-setting organisations. According to CGAP (2011), understanding the circumstances of impoverished nations with high levels of financial exclusion and insufficient supervisory capacity is critical to changing norms (both staffing and experience). Because they influence management practises and degrees of openness, MFIs have a significant impact on governance procedures.

According to the market system approach, a functioning and inclusive financial market system is defined by strong and long-term performance, as evidenced by the size, depth, and quality of outreach, as well as the capacity and competence of rules and supporting functions that enable the market to learn, adapt, and develop over time (Ledgerwood 2013). The scholar emphasise that standards of practise and behaviour can aid in the expansion of financial inclusion while also demonstrating the industry's commitment to consumer safety. In recent years, many international organisations have published legislation and standards, such as the United Nations Principles for Investors in Inclusive Finance.

The Microfinance Investment Vehicle Disclosure Guidelines, Good Practice Guidelines for Microfinance Funders, Regulation and Supervision Consensus Guidelines, Disclosure Guidelines for Financial Reporting, and Developing Deposit Services for the Poor were among the many guidelines developed by CGAP for the industry. Other industry trade groups, such as the Social Performance Task Force, advocate for: 1) Efforts to serve an increasing number of poorer and more excluded people in a sustainable manner; 2) Systematic assessment of the target population's specific needs to improve the relevance and quality of services; 3) Benefits to consumers, their families, and communities; and 4) Providers' social responsibility toward their consumers, employees, and the community.

The microfinance industry has had a significant impact on the well-being of women overall, particularly in terms of economic empowerment. A study conducted in Zambia demonstrated that the small loans provided by FINCA have helped women increase their economic empowerment in relation to their current socio-economic activities (Mwewa G., 2019). According to the study, 98% of women micro-entrepreneurs agreed that FINCA loans have had a positive impact on their lives. There are numerous success stories worldwide, such as the Grameen case in Bangladesh and AIM in Malaysia, which demonstrate the positive impact of microfinance on women. However, the extent of this impact may vary depending on factors such as social and cultural backgrounds, individual backgrounds, and the lending methodology of the organization. Nevertheless, it is evident that loans have empowered women, and credit has become a valuable resource for generating additional income, accumulating assets, and meeting consumption needs (Mwewa G., 2019).

The microfinance industry has established itself as a crucial component of the financial system by providing financial access to a vast population at the bottom of the pyramid, which was previously untapped by traditional financial institutions (Joncourt et al., 2019). To unlock the full potential of the microfinance industry, an integrated approach from industry players is required, which can be achieved through the use of a business ecosystem approach (Armstrong, Ahsan, & Sundaramurthy, 2018; Purkayastha, Tripathy, & Das, 2020).

2.3 Inclusive Microfinance Ecosystem

The ecosystem concept emerged as a potential area to be explored in social enterprises such as microfinance, has posed a challenge for researchers to build a transparent ecosystem for microfinance that can efficiently deliver broad range of financial services to the poor (Christy & Borgan, 2011; Ehrbeck et al., 2012). The concept of ecosystem uncovered in organisational perspective with the introduction of the term “population of the ecology of organisations’ by Hannan & Freeman, 1977. This ecology perspective then was expanded and the term “business ecosystem’ was used by scholars to analyse as an analogy of organisations and the environment. Thereon, this research was extended in explaining stages of the business ecosystem with competitive and cooperative challenges (Moore, 1996; Moore 1993), defining the roles (lansisti & Levien, 2004), identifying the key actors or players(Adner & Kapoor, 2010;

Treece, 2007), defining the boundary (Autio & Thomas, 2013; Adner & Kapoor, 2010; explaining the realtionships amongst ecosystem palyers (Adner & Kapoor, 2010; lansisti & Levien, 2004; Moor, 1996) and many other aspects. Ledgerwood and Gibson (2013) took a broader financial ecosystem, perspective by highlighting key market players and their functions in a financially inclusive ecosystem including the role of governments, the private sector, not-profit-organiastions, donors, community groups, regluators and associations to provide supporting functions for the core activities of microfinance. In 2020, Purkayastha et al. expanded its boundaries from business organisations to social and microfinance institutions.

Notwithstanding the above, in any market development, it is important to understand the financial market system for any organisation involved whether they are governments, NGOs, donors, entrepreneurs, financial institutions. With clear vision of the future financial inclusion and deep understanding of market systems, the market systems approach guides stakeholders to address systemic constraints and bring about sustainability (Ledgerwood, 2013). The researcher elaborates further it is through the development of inclusive and sustainable financial market systems that financial services will make a meaningful difference in the lives of the poor and promote economic growth.

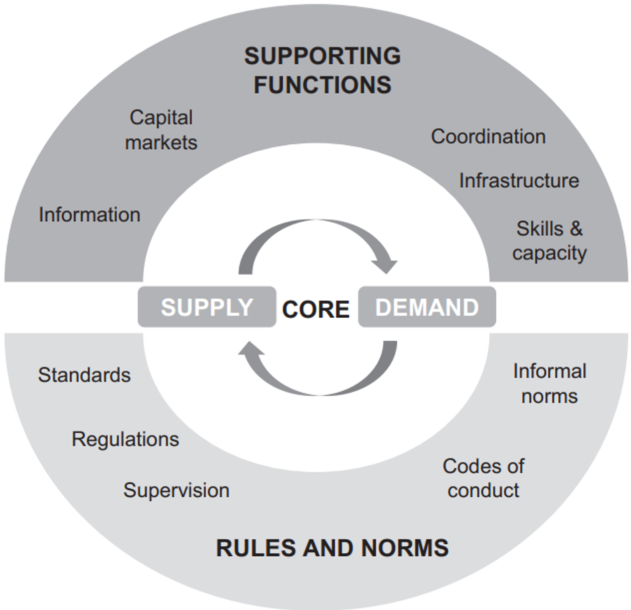
Ledgerwood (2013) stated that the financial market systems framework acknowledges the various players within the system and their primary functions and relationships with each other. The said framework consists of three sets of functions that make up a financial ecosystem: 1) the primary transactions between suppliers and clients or consumers (supply and demand), 2) the formal and informal rules that shape the behavior of market players, and 3) the supporting functions that provide information and services to support the primary functions.

According to Ledgerwood (2013), microfinance institutions (MFIs) and microenterprises (MEs) are responsible for performing the core functions through their product and service offerings, while formal rules are made up of regulations and standards, and informal rules are based on society's norms, culture, religion, and the behaviors of its members. However, the supporting functions play a critical role in providing information, resources, capacity building, coordination, and promoting collaboration and innovation (Ledgerwood, 2013). These supporting functions may differ depending on the market system's nature, composition, and players within it (Ledgerwood & Gibson, 2013; Purkayastha et al., 2020). In essence, the financial market systems framework seeks to comprehend the demand side and facilitate customer-focused development and innovation, which drives the supply side.

Essentially, the market systems framework involves the interaction of various market actors performing multiple market functions, including the core function of supplying and demanding financial services, as well as supporting functions and rules and norms (Burjorjee D.M. and Scola B., 2015). The functions that support, shape, inform, and enable transactions between supply and demand are critical components of this system. For financial services markets, some of the significant supporting functions include providing information, coordination, skills and capacity building, market infrastructure, and capital markets. Meanwhile, formal and informal rules and norms determine who can participate in financial services markets and under what conditions by shaping incentives for market actors (Burjorjee D.M. and Scola., 2015).

According to CGAP (2015), the market systems approach aims to create significant, sustainable, and resilient systemic change in the underlying dynamics and structure of a market system. This change occurs when market actors beyond those directly involved in a funder's program adopt a new behavior that improves the poor's participation in financial services markets. Rather than providing missing services in the market, funders should act as facilitators who incentivize and enable market actors to provide these services by performing their market functions more effectively (Burjorjee D.M. and Scoal B., 2015). Facilitation requires a more flexible engagement than conventional development programming, as it attempts to catalyse change in a dynamic market context and requires working with a range of market actors to address the barriers of financial inclusion related to demand, supply, supporting functions, and rules and norms as explained by Burjorjee D.M. and Scola B. (2015). The term "financial services markets" serves as an umbrella term that encompasses markets for specific financial services such as credit, savings, insurance, payments, leasing, Sharia-compliant financial products, among others. Please see Figure 2.1 depicts the elements mentioned earlier in this section of the market systems framework.

Figure 2.1 Market Systems Framework



Source: Adapted from The Springfield Centre (2014).

While it is critical to understand customer behaviour and demands, many stakeholders are worried about the larger financial ecosystem and its impact on financial inclusion (or exclusion). Financial inclusion efforts are centred on better matching supply and demand for financial services (products and services supplied by sustainable institutions) as well as the functions that support financial transactions within the larger market system (Ledgerwood, 2013).

As a result, all players such as for-profit enterprises, NGOs, governments, investors, funders, and other development practitioners interested in financial market development must comprehend the financial market system (Ledgerwood, 2013). The market systems approach enables stakeholders to solve systemic impediments and bring about large-scale, long-term change, based on a thorough understanding of market systems and a clear vision of the future of financial inclusion. Financial services will only make a significant difference in the lives of disadvantaged people and boost economic growth if inclusive and sustainable financial market arrangements are established (Ledgerwood 2013).

In addition to supply-side factors (offering financial services) or the equation in making the financial system work in favour of the poor, it is critical to consider demand-side and other functions that influence transactions, such as attitudes and values, skills, product and organisational development, regulations, and policies. These provide information, knowledge, and incentives that influence relationships, behaviours, and practises. As economist Joan Robinson explained in the supply and demand theory, utility is the property of commodities that makes people want to acquire them (Sutton M., 2020). Hence, the fact that individuals desire to buy commodities implies that they have utility. Thus. it is vital to understand both sides of the equation in the microfinance sector, namely the core of supply and demand as well as the rules and supporting services.

2.3.1 Demand Side: Consumers (MEs)

Ledgerwood (2013) states that understanding how consumer behaviour translates into financial service needs necessitates an understanding of these customers' uniqueness and heterogeneity, as well as how life events, livelihoods, and other factors influence their decisions. Religion, money, and gender all have a role in their decision-making. As people become older, their financial requirements and vulnerabilities vary from reliance on family to independence, as well as from school to work, marriage, and family duties.

As a result of these changes through time, different types of financial services are required at different stages of the life cycle. Because age has a substantial impact on financial exclusion, age-specific solutions are required, with kids facing significant challenges (Johnson & Arnold 2011). Family structure, whether extended family or a large family, is another aspect that influences financial obligations. Their location has an impact on the type of financing they require. Rural populations, for example, are more likely to rely on agriculture for a living and may need financing tailored to their cash flow and credit risk profiles. Dealing in smaller amounts and more frequently can sometimes be more expensive from the standpoints of both supply and demand.

Ethnicity, caste, and religion all have an impact on how they act and think about money. The ability of women to obtain such services may also be influenced by their religious or cultural background. Both financial demands and service accessibility are influenced by gender. Recognizing the gender issue in microfinance includes more than simply targeting a programme at women; it also necessitates taking steps to help women overcome the barriers they face in their family orientation that prevent them from using financial services to achieve their goals (Johnson 2000).

Previous literature on characteristics confirms that microenterprise is owned mainly by a single owner or manager and has few employees and limited capital capacity (Al Mamun & Ibrahim, 2018). In addition, microenterprises have diverse nature and operate in different sectors, including service, manufacturing, and sales-related activities (Razak, Abdullah & Ersoy, 2018). Such enterprises' organizational structure and management are mainly simple such as sole proprietorship, family enterprise, limited by employees (Rahman, 2017). These microenterprises make seasonal and situational adjustments to survive while adopting flexible strategies to meet market demands due to their small size and capital constraints (Shafi, Yang, Khan & Yu, 2019). The business start-up of microenterprises is easy, but it is pretty challenging to stay competitive in the market to absorb economic shocks and need capital support for survival (Rahman, 2017; Rahmawati, 2018).

Microenterprises (MEs) are considered the backbone of every economy in most countries worldwide (Akbar, Omar, Wadood & Al-Subari, 2017; Thaker, 2018) and an important area for research. Similarly, in Malaysia (Jamak et al., 2014; Chin & Lim, 2018). Microenterprise is a promising approach to poverty alleviation through business development, used as an effective remedy for regional and global economic recession (Geremewe, 2018). Microenterprise (ME) is an integral element of contributing to the global economy. Large economies like the USA and UK have been boosted by the presence of Microenterprises and Entrepreneurship (Doran, McCarthy & O’Connor, 2018). In both developing economies such as African nations (Omoruyi, Olamide, Gomolemo & Donath, 2017) and emerging economies like China (He & Qian, 2019), micro enterprises contribute to the economy in terms of employment and GDP more than other larger medium and large size organizations. Similarly, there is a promising growth of microenterprises in different regions worldwide, such as ASEAN (e.g., Malaysia, Indonesia) (Muradin & Ibrahim, 2018) and other regions like Mexico and Latin America (Muñoz & Mayor, 2015; García, 2018).

Previous studies have reported about various benefits of microenterprises such as job creation (Amoah & Amoah, 2018), poverty alleviation (Geremewe, 2018), economic improvements (Tahir, Razak & Rentah, 2018), community development (Purusottama, Trilaksono & Soehadi, 2018), socio-political betterment (Maksum, Rahayu & Kusumawardhani, 2020). All these benefits contribute to economic growth in transforming societies and creating jobs and revenue creation (Jamak et al., 2014).

2.3.2 Supply Side: Microfinance Institutions (MFIs)

On the other side of the coin, MFIs play an increasingly critical role in tackling crucial political and economic objectives such as poverty alleviation and improving opportunities for marginalised and economically disadvantaged groups (Mumi et al. 2020). Apparently, MFIs have a dual mandate: (i) ensure financial stability and (ii) attain mission objectives. However, the success of MFIs in attaining this dual mandate is dependent on domestic legal systems, and thus it is essential for policy makers to recognise the dual nature of MFI outcomes (Mumi et al. 2020). For instance, policies that enable MFIs to structure their organization in ways conducive to the prevailing legal system need to be implemented to enhance MFIs' ability to achieve their objectives (Mumi et al. 2020).

Microfinance institutions are said to have reached sustainability when their operating income from the loan is sufficient to cover all the operating costs (Walde et al., 2022) . It is argued that MFIs should strive to achieve financial sustainability by reducing operational costs and charging market rates of interest. The higher the degree of self-sufficiency, the greater the extent to which an MFI can leverage donor and government funds to expand outreach (Ndeqwa et al, 2016) . Hence, for microfinance institutions to attain sustainability, they should be aware of the factors which are likely to affect their sustainability (Malamsha & Zakaria, 2016) . Microfinance institutions that are truly financially sustainable tend to target poor clients because they can benefit from economies of scale by extending their loans to marginally poor and non-poor clients (Zainuddin, 2020). As noted by Zamore et al. (2021), an efficient microfinance institution will operate at reduced financing and overall MFI expenses. The same will also increase profitability and, therefore, lead to its financial sustainability. However, for microfinance institutions to be operational self-sufficient, other expenses (operating expenses and administrative expenses) should be lower.

A study by Churchill (2020), based on a sample of 1,595 MFIs on 109 countries, found that an increase in outreach breadth for profit-making MFIs led to improved financial sustainability and vice versa but led to a decline in financial sustainability for not-for-profit MFIs and vice versa. The findings suggested complementariness between breadth of outreach and sustainability and a trade-off between depth of outreach and financial sustainability.

In contrast to the demand side, this category has expanded to encompass a diverse spectrum of providers, ranging from institutional lenders such as bank MFIs, to non-bank MFIs and community-based organisations. Financial service providers are typically characterised as formal, semi-formal, or casual. There is no one-size-fits-all method to reach all market segments with all types of financial services; instead, each has its own niche. Despite the fact that the number of informal financial service providers has increased, the vast majority of the poor still rely on them. According to FinAccess data, Kenyan consumers utilise a variety of financial services, with only 11% using formal services, 31% using informal services, 13% using an informal service, and the remaining 45% utilising all types of services. Only 2.5% of Kenyans relied entirely on the regulated formal sector in 2009 (FSD Kenya FinAccess for 2011).

Over the last decade, the rise of MFIs has resulted in enormous income and job opportunities for the poor in developing countries. BancoSol in Bolivia, BRI's Unit Desa Progam, a community effort, and Grameen Bank in Bangladesh are widely cited as success stories for giving small loans to a large number of poor people in a sustainable manner. Dr Muhammad Yunus, the founder of Grameen and a Nobel Peace Prize recipient, pioneered the principles of microcredit and microfinance. He believes that the government should not operate businesses or provide services, but that social intervention can be achieved by policy packages that encourage enterprises to flourish in the ways that society desires ("Banker to the Poor – Micro-Lending and the Battle Against World Poverty").

Incentives for socially conscious firms should be included in policy packages to strengthen the competitive spirit and strength of the socially conscious sector, which in this case is microfinance. Yunus (2007) believes that by aiding one another in society, microcredit may help the entire microfinancing system advance. He believes that once many "little engines" start working, the stage will be set for bigger things. He sees no reason why certain socially conscious people cannot devote their lives to bringing about change in their communities and utilise their talents to create and operate enterprises with social purposes. He reiterates his conviction that, as information and technology improve, the common citizen will have nearly as much access to knowledge as the president, and that, as a result, access to information or any other type of effort provided by anyone is empowering. The Nobel Grameen Bank microfinance concept has been reproduced in over ten countries and has become a standard (Hulme 2008).

According to Otero (1994), the inclusion of such microenterprise development challenges in the national agenda constitutes "active participation" on the part of the state. According to him, the government "takes on the responsibility of establishing public policy and engages in discourse with policymakers, scholars, practitioners, and funders considering the linkages between macro policy and micro production" as a collaborator. He went on to suggest that institutional polarity is critical in satisfying the diverse demands of impoverished enterprises from a policy stance. Given the fact that different segments of the poor population have varied opportunities and constraints, policymakers must recognise that addressing various issues necessitates not just one, but numerous methods.

Certain markets and demographics are preferred by microfinance institutions (MFIs). As a result, rather than forming direct subsidiaries, the best way to encourage the growth of MFIs is to build a favourable and accommodating macroeconomic, legal, and regulatory environment. Several talks on microfinance and microenterprise development have occurred, with all parties attempting to identify the poor as a homogeneous group and construct a single set of "best practises" to fulfil the demands of a heterogeneous population. Bennett and Goldberg (1993) claim that the poor have "limited comprehension of the diversity of necessities, ambitions, risk profiles, investment alternatives, and limits."

Subsidies, on the other hand, should be given to MFIs that focus on social intermediation, i.e., assisting the poor in organising themselves, developing skills and managerial skills, and establishing self-governance frameworks that will allow them to take long-term ownership of the project (Bennett, Goldberg & Hunte 1996; Holf & Stiglitz 1993). However, based on a study by Moh'd Al-Azzam et al. (2022) suggest that subsidies worsen cost inefficiency while deposit-taking reduce it. Deposit-taking, however, may worsen cost inefficiency if an MFI welcomes subsidies and deposits together. While the literature includes many studies on the impact of subsidies (J. Morduch, 1999; D'Espallier et al., 2013; Al-Azzam, 2018) and deposit-taking (Hartarska et al., 2013) on different social and financial performance indicators, there is limited empirical evidence on the determinants of cost inefficiency in general, and the impact of means of financing in particular. Practitioners believe that cost inefficiency is considered among the top risk factors that hinder the growth of the microfinance industry (Lascelles and Mendelson, 2008). On the contrary, Khachatryan and Hartarska (2017), Cull et al. (2018), and Cozarenco et al. (2019) document a positive impact of subsidies and consequently call for more subsidies. According to Cull et al. (2018) generally argues for more use of deposit-taking and against the continued use of subsidies, appears to be inconsistent with what is observed. Indeed, non-government MFIs receive substantially fewer subsidies than commercial and non-bank MFIs. Cozarenco et al. (2019) continue to document that subsidies reduce cost inefficiency in credit-only MFIs but not in their counterpart credit-plus-deposits MFIs. Similarly, Khachatryan et al. (2017) conclude that subsidies improve the efficiency of MFIs as well as their depth of outreach while the impact of deposits as a source of capital is not clear.

While the majority of the initial microfinance banks were non-profits, the market has evolved to include a wide spectrum of service providers. According to commercial banks that provide a variety of financial services, the poor are "bankable," and member-based community groups have proved that long-term financial services may be provided directly by the community. While financial service providers are often classified as formal, semiformal, or informal in terms of regulatory status, they are either community-based (usually informal and without legal standing) or institutional in nature (often more formal and, in some cases, regulated).

There are now more than 10,000 MFIs worldwide according to World Bank (2019). While most MFIs are located in developing countries, they have a strong presence in the EU, especially in Eastern Member States (World Bank, 2019). In the European Union, MFIs often offer loans at interest rates that are below commercial bank rates due to public subsidies and guarantees (Drexler et al., 2020). In developing countries, however, microfinance is often offered at above market rates since MFIs typically assume the full risk of these uncollateralised loans (i.e. an absence of government guarantees), the value of the loans are smaller and more expensive to service, and capital is generally less available. MFIs in both developed and developing countries commonly offer flexible repayment options. MFIs can also offer other financial products and services alongside microfinance, including microinsurance. However, the development of microfinancial services remains limited, both in developed and developing countries.

According to Drexler et al.(2020), a concentration of market power with a small number of MFIs could result in upward price pressure and/or insufficient supply of credit. This is most likely to arise in immature markets or countries with limited possibilities for MFIs. A lack of knowledge, skills, tools and staff in borrowing companies or MFIs can hinder the completion and assessment of loan applications. This can result in incomplete or poor quality applications, as well as inaccurate appraisals that lead to rejections for the wrong reason which resulting in unmet demand. Certainly, understanding the elements of the ecosystem would help MFIs to assess whether they have achieved the minimum critical environmental conditions in the ecosystem for their business model to succeed (Purkayastha D. et al., 2020).

Nearly 90% of MFIs operate under the legal status of non-governmental organisation (NGO), non-bank financial institution (NBFI), credit union or financial co-operative, while the remaining are other legal forms such as banks, and governmental bodies (Diriker, Landoni and Benaglio, 2018). The majority of microloans are offered by credit unions. In EU Member States, micro-enterprise loans are the most popular product for about 80% of MFIs, followed by personal loans (64%) (Diriker, Landoni and Benaglio, 2018). About 52% of MFIs provide both business (micro, SME or agricultural loans) and personal or housing loans. Non-financial services in addition to the financial ones are more commonly delivered by MFIs in Western European countries where 79% of the MFIs engage in this type of support (Diriker, Landoni and Benaglio, 2018).

In general, microfinance has a stronger presence in countries where the formal financial system is less developed. Thus, the microfinance sectors in Southeast Asia, Africa and Latin American are much more active than in the EU and North America. In developing countries, microfinance often takes the form of group loans where group members act as guarantors for each other, whereas microfinance in the EU and North America tends to be based on individual loans. Even among developing countries, the regulatory environments vary greatly which has a strong impact on the development of the microfinance sector.

2.3.3 Supporting Functions

Consumers, in this context are microenterprises and financial service providers (MFIs) are the key market players, and they are linked via products and services. Other external elements in the financial market system, on the other hand, are necessary in microfinance market systems to ensure that supply and demand remain in balance (Ledgerwoood, 2013). Thus, these supporting functions and rules that regulate microfinance activities are those of these external factors.

In order to provide efficient delivery services to the sector, support functions are just as important as MFIs. Understanding the supporting responsibilities of significant players would help industry players better understand their roles and design strategies to fit them. In this setting, financial market participation and their behaviours are governed by both formal (regulations and standards) and informal (social conventions and cultural forms). Governments and industry organisations are the key players, as they establish regulatory frameworks and industry standards that influence market access, service range, and competitive climate.

In the meantime, informal rules are an important element of local culture, norms, value systems, and practises, and they can help with the successful implementation of difficult-to-change official legislation. Norms are a set of norms that people believe they should follow in order to avoid being punished (Coleman 1994). If people conform to the norm, they expect to be socially accepted or rewarded; if they do not conform, they expect to be socially punished or excluded (UNICEF, 2021). The next sections encompass key players, among others, in the supporting functions i.e. the government and regulators.

2.3.4 The Role of Government

According to the Financial Access 2010 Survey (CGAP 2011), the principal financial regulator has jurisdiction over 90% of economies. In addition to prudential and consumer protection rulemaking, governments can support innovative financial inclusion business models, such as enabling new entrants into the financial services sector (Ehrbeck, Pickens, & Tarazi 2012). The government is also responsible for maintaining macroeconomic stability and putting in place suitable regulatory and supervisory frameworks (Dufflos & Imboden 2004).

According to policymakers, the construction of a more inclusive financial services industry has the potential to increase economic growth and reduce poverty. Previous studies have reported about various benefits of microenterprises such as job creation (Amoah & Amoah, 2018), poverty alleviation (Geremewe, 2018), economic improvements (Tahir, Razak & Rentah, 2018), community development (Purusottama, Trilaksono & Soehadi, 2018), socio-political betterment (Maksum, Rahayu &

Kusumawardhani, 2020). All these benefits contribute to economic growth in transforming societies and creating jobs and revenue creation (Jamak et al., 2014).

At the same time, they recognise three key financial inclusion barriers. The first barrier is the supply-side constraints, which include transaction costs, the ability to follow an individual's financial history, and a lack of awareness of how to assist disadvantaged clients. Second is the demand-side restrictions, such as a lack of formal identification systems and financial competence that limit people's capacity to make use of offered services and goods (AFI 2010). Notwithstanding this, a transaction account serves as a gateway to other financial services, which is the reason that ensuring that people worldwide can have access to a transaction account will continue to be an area of focus for the World Bank Group, a Universal Financial Access 2020 initiative. Third, poor regulatory frameworks, particularly consumer protection systems, stifle product and service quantity and quality.

Official rules are drafted by the legislature, the government unit/ministry, and the regulator (central bank and/or regulatory authority). In addition to service delivery infrastructure, several additional supporting functions, such as credit bureaus, and non-financial infrastructure, such as communication networks, should be in their domain to improve access to financial markets. As a result, the government has a significant role to play as a provider, regulator, and promoter. Mandates were occasionally enforced on complacent MFIs, pushing them to do all in their power to reach targets at the lowest possible cost. In other circumstances, the threat of a statutory requirement was enough to persuade the banking industry to comply.

2.3.5 The Regulators

Another important position in the supporting function is that of the regulator, who creates a desirable environment and permits industry participants to operate in a controlled manner. In order to enhance efficiency, regulators develop explicit regulations for the industry. The regulatory environment has a significant impact on the overall financial service delivery mechanism (Ledgerwood 1998), making it an essential component of the ecosystem. According to Ledgerwood and Gibson (2013), the overarching purpose is to support and increase the microfinance industry's key activities involving transactions between lenders (supply side) and borrowers (demand side).

A well-regulated industry with a long-term regulatory framework responds better to financial inclusion programmes (Ali 2015). In addition, regulations are intended to combat market failure and the consequences of market failure that an industry may experience if specific rules and regulations are not in place (Ledgerwood et al. 2013). A well-regulated business attracts investors and increases the confidence of its participants and end users (MEs), resulting in a more robust financial system overall (Hq, Hoque, & Pathan 2008).

According to Ledgerwood, Earne, and Nelson (2013) and Purkayastha et al. (2020), the central bank, regulatory authorities, consumer protection agencies, and government units are major participants in establishing official standards for the microfinance industry. As discussed by Bloom and Dees (2008) and Dees et al. (2008), political dynamics and MFI jurisdiction are among the context-setting components affecting the microfinance ecosystem.

Regulators' main responsibilities include promoting safe and sound financial services; risk management; establishing a competitive market; protecting the interests of end users (MEs); strengthening the industry; improving access; providing an enabling environment; enhancing financial and operational sustainability; improving transaction transparency; and welcoming existing and new participants (Ali 2015; Haq et al. 2008; Ledgerwood et al. 2013; Ledgerwood & Gibson 2013; Meagher 2002; Purkayastha et al. 2020). It is through the regulation and supervision of the licensed financial institutions that enables a continued reliability of major payment and settlement systems, and actively contributing to the development of efficient financial markets which leads to achieving financial stability that can maintain confidence in the financial system, according to Bank Negara Malaysia (2022).

In this study, the Malaysian government, the Central Bank of Malaysia, other financial regulators, industry groups, and consumer protection agencies are all considered important participants in the establishment of formal industry regulations. According to Bloom and Dees (2008), industry groups and the government, in addition to the rule setter, provide supporting functions, similar to an ecosystem in which members play distinct roles.

Consumer protection principles, customer grievance systems, electronic money institution rules, credit bureau legislation, and other supporting services all contribute to healthy competition in business. Regulators are ready to help industry with infrastructure, innovations, private sector activity, and the entry of new participants into the market, all while focusing on the national aim of financial inclusion (Basharat et al.

2019; Basharat et al. 2018; Hussein 2009).

2.3.6 Financial Inclusion

To understand the microfinance ecosystem, one must first understand the concept of financial inclusion, which has recently become a major priority in global development agendas. As of 2018, 92 developing and emerging countries had signed the declaration, committing to 80 measurable targets to increase financial inclusion (Sumatele M.C., 2021). Financial inclusion is the provision of, and access to, financial services to all members of population particularly the poor and the other excluded members of the population (Ozili, 2018).

Financial inclusion has been defined in various ways in the literature. Some sources refer to it as the provision of equal opportunities to access financial services (Paramasivan & Ganeshkumar, 2013; Svitlana et al., 2019), with metrics such as the number of bank branches and ATMs, as well as the presence of microcredit institutions in a given area, being used to measure it. Other definitions go beyond access and include factors such as the quality, suitability, timeliness, and affordability of financial services (Demirguc-Kunt & Klapper, 2013; Ongo Nkoa & Song, 2020). Measuring quality is an important dimension of financial inclusion, and AFI (2016) proposes eight indicators to evaluate it, including affordability, transparency, convenience, fair treatment, consumer protection, financial education, indebtedness, and choice.

Based on World Bank definition, a financial inclusion means that individuals and businesses have access to useful and affordable financial products and services that meet their needs – transactions, payments, savings, credit and insurance – delivered in a responsible and sustainable way. Whilst according to Corporate Finance Institute (2023), financial inclusion refers to the provision of equally available and affordable access to financial services for everyone, regardless of their level of income and it applies to providing services to both individuals and businesses.

Modern economies rely on money to facilitate transactions, serve as a store of value, function as a unit of account, and establish a standard for credit. Unfortunately, those who lack access to formal financial services, such as marginalised individuals and the poor, often resort to internal funding sources such as borrowing from friends and family (Demirguc-Kunt et al., 2018). However, these individuals may also turn to money lenders, who often charge exorbitant interest rates, sometimes as high as 100% or more within a short period (Simatele M.C., 2021). In response to this issue, efforts to achieve financial inclusion have focused not only on increasing the availability of formal financial services but also on enhancing their usability, quality, appropriateness, and affordability. Nevertheless, many entrepreneurs with limited knowledge opt to avoid external funding altogether due to concerns about falling victim to unscrupulous private financiers who may offer complex but unsuitable financing instruments (Meyer 2002; OECD 2017).

Financial inclusion is the most important frame of reference for assessing how poverty might be addressed through the provision of financial services. Financial inclusion is currently gaining a lot of attention around the world, and it has risen to the top of several international and national policy agendas. In 2005, the United Nations Capital Development Fund (UNCDF) published a Blue Book on Financial Inclusion;

the G-20 formed a Financial Inclusion Expert Group; HRH Princess Maxima of the Netherlands was appointed by the United Nations as Special Advocate for Inclusive Finance; and the World Bank committed significant resources to financial access research (Center for Financial Inclusion 2008; Conroy 2008; Stein 2010).

As climed by Sahay R. et al. (2015), financial inclusion is believed to drive economic growth up to a certain point. Improved access to banking services by households and firms, especially among women, has been shown to promote growth, particularly in sectors that rely on external finance. However, the benefits of inclusion and depth start to diminish at some point, which may lead to negative impacts on growth for some advanced economies. Despite this, there is new evidence showing that expanding credit access without adequate supervision could pose financial stability risks. Broader access to credit tends to erode financial buffers, especially in countries with weak supervision, while those with strong supervision may experience some stability gains. Sahay R. et al. (2015) reveal substantial supervisory gaps across countries, which highlight the potential risks of unregulated credit access on financial stability. Reports indicate that developing countries with lower financial education could be vulnerable to excessive credit demand and incipient credit bubbles, necessitating policy concerns with consumer protection (Hannig A. and Jansen S., ADBI, 2010).

Nevertheless, financial inclusion necessitates access to a variety of financial products, including savings (e.g., ordinary savings and current accounts), different types of micro insurance, and other types of micro insurance, and emphasises that financial inclusion necessitates access to a variety of financial products, including savings (e.g., ordinary savings and current accounts), different types of micro insurance, and other types of micro insurance.

It also emphasises the importance of providing high-quality financial services at reasonable costs and on time through a variety of delivery channels, including bank branches, non-bank financial organisations, and insurance firms. Furthermore, studies have demonstrated the benefits of financial inclusion for people, households, and the economy (United Nations 2006; Conroy 2008; Stein 2010; Borajas A. et al., 2020). Greater financial inclusion is thought to assist in improving both economic efficiency and equity (Conroy 2008; Stein 2010; Md Abdullah Omar & Kazuo Inaba 2020). It also helps the poor manage their daily requirements, cope better with hazards, and explore investment opportunities that help them build their income and assets (United Nations 2006; Conroy 2008; Stein 2010; CGAP 2019).

Not all service providers in financial inclusion activities are deposit-taking institutions, a financial inclusion service provider may have other sources of funds including grants/donations, crowdfunding contirubtuions, investment/equity-based funding or any other mechanism where repayments to fund providers are not required or obliged (IFSB, 2019). Individuals and organisations (including indigenous groups like ROSCAs and accumulating savings and credit associations (ASCAs), as well as facilitated groups educated by external agencies like Savings Groups (SGs) and Self-help Groups are all examples of community-based fund providers. While more formal than ROSCAs, these facilitated groups are not considered "institutions" because they are not legally regulated as financial service providers that have few expenses and primarily provide services to other members of the group. However, the member-owned financial cooperatives and NGOs, which are typically registered and possibly supervised, as well as banks (private and public), deposit-taking MFIs, and non-bank financial institutions (NBFIs), such as insurance companies and leasing companies, are all typically regulated in some way. According to Wijayaratna (2002), the community-based development microfinance model is equally beneficial where it focuses on community organisations that will be involved not just in project implementation but also in monitoring and oversight.

Even though the bulk of these microfinance projects are sponsored by grants, they have a considerable social and economic impact. The grant is usually a one-time gift from a donor or the government, which is a downside to this method. The major goals of community development are to encourage community participation, empowerment, and resource integration, as well as communal control and accountability, accessibility and equity, partnership development, and community well-being.

Given the economic relevance and the potential impact of financing constraints, the financial inclusion of micro, small, and medium-sized firms (MSMEs) has been one major area of focus for research and policymakers alike. In the 1980s and 1990s, microcredit or the provision of credit services to low-income people (especially loans for micro-enterprises), had attracted most international attention. However, as time went on, the focus had shifted to microfinance, a more holistic concept that encompasses a broader variety of services than microenterprise funding (Armendariz & Morduch 2005; Littlefield et al. 2006; Collins et al. 2009).

Despite an increase in global microfinance initiatives and the microfinance industry's rapid expansion in recent years (Reed 2011), many families still lack access to MFIs. The data recently released by the World Bank in 2021 recorded about 1.7 billion people from all over the world of 7.9 billion which stands at almost 22 percent, don't have access to bank accounts. In this setting, financial inclusion, or universal access to financial services, has recently entered the development discourse. It focuses on bringing into the (formal) financial sector all people who were previously excluded by MFIs. While microfinance has pushed microcredit out of the professional conversation, financial inclusion has not replaced microfinance as an operational concept (Conroy, 2008).

2.4 Theoretical Foundations of Microfinance

2.4.1 Microfinance Theory

Microfinance is defined as the provision of a wide range of financial services to low-income and poor households who are unable to receive regular banking services due to a lack of collateral (Johnson & Rogaly 1997; Ledgerwood 1999; Littlefield, Murduch, & Hashemi 2003; Robinson 2001). Microfinance is a type of banking service that is provided to unemployed or low-income individuals or groups who otherwise have no other access to financial services (Kagan, 2022). The primary argument is that through providing financial services, low-income and poor people will be able to participate in the economy by founding and growing small businesses. As a result, they will be able to renovate their homes, run their enterprises, and make their own judgments.

In practise, microfinance takes the form of small loans or microcredit made available to the poor (particularly those who have traditionally been denied access to traditional financial services) through programmes tailored to their specific needs and circumstances. Excellent microfinance programmes have small, often short-term loans; streamlined, simplified borrower and investment appraisal; rapid release of repeat loans following timely repayment; and easy location and scheduling of services (Obaidullah, 2008; FAO of United Nation, 2019).

Microfinance can exacerbate the economic situation of the poorest, as well as induce severe over-indebtedness among borrowers due to high interest rates (Seng 2018). If not properly managed and organized, microfinance can worsen the poverty conditions of the clients through additional debt burden. Despite its inherent purpose to "do good," microfinance is not without faults, some of which include (i) exorbitant interest rates; (ii) driving client over-indebtedness; (iii) a questionable record on female empowerment; (iv) an overemphasis on credit rather than other services; (v) aggressive collection methods; and, most importantly, (vi) a lack of demonstrable impact on poverty reduction. Some scholars have argued that instead of breaking the cycle of debt, microfinance further worsens the chain of poverty and undermines the poor and some MFIs have turned the whole scheme into a money-making opportunity through outrageously high lending rates imposed on the poor when providing credit (Thai-Ha l., ADB 2021). Generally, microfinance has a positive effect on both the economic growth and development of a country (Lopatta and Tchikov 2016, Lopatta et al. 2017, Bansal and Singh 2019).

There are various types of microfinance models that have been developed over decades, namely, the: 1) association model; 2) bank guarantee model; 3) community banking model; 4) cooperative model; 5) credit union model; 6) Grameen Bank model; 7) group model; 8) individual model; 9) intermediary model; 10) non-government organisation (NGO) model; 11) peer pressure model; 12) rotating saving and credit association (ROSCA) model; 13) small business model; 14) village banking model; 15) self-help group model; 16) graduation model; and 17) micro-banking unit model.

However, four microfinance models stand out, namely the Grameen Bank model, the village bank model, the cooperative or credit union model, and the self-help group model (Obaidullah 2008; Kafle B.R., 2022). The Grameen Bank strategy (established by Muhammad Yunus in October 1983) replaces collateral with group-based and graduated lending to reduce default and delinquency risk. The Grameen Bank model entails organising a small group of people (on average, five people) to request funding and guarantee each other's loans.

According to Obaidullah (2008), members of these small groups are trained in financial fundamentals as well as the requirements they must meet in order to maintain access to cash. Individuals in the group are paid once the group's other members have accepted them. All members of the group are required to repay the loan. Microfinance programmes are commonly established to provide small sums of money in exchange for weekly payments over a fixed period of time (usually a month or a few months). Khandker (1996) and Yunus (2007), for example, present in-depth analyses.

The cooperative or credit union (CU) model is based on the mutuality principle. According to Obaidullah (2008), a cooperative or CU, is a non-profit financial cooperative owned and administered by its members. Credit Unions are institutions based on foundations of not-for-profit, cooperative, and member-owned ideologies. A credit union is a not-for-profit financial institution co-owned by its members. A credit union's members elect a volunteer board of directors to help manage the credit union. Profits are “returned” to credit union members in advantageous financial products and terms, while shareholders benefit from bank profits. Some credit unions return profits as annual dividends (Shinn L., 2022). Cooperatives, also referred to as credit unions, collect deposits, offer loans for productive and provident purposes, and have members who share a common bond. Cooperatives, often known as credit unions, are governed by an apex authority that provides training and oversees their financial performance. In Asia, particularly in Sri Lanka, credit unions are very common. The member-based Islamic financial cooperative *Baitul Maal wat Tamwil* in Indonesia is a variety of cooperatives or CUs. These offer not-for-profit social services, margin-free loans (*qard*), interest-free loans (*qard Iasan*), and for-profit finance through charities (Suseno P., 2022).

Other model like community bank is a financial institution that was founded on the notion of a community bank serving the community, is locally owned and operated, and concentrates on serving the financial requirements of businesses and families in the community where the bank's offices and branches are located. The bank's employees are locals who are familiar with the financial needs of local businesses, farmers, and families. Most community banks offer standard banking services to both individuals and businesses, including checking accounts, savings accounts, loans, mortgages, and safe deposit boxes.

The majority of small banks do not offer brokerage or big loan services that large banks do. Micro-banking is a downscaled operational unit of a commercial bank (conventional or Islamic) aimed at meeting the microfinance market's demands in rural areas and delivering various banking services to the doorsteps of rural populations. Micro banking units provide services such as micro savings, micro lending, microfinancing, and other micro financial services such as money transfers, micro insurance, and micro takaful. Local microentrepreneurs may benefit from a number of services provided by micro banking units, including financial support, technical advice, and marketing arrangements.

Microfinance should be able to meet the specific financial and non-financial needs of MEs, which are typically represented in its financing programme (such as easy access, simplicity, social collateral, risk mitigation, risk sharing, low cost, and ample monitoring) and socio-development programmes (such as risk mitigation, risk sharing, low cost, and ample monitoring) (such as, health care, social messaging, subsidised financing, regular meetings, skills training, savings programmes, social services). The ability of a microfinance programme to continue functioning despite its financial viability is known as financial sustainability (Khandker 1996).

Microfinance programmes must offer large, profitable programmes that are fully self-sustaining when competing with other private-sector banking institutions and able to raise funds from international financial markets rather than rely on funds from development agencies in order to be financially sustainable (Mayoux, 2006). Over and above, MFIs must find innovative ways of boosting their revenue streams; this entails diversifying into nonlending activities such as advisory services, custodial services, underwriting and securities brokerage (Githaiga, P.N.,2022). Other study by Churchill

(2020), found that an increase in outreach breadth for profit-making MFIs led to improved financial sustainability and vice versa but led to a decline in financial sustainability for not-for-profit MFIs and vice versa. These findings are consistent with those reported by Luu et al.,(2019) and Chiorazzo *et al.* (2008), who focused on the bank MFIs through diversification strategies.

2.5 Empirical Evidence: Inclusive Microfinance Theory

Inclusive Microfinance Ecosystem Theory is related to the focus of this study because the embedded market system approach can be the basis for improving the participation of microenterprises in microfinance financial services with the ultimate objective of alleviating poverty. Despite the establishment of publicly traded microfinance companies in recent years, informal providers remain the principal source of financial services for the vast majority of the poor as stated by ADB (2021).

Based on FinAccess data, it has been found that a diverse range of financial services are utilized by customers in Kenya. Nevertheless, the percentage of adults who are excluded from accessing financial services (both formal and informal) has increased from 11.0 percent in 2019 to 11.6 percent in 2021. However, this figure has improved significantly since the baseline survey conducted in 2006 when 41.3 percent of adults were excluded. The study also highlights that the usage of informal sources to access financial services has decreased from 6.1 percent in 2019 to 4.7 percent in 2021, indicating that the financial sector has become more regulated and secure. Bank-based products, in particular, have been a significant driving force in this regard by offering competition to unregulated digital lenders, resulting in their usage declining from 8.3 percent in 2019 to 2.1 percent in 2021. The survey indicates that most Kenyans use financial service providers on a monthly basis, possibly reflecting salaried employees, contractual arrangements, remittances to SACCOs, insurance policy premiums payments, and pension contributions.

Another piece of evidence supporting the hypothesis is BRAC (Bangladesh Rural Advancement Committee). In Bangladesh, BRAC is the second largest market share with 6.8 million members while ASA has the largest market share with 7.5 million members (CDF, 2019). BRAC provides microfinance, education, health care, legal services, and marketing facilities to 70,000 rural communities and 2,000 urban slums in Bangladesh. After realising that its microfinance programmes were not reaching many of the poorest, BRAC partnered with the government of Bangladesh and the World Food Programme in 1985 to add a graduation ladder to an existing national safety net programme that provided the poorest households with a monthly allocation of food grain for a two-year period. The graduation concept is built on five core elements: 1) targeting, 2) consumption support, 3) savings, 4) skills training and regular coaching, and 5) asset transfers (Ledgerwood J. et al., 2013).

BRAC worked with beneficiaries and eventually included small loans to assist them in improving their lives. In fewer than 20 years, the programme reached 2.2 million families. In 2002, BRAC refined its technique by better identifying the ultra-poor (defined as people who spend 80% of their income on food but only meet 80% of their minimum caloric needs) and adopting a series of more intensive, sequential inputs. By 2010, BRAC had reached over 300,000 ultra-poor households using this innovative strategy, termed "Challenging the Frontiers of Poverty Reduction/Targeting the Ultra Poor." According to BRAC, more than 75% of these households are now food secure and manage sustainable economic activities (Hashemi & de Montesquiou 2011).

Another empirical study looked into SafeSave, one of the world's first microfinance institutions founded in 1996 to provide basic money management services to underprivileged consumers. SafeSave takes a client-centred approach, understanding that low-income people's incomes are often erratic and inconsistent, forcing them to rely on a complex collection of financial management solutions. They frequently save at home, borrow from moneylenders, and join savings clubs—all of which are convenient but not always reliable – because they have limited access to official sector providers.

SafeSave aspires to complement the benefits of informal finance while also addressing its drawbacks. A microfinance organisation in Dhaka, Bangladesh, has launched over 10,000 SafeSave accounts, which offer two flexible financial options and credit lines. SafeSave's success shows that flexible financial solutions are in significant demand among the poor, and that providing them may be profitable for MFIs (Laureti, Janvry, & Sadoulet 2017).

According to a study conducted in Sri Lanka, MFI clients differ in terms of the financial services they utilise as well as the number and types of financial institutions to which they have access. The findings show that the microfinance and formal financial sectors, which were previously thought to service separate areas of the market, have converged over time to meet a wide range of financial demands. Empirical research in Sri Lanka revealed a high level of financial institution outreach as well as multiple clients in the financial industry.

Furthermore, disparities in MFI access have narrowed across income groups and districts, indicating that MFI access is becoming more convergent across income groups and regions across the country. According to global experiences (Bennett et al. 1996; Bhatt 1997; Chao-Beroff 1997), participatory strategies for poverty alleviation and microenterprise development have demonstrated that they can reach high levels of financial sustainability and, in some cases, become subsidy independent.

Microfinance has garnered universal support as a feasible strategy for poverty alleviation and well-being improvement throughout the years, according to a substantial body of empirical research (Bakhtiari 2006; Ebimobowei, Sophia, & Wisdom 2012; Imai & Azam 2010; Johnson & Rogaly 1997; Ledgerwood 1999). It is also considered a way to help the local economy (Johnson & Rogaly 1997). The rapid growth of microfinance can help with a variety of development goals, including self-employment, the formation of new businesses, and income distribution (Bakhtiari 2006; Johnson & Rogaly 1997; Khandker 2005; Ledgerwood 1999; Littlefield et al. 2003).

Beyond enterprise investment, microfinance plays a role in improving household economic well-being, clients' health, nutrition, children's education, and living standards, for example (Angioloni et al. 2013; Dunford 2001; Holvoet 2004; Littlefield et al. 2003; Morduch 1999). Microfinance is also seen as an important instrument for empowering the disadvantaged, particularly women (Littlefield et al. 2003; Swaina & Wallentin 2009; Mundargi M. 2022). It gives people the freedom to make their own decisions, improve their quality of life, and maintain their dignity (Johnson & Rogaly 1997; Ledgerwood 1999; Narayan 2002; Shameran Abed 2015).

2.5.1 Microfinance Revolution

Microfinance is not a new concept; Friedrich Willelem Raiffeisen formed the first cooperative lending institutions to assist farmers in rural Germany in the late third century before Christ. In the 1970s, Muhammad Yunus founded Grameen Bank in Bangladesh, which gave birth to the modern concept of microfinance. Many government and non-governmental organisations have expressed interest in replicating Grameen Bank's good experience in eradicating poverty and improving the economic well-being of the disadvantaged.

Since the establishment of Grameen Bank in 1975, the number of microfinance organizations in disadvantaged nations, particularly in Asia, has increased significantly. According to data from the Microcredit Summit Campaign (Reed, 2014), the microfinance industry worldwide grew from serving 7.6 million "poorest clients" by the end of 1997 to 114 million by the end of 2013. In 2013, the total number of clients reached by the 3,098 microfinance institutions (MFIs) reporting to the Summit was 211 million people. The gross loan portfolio of the 763 MFIs reporting data to this institution rose from USD 2.2 billion in 2000 to USD 111 billion in 2017. While a microcredit industry has emerged in many developing countries, earlier optimism has been tempered by calls for realism, government measures against irresponsible practices, and careful evaluation of development outcomes that can be achieved through Official Development Assistance (ODA) support for microcredit schemes (Perez A., 2020). Moreover, over time, it has been recognized that poor people not only require credit but also other financial services. Therefore, the term microfinance, as defined by the CGAP

(2016), now refers to a range of financial services available to low-income individuals, including small-scale loans, savings accounts, insurance, housing loans, and other financial arrangement.

The definition of microfinance differs depending on the scheme's goal, the items provided, and the viewpoint of microfinance clients. In practise, the term "microfinance institution" refers to any organisation that provides loans and other services (CGAP 2013). These businesses typically make small loans to unemployed applicants with little or no collateral using cutting-edge tactics developed over the previous 30 years. Group lending and liability, pre-loan savings restrictions, gradually growing loan amounts, and an implicit guarantee of easy access to future loans if previous loans are returned fully and quickly are among these strategies.

Robinson (2001) goes even farther, using the term to include the rationale for providing microfinance. He said that microfinance refers to small-scale financial services, primarily credit and savings, provided to people who: farm, fish, or herd; operate small enterprises or small business enterprises where goods are produced, recycled, repaired, or sold; provide services; work for wages and commissions; earn money by renting out small amounts of land, vehicles, draught animals, or machinery and tools; and to other individuals. Schreiner (2000) defines microfinance as "formal activities aimed at improving the poor's well-being through greater access to saving services and loans." Money lenders, pawn shops, check cashing facilities, and loans between relatives and friends, he believes, are major sources of impoverished people's information and skills for microfinance organisations trying to identify the poor.

Nonetheless, microfinancing, by definition (FINCA, 2021) is the act of providing a range of financial services to people working with such small amounts of money that they lack access to these services through traditional banks. While microcredit, microloans and microlending are all part of microfinance, microfinance itself encompasses a wider range of services than just loans and lending. In addition to small amounts of credit to take out a microloan, MFIs provide low-income individuals with other financial services namely savings accounts, insurance, money transfer services, financial education, and more to help them manage their money more effectively so they can start working toward a better life (FINCA, 2021).

2.5.2 Microfinance Services

Microfinance services, such as microcredit saving and repayment, are the primary tools used by microfinance organisations to assist developing nations in combating poverty and improving the well-being of their citizens. In 1970, a Bangladeshi banker named Professor Mohamed Yunus started financing for the Carmen Bank, and microcredit was formed. Microcredit has become a buzzword among both formal and informal moneylenders, including pawn shops, friends and family, informal organisations, non-government organisation credit, and traditional bank-provided loans for agricultural, livestock, and other reasons.

Microcredit's appeal to moneylenders originates from the fact that it aims to help impoverished people and alleviate poverty, whereas other types of money lenders are motivated by profit. Furthermore, rather than requiring physical collateral, the provided loan requires social collateral, which allows the poor to participate in the economy and profit from exit opportunities. Microcredit is a small amount of credit given to underprivileged people, especially women, at a reasonable interest rate in order for them to generate income through self-employment. The importance of microcredit can be regarded from a variety of angles.

It can be regarded as a human right in terms of empowerment because it empowers the most vulnerable individuals, particularly women, by allowing them to work and earn money. According to Haile, Bock, and Folmer (2012), microcredit empowers Ethiopian women by allowing them to improve their decision-making skills, obtain money, and increase their household expenditures. Microcredit is also considered a sustainable livelihood solution because it alleviates poverty and improves the well-being of the poor. According to Garikipati (2008), microcredit helps India's poor improve their quality of life by allowing them to earn money and acquire property.

According to Nader (2008), microcredit has a considerable impact on the well-being of Cairo families. It enables people to accumulate assets and create income, as well as improve their children's education, health, and well-being. In Malaysia, Mokhtar (2011) emphasised the importance of microcredit in increasing clients' income, assets, and quality of life. Microcredit is also a tool for economic development because it encourages the formation of new businesses, as well as poverty reduction and job creation. According to Mamun et al. (2012), microcredit is crucial for the development of Malaysian microfinance clients' enterprises and the creation of jobs. On the other hand, microcredit was shown to have a positive influence on Yemeni women entrepreneurs by boosting the establishment of new firms and lowering poverty levels (Ahmad 2012; Burjorjee and Jennings 2008).

Unfortunately, most microfinance institutions rely largely on government and non-government subsidies to cover operating costs and provide low-cost loans to poor borrowers. The financial system, on the other hand, must be long-term and self-sufficient in order to gain universal adoption. Many scholars from a variety of institutions have worked tirelessly to develop a financial framework that allows microfinance to achieve market sustainability while also reaching a large number of individuals. Robinson (2001) emphasises that microfinance can have a long-term impact by establishing self-sustaining commercial enterprises that are not reliant on the subsidised loan model.

As stated by Christen and Drake (2002), moving out of the largely donor-dependent arena of subsidised operations towards one in which microfinance institutions are managed on a business basis as part of the regulated banking system is a priority. Microfinance commercialization is seen as a vital step in assuring the long-term viability and size of microfinance organisations. This is accomplished through securing long-term support and establishing financial viability and scalability (Kiweu J. M., 2009). Commercialising microfinance organisations is to increase outreach, build operational self-sufficiency, and achieve financial self-sufficiency (Thuy T. Dang et al., 2021). However, to achieve these goals, a combination of microfinance funding sources is required, which can be accomplished by raising cost recovery interest rates, using non-subsidized loans, mobilising voluntary savings, or using alternative market-based funding sources (Thuy T. Dang et al., 2021)

According to Christen and Drake (2002), institutional commercialisation can be divided into two categories: 1) microfinance NGOs that have transformed into banks or licenced nonbank financial intermediaries; and 2) large retail banks (including state-owned institutions). Ledgerwood and White (2006) describe three commercialisation alternatives for microfinance institutions: 1) Converting a non-profit into a financial institution; 2) building a commercial MFI from the ground up; and 3) integrating microfinance services into traditional banking services.

The two most common types of savings are voluntary and forced savings. When microfinance clients are required to save a certain amount of money in order to receive future loans, it is referred to as "mandatory savings." This can take the form of an MFI-facilitated savings account or a deposit with the MFI. On the other hand, voluntary savings refer to the money that clients save that is not required as a condition of an existing loan. Examples of voluntary savings include savings made outside of the MFI as part of the MFI's broader financial services or deposits retained by the MFI. Wisniwski (1998) argues that both clients and MFIs benefit from saving services. For clients, saving services provide a valuable tool for managing their liquidity through cash availability, rate of return, security, and deposit divisibility. For MFIs, savings constitute an essential and appealing source of microfinance, providing a significant source of low-cost microfinance cash, a more reliable capital source than money acquired from central banks or donor funds, and increased market demand for microfinance firms. Deposit-taking can also help MFIs enhance their operations. Savings products are particularly important for the poor, as they help them reduce borrowing costs and secure long-term funding. Brannen (2010) notes that the Village Savings and Loan Association Program in Zanzibar, Tanzania, provides savings services that have the potential to improve clients' incomes and empower their families.

A research conducted by Ana Aniyah (2018) on 215 people from a selective district of East Java, Indonesia and scattered in 16 business group found that the women's saving and loans program affect positively on the micro small medium enterprises income with decreasing number of poverty rate about 20 percent. This is supported by a study by Jalil (2021) showing savings are beneficial in increasing entrepreneurial activities of poor entrepreneurs.

Microfinance services supplied by MFIs are important sources of job creation, new business formation, and improved livelihoods (Sayed Sameer Ali Al-Shami et al. 2013; Geetha C. 2017). In contrast, financial services fall short of improving clients' livelihoods and maintaining the long-term viability of their micro and small businesses. As a result, a number of researchers and academics have pushed for the merging of non-financial services and microcredit. According to Ledgerwood (1999), microfinance is more than a bank; it is a vehicle for improving human skills in the efficient use of financial resources. According to Morduch and Hayley (2002) and Abdullah Al Mamun et al. 2019), entrepreneurial skills and competencies are necessary for running a successful microenterprise, but not all MFIs possess them.

According to Mensah and Benedict (2010), entrepreneurship training has the potential to improve micro and small businesses' ability to create jobs and grow in the South of Africa. They also feel that incorporating entrepreneurship training and microcredit services into the programme will improve its success. According to Parvin, Rahman, and Jia (2012), easy access to credit, skill training, and membership in development organisations are all critical elements in attracting women to micro entrepreneurship in Bangladesh.

In EU Member States, microenterprise loans are the most popular product for about 80% of MFIs, followed by personal loans (64%) (Diriker, Landoni and Benaglio, 2018). Altogether, 52% of MFIs provide both business (micro, SME or agricultural loans) and personal or housing loans. Non-financial services in addition to the financial ones are more commonly delivered by MFIs in Western European countries where 79% of the MFIs engage in this type of support (Diriker, Landoni and Benaglio, 2018). The study by Drexler et al. (2020) estimated the gap in non-financial services using the proportion of MFI activities dedicated to these services and unmet demand for loans. Excluding informal businesses, it is estimated that about 1.2 million clients in the EU are not receiving non-financial services that they would like to access.

Microfinance is certainly vital in helping the poor create jobs and raise their living standards. Microfinance organisations, on the other hand, face a two-pronged problem when it comes to financing disadvantaged borrowers. This difficulty is exacerbated by the poor's inability to offer physical collateral and microfinance organisations' lack of precise information on them. Financing the impoverished without reliable information about them is thus considered a dangerous decision. As a result, Bangladesh's Grameen Bank's founder, Prof. Muhammad Yunus, solved the challenge by establishing group lending as a key development in microfinance.

Group borrowers are individuals without collateral who join solidarity organisations in order to receive loans from lenders (Armendáriz & Morduch 2005). Cooperative lending is frequently promoted as a solution to the issues that arise from an imperfect credit market, particularly asymmetric knowledge issues (Ghatak 2000). Adverse selection and moral hazard, both of which can lead to loan defaults, can be caused by information asymmetry. The Grameen Bank's group lending strategy aims to provide small loans to rural impoverished people to assist micro and small non-agricultural businesses without demanding physical collateral. Individual loans are disbursed to group members, but each member's repayment is the responsibility of the entire group.

The primary idea behind group lending is that peer monitoring and screening functions can lower the risk of moral hazard and unfairly selected borrowers. When compared to individual responsibility contracts, Paal and Wiseman (2011) highlighted that offering joint liability loans can yield a significant return to the lender. Joint liability is also an effective strategy to boost your team's performance. Shared liability, according to Carpena et al. (2012), encourages Indian microfinance borrowers to save more and lowers default rates. Individual loans are offered to group members, but repayment is the responsibility of the entire group.

The core idea of group lending is that peer monitoring and screening functions can reduce the danger of moral hazard and adverse selection for everyone involved. When compared to individual responsibility contracts, Paal and Wiseman (2011) show that granting joint liability loans can give a large return to the lender. Joint liability is also an effective strategy to boost group members' performance. Shared liability, according to Carpena et al. (2012), improves savings discipline and reduces default rates among Indian microfinance borrowers. However, one study made in Bangladesh (Banerjee S.B. et al., 2016) found that microfinance through shared liability heightened feelings of social vulnerability through processes of surveillance, disempowerment and shaming. In fact, it claimed that microfinance innovations of ‘social collateral’ and ‘solidarity circles’, while ensuring high repayment rates, had negative social consequences. The study elaborated on the increased surveillance within and between groups of borrowers leading to a slow erosion of trust and social cohesion, a key component of social capital. Thus, women borrowers fearing default by a group member, engaged in surveillance of member behaviour after a loan was taken and since family members were also involved, the entire community became a mechanism of surveillance leading to conflicts and discord.

In Mongolia, group loans have a favourable impact on household expenditure, notably food consumption, as well as entrepreneurial activities (Attanasio et al. 2011). Some studies, such as those conducted by Kenyan microfinance organisations, give group lending and shared accountability low priority (Kodongo & Kendi 2013). Nonetheless, regulators, microfinance organisations, and academics have attempted to find and replicate the factors that contribute to effective group formation because of the importance and the positive impact of collective liability to repayment rates and group members' performance. A positive impact of microfinance programs is also reported by Samer et al. (Samer et al., 2015). They use data from Malaysian households in rural and urban areas and show that microcredit programs increase users’ household income by 1.5 times in rural areas and 2.3 times in urban areas. A positive effect of microfinance is also found in Ethiopia. However, India, has no statistically significant impact on monthly per capita consumption, health, education, or women's empowerment (Banerjee et al., 2015 and Banerjee & Glennester, 2015). Other studies reach similar conclusions and claim that microfinance has neither positive nor negative impacts on beneficiaries in India, Bosnia, Herzegovina, Ethiopia, Mexico, and Mongolia

(Augsburg et al. (2015), Tarozzi et al. (2015), Angelucci et al. (2015), Attanasio et al. (2015), and Crépon et al. (2015). Some studies find a mixed impact of microfinance programs. Karlan and Zinman (2011) use an RCT and show that the Philippine's microfinance program decreases business size, lowers the subjective well-being of borrowers, and reduces savings and insurance usage but strengthens community ties and enables borrowers to more easily borrow money from family or friends in case of an emergency. Mixed results are also reported by Nanor (2008). A potential negative impact of microfinance is suggested by studies other than that by Nanor (2008). Nevertheless, a study by Nishimma M. and Joshi A., (2021) finds that the probability that the household income of a loan group member will reach the next highest-level increases if the member is in a loan group comprising socially homogeneous members who monitor each other, concentrate on their own business without frequently meeting with the other members and feel dissatisfied with the fairness of their treatment.

2.6 The Gaps in the Literature

According to the latest data from the Malaysia Statistical Business Register, microenterprises (MEs) make up the majority of small and medium-sized enterprises (SMEs) in Malaysia, representing 78.6% of all SMEs, compared to 19.8% and 1.6% for small and medium businesses, respectively. Furthermore, MEs account for 97.4% of overall business establishments in Malaysia. MEs are classified into manufacturing and services & others industries with sales turnover of not more than RM300,000 or having less than five employees. MEs also accounted for 22% of total SME financing facilities with financial institutions.

A survey conducted by Bank Negara Malaysia in 2018 found that SMEs, including MEs, rely heavily on informal sources of funding such as self-financing (51%) and funding from family and friends (17%), with only 27% of respondents reporting receiving financing from financial institutions, the majority of which were banks. While the share of finance provided by financial institutions to SMEs has increased over the past decade, SMEs continue to report constraints on access, particularly related to their inability to provide sufficient collateral. This shows that MEs are still having difficulty obtaining external finance, which has helped small and medium-sized businesses disproportionately.

There are many microfinance programs/schemes available in Malaysia, including those provided by charitable religious organisations, such as the Malaysian Chinese Women Entrepreneur Foundation (MCWEF). However, non-bank microfinance institutions (MFIs) face unique financial sustainability issues, such as limited financial resources and a large reliance on government money and donors.

Despite the importance of MEs to the overall economy, there is no specific study in Malaysia on the establishment of a microfinance ecosystem for MEs. Most studies and support go to small and medium-sized enterprises, not microenterprises. In addition, the majority of the studies on microfinance in Malaysia focus on the supply side of the equation, namely MFIs, rather than the demand side, namely MSMEs. As a matter of fact, most studies including regulators like the Central Bank of Malaysia, analysed SMEs as a single entity. In fact, this study finds that the majority of private sector and government support mainly to the two components of SMEs, namely small and medium enterprises. In addition, the majority of the studies on microfinance in Malayia has been focusing on the 'supply side' of the equation i.e. MFIs which mainly investigate the role of MFIs in microfinancing as well as their concerns and challenges as compared to the 'demand side' of the equation namely SMEs/MEs. Other popular studies focused on the influence of microfinance on the development of Malaysian SMEs as a whole. This is evident in the Table 2.1 which lists studies being carried out on microfinance in Malaysia with areas of focus. There is one study that covered the ecosystem of finance in Malaysia, however, the study was only focusing on Islamic social finance ecosystem. This is where, according to the study, we have lost sight of the core purpose of microfinancing, which is to reduce poverty by offering microfinancing services, facilities and programmes available to microenterprises, in particular the poor or the unbankable entreprenuers. As such, this study aims to close the research gaps in this field.

Table 2.1

List of Studies conducted on Microfinance in Malaysia

Area of focus	Research Topics in Malaysia	Authors
Microfinance Industry Development and Impact	1. Assessment the wellbeing effects of microfinancing in Malaysia 2. Is microfinancing program in Malaysia really effective in helping the poor? 3. The importance of microfinancing to the microenterprises development in Malaysia's experience 4. The chronology of microfinance	1. Al-shami, SS (2017) 2.Hamdan, H. Othman, P & Hussin (2012) 3.Nawai, N & Mohd Sharif, MN (2011) 4. Nazrie MNA & Kumar TS (2019)

	development in Malaysia: a review 5. Microfinancing for microenterprises in Malaysia: a review 6. The role of microfinance in development of microenterprises in Malaysia 7. Microfinance towards microcredit development in rural Malaysia through digital finance 8. The Malaysian microfinance system and a comparison with Grameen Bank (Bangladesh) and Bank Perkreditan Rakyat (BPR-Indonesia)	5. Muridan, M & Ibrahim (2016) 6. Jasman Tuyon (2011) 7. Muhammad F. Jalil, (2021) 8. Suraya Hanim Mokhtar et al.(2012)
Microfinance Providers (MFI)	1. Examining the Effect of Amanah Ikhtiar Malaysia's Microcredit program on microenterprise assets in rural Malaysia 2. The role of microcredit in promoting women's entrepreneurship skills: Lessons from AIM, Malaysia 3. The influence of leadership expertise and experience on organisational performance: a study of AIM 4. The Effect of Amanah Ikhtiar Malaysia (AIM) on Microenterprise Success in Sabah State Malaysia 5. Perception of AIM borrowers about the need for other aid from AIM besides financial aid credit	1.Ai-Mamun et al. (2012) 2.Misnan, SNS, Abdul Manaf, H & Othman (2015) 3.Chan, SH (2010) 4.Hameed et al. (2019) 5.Mohamed & Hussin (2022)

SME/MEs	1. Understanding financing through the lens of small and medium enterprises (SMEs) Malaysia 2. A Review of Financing Issues Among microenterpriss in Malaysia 3. Microenterprise development training and entrepreneurial competencies among low-income households in Malaysia	1. Karunajothi K., Samuel L & Ng SJ (2019) 2. Mazlana Muridan & Patmawati Ibrahim (2018) 3. Abdullah Al Mamun et al., (2019)
Ecosystem Microfinance	1. An integrated approach for building sustainable Islamic social finance ecosystem	1. Ahmaed, TJ (2018)

2.7 Conclusion

This chapter reviews the relevant microfinancing literature to get a better understanding of the focus of the study. Whilst chapter one introduces the focus of the study and chapter two reviews related literature, the following chapter discusses the methodology applied in meeting the research objectives and answering the research questions of the study.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the methodology applied in this study. The discussion in this chapter starts with the research approach and research design. Then, this chapter explains the population and sampling, as well as the focus group undertaken by this study. Besides, this chapter also explains the data collection as well as both reliability and validity. There were also discussions about documentation, site visits, data management, and data secrecy. This chapter ends with a discussion on ethical consideration.

3.2 Research Approach

This section describes the research philosophy used to underpin the beliefs and assumptions that will be used in the generation of knowledge. It also goes into detail on the research method used during the research study. The study used exploratory research, which entails delving further into the research questions and gaining a greater knowledge of the topic. According to Creswell (1994), qualitative research is an investigation into a social or human problem centred on the creation of a whole, holistic image with words, communicating specific informant opinions in a natural context. As a result, the study questions will be interpretive in nature and qualitative in character.

The research uses an inductive method, with one-on-one interviews with key informants initially, followed by interviews with other industry important stakeholders such as agencies, nonbank institutions, banks, and groups of microenterprises (MEs). The majority of the data will come from non-bank institutions such as AIM and TERAS (Islamic institutions), though secondary data will come from public libraries, internet libraries, and other sources. Despite this, the research methodologies will place a strong emphasis on practical solutions and outcomes.

As a pragmatist, the approach of this study is to contribute to practical solutions that will shape future practice. The researcher's values lead the reflexive process of inquiry, which is initiated by doubt and a sense that something is wrong or out of place and re-creates belief once the problem has been solved (Elkjaer & Simpson 2011). As a result, the most important component for research design and strategy is the research problem that one wants to solve through research questions.

Pragmatists, on the other hand, recognise that there are many different ways to look at the world and conduct research, that no single point of view can ever present the whole picture, and that there are multiple realities. This is not to say that pragmatists always use a variety of methodologies; rather, they use a system or set of procedures that allows for the collection of reliable, well-founded, dependable, and relevant evidence that advances the research (Kelemen & Rumens 2008).

In order to develop untested findings and generalise from specifics, the research approach will be inductive reasoning, which leverages known premises (i.e., closer to work experience) to generate untested conclusions. When evaluating the issue and the purpose of the research, key informant interviews will be undertaken first to understand and analyse ME behaviour, the current MFI system, and current pressing challenges. In a qualitative research technique, the quality of the informant will be emphasised (Tremblay 1955).

The term "research philosophy" refers to a set of beliefs and assumptions about how knowledge develops. According to Burrell and Morgan (1979), one will create numerous types of assumptions, either consciously or unconsciously, at every level of their investigation. This includes assumptions about human understanding (epistemological assumptions), the facts of your research (ontological assumptions), and the amount to which your own beliefs influence your research progress (values assumptions) (axiological assumptions).

Qualitative approaches recognise that there are multiple ways to comprehend and explain social phenomena, and they offer a variety of models to meet specific needs (Berg 1989). The information gathered as a result of this study method is specific to the circumstance at hand. Its goal is to provide a more in-depth understanding of the difficulties surrounding the study topics (Rubin & Rubin 1995). It mostly consists of non-numerical data derived from the perspectives of research participants (Darlington & Scott 2002). Topics in qualitative research are tentative at first and are redefined as the study progresses (Babbie 1998).

According to Creswell (1994), qualitative research is an investigation into a social or human problem centred on the creation of a whole, holistic image with words, and communicating specific informant opinions in a natural context. Qualitative research takes a holistic approach to understanding and discovering meaning, assuming that meaning, or reality, is socially constructed and interpreted by individuals in interactions with their natural world and experiences (Creswell 2005; Guba & Lincoln 1981; Merriam 1988).

According to Patton (2002), these approaches allow for an in-depth detailed study, which contributes to the openness and details of qualitative inquiry. It allows for a more thorough evaluation of data pertinent to a particular subject or concern. Furthermore, Warr (2004) claimed that qualitative research allows a researcher to listen to people narrate their life stories, and that the method produces rich and complicated data. The qualitative research approach's in-depth nature allows researchers to express their feelings and experiences in their own unique ways.

Furthermore, qualitative research is employed for pragmatic reasons when quantitative research is either superfluous, difficult, or improper (Patton 2002). Furthermore, qualitative methods may be useful at various stages of the research process, depending on the goals. The qualitative method usually yields a plethora of specific information about fewer people and cases. This improves the knowledge of the cases and situations (Grix 2004).

The necessity to analyse and understand the existing ecosystem of microfinancing for microenterprises in Malaysia is critical in this study, and there is undoubtedly bias towards social aims as the overarching goal of lowering the poor's standard of living. The study questions would be interpretive in nature and qualitative in analysis because they are slanted towards axiological assumption types.

3.3 Research Design

The research design establishes the investigation's overarching structure and strategy. A qualitative research design was used in this study, with a focus on discovery and understanding of the needs of MEs and perspectives by MEs and MFIs in interaction with the microfinance industry and experiences. As a result, the researcher will use case study as a case study research method as the method enables the researcher to explore in-depth study of the cases selected, which aims to answer the research questions. Yin’s (2003) definition of a case study is an empirical inquiry that investigates a contemporary phenomenon within its real-life context when these boundaries are not clearly established and multiple sources of evidence are used.

A few processes were undertaken to conduct exploratory research, including technique selection, problem definition, research methods, sampling, and data analysis, all of which led to the final conclusions. The course of the iterative research process is depicted in Figure 3.1.

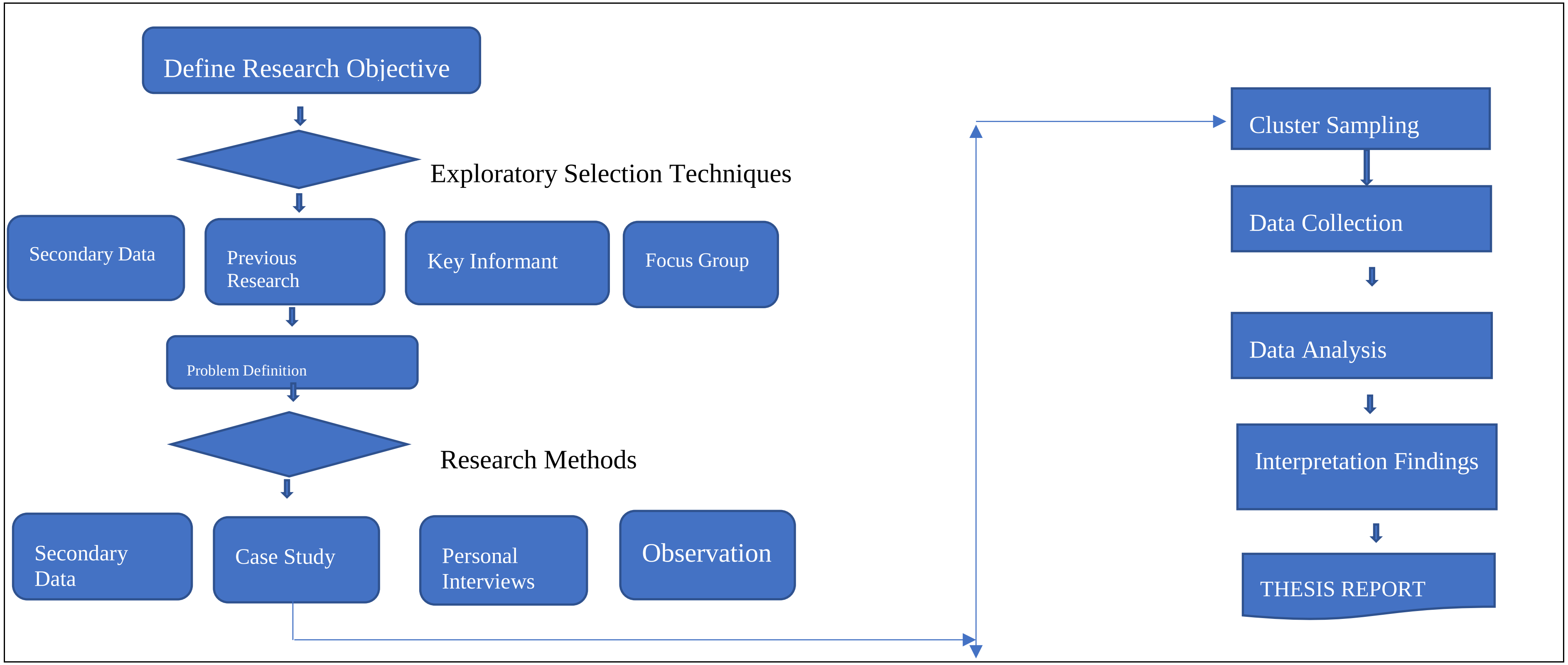


Figure 3.1 Exploratory Research Design
Self-developed by the Study

The above process is iterative in nature, particularly the research position, in which the study is undertaken to gain a better understanding of the existing problem and may or may not lead to a decisive conclusion. Basically, researchers use all relevant techniques as mentioned in Figure 3.1, i.e., from gaining information, i.e., from secondary data, previous research, and key informants to focus groups, in addition to performing data collection.

The data collection tools for exploratory research includes: 1) secondary information consists of literature reviews, journal articles, publications by authority and state, commercial reports, annual company reports, research papers, and books, 2) one-to-one interviews with key informant interviewers, flexible and open-ended interviews, must relate to what the researcher is hearing from the people they talk to, 3) focus group whereby each group has a size of 6 to 12 people guided by facilitator, talk freely and spontaneously about themes considered important to the investigation (Berg 2001), and 4) and case study on AIM, TERAS, Bank MFI (Bank Rakyat) and Self Helped Group organisation.

3.3.1 Case Study Method

According to Yin (1994) and Winston (1999), there are numerous sorts of case studies. Case studies can be exploratory, explanatory, or descriptive. To begin with, fieldwork and data gathering may be done before identifying a research question in exploratory case studies. This type of research could serve as a precursor to a larger social science investigation (Yin 2003). However, prior to conducting the research, the study must have some form of organisational framework in place.

Second, while doing causal research, explanatory case studies are useful. Multivariate instances are useful for examining a variety of factors, especially in complicated investigations of organisations or communities. Finally, descriptive case explorations necessitate the investigator presenting a descriptive theory, which defines the overarching framework for the investigation (Berg 2001). As a result, this study employs an exploratory case study to establish the research questions and determine the viability of the study.

While Sake (1995) proposed one technique, Yin (2003, 2006) proposed another. For many years, researchers in a variety of areas have used the case study method. This method has been widely used by social scientists to explore current real-life situations and offer a foundation for the application of concepts and method expansion (Kitay & Callus 1998; Kelly 1999; Hartley 2004; Parasuraman 2007). Case study research, as described by Gall, Gall, and Borg (2007), is an in-depth investigation of a phenomenon in real-life circumstances and from the perspective of the people involved.

The goal of case study research is to find answers to how-and-why issues by focusing on the perspectives of those who are involved, rather than on the perspectives of those who are not involved. The goal of case study research is to address how-and-why questions by relying on the perspectives of the individuals involved rather than predetermined solutions imposed by the researcher (Howorth & Ali 2001).

This study follows Yin's (2003) definition of a case study as an empirical investigation into a current phenomenon in its real-life environment, where the borders between phenomenon and context are not clearly defined and different sources of data are utilised. These definitions were used to guide the study's implementation. Yin defined three essential requirements for the case study technique. To begin with, it concentrated on current events that were investigated in a real-world setting. Second, there was a blurry line between the phenomenon and context. Third, the case study drew on many sources of data, allowing it to deal with a wide range of evidence, including paperwork, archival documents, interviews, and observations (Yin 2003; Silverman 2005).

A case study is an in-depth investigation of a person, a group of people, or a unit with the goal of generalising across multiple units. The focus of a case study is on a specific unit (Jacobsen 2002). A case study, according to another definition, is a complete investigation of systems that is conducted using one or more approaches (Thomas 2011). The case study approach is not intended to be used to analyse cases, but it is a useful tool for defining cases and exploring a setting in order to gain a better understanding of it (Cousin 2005).

Yin (2003) split case studies into four categories of designs: (Type 1) single-case – holistic designs; (Type 2) single-case – embedded designs; (Type 3) multiple-case – holistic designs; and (Type 4) multiple-case – embedded designs. Using Yin's typology as a guide, the case study design for this study will be a single case with embedded designs, with each case contributing to the study's broader scope. Because of the opportunity to compare and contrast data, the multiple case study, in which a variety of distinct scenarios are explored, appears to be particularly strong and fruitful (Kitay & Callus 1998).

Multiple case studies offer the benefit of giving information from a range of sources, making generalisation easier. A single case, on the other hand, could be considered peculiar. Another benefit of multiple case design is that it is methodologically similar to an experiment. Despite the fact that the case study is often thought of as a qualitative method, it has been observed by a number of scholars, including Gerring and McDermott (2007), Lloyd-Jones (2003), and Yin (2009). As a result, the use of numerous case designs has become more common in recent years. It is worth mentioning that doing a multiple-case study has the drawback of necessitating significant resources and time that are out of reach for a single student or independent researcher.

This study uses Type 3, or multiple-case design on a single unit of analysis, in which each case will be covered holistically on a single unit of analysis before arriving at findings and conclusions across the different case studies. It is deliberate in nature since it is an exploratory form of study where the researcher has the experience to select instances when appropriate with the objective of generalising or contrasting outcomes (theoretical replication) but for foreseeable reasons. Figure 3.2 illustrates the Type 3–Multiple Case Design adopted by Yin (2018).

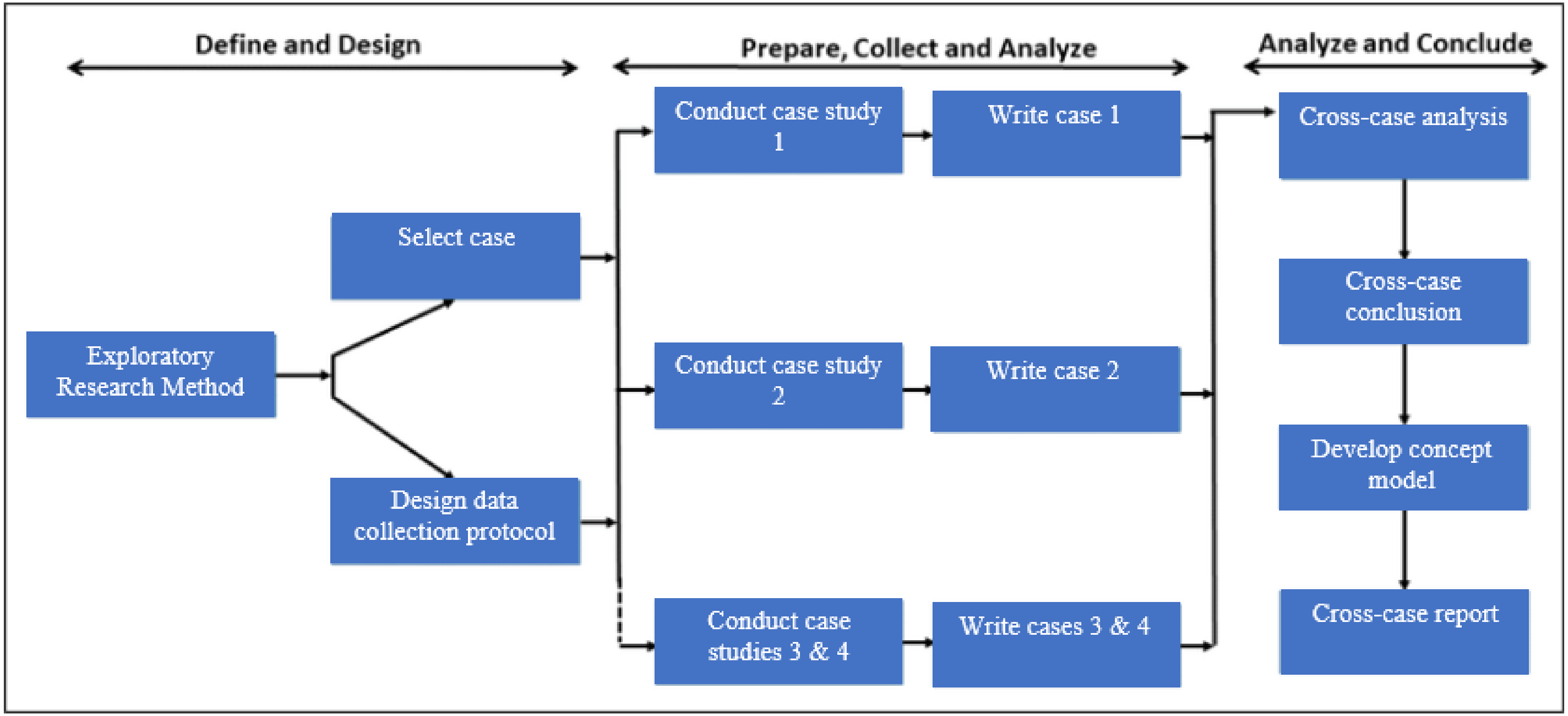


Figure 3.2 Type 3 – Multiple Case Design

Source: Yin (2018)

The method will be a concurrent triangulation technique, as shown in Figure 3.2, in which the researcher gathers qualitative data in parallel and then compares the cases to see if there is convergence, difference, or a combination of the two. This process is referred to and described by some authors as confirmation, disconfirmation, or corroboration (Greene, Caracelli, & Graharn 1989; Morgan 1998; Steckler et al. 1992).

3.3.2 Case Study Protocol

According to Rahim and Bakash (2003), a case study protocol is defined as follows:

> *"A case study protocol is a record (normally a document) that contains the methods, procedures, and general rules that will be followed in using instruments for data collection. It is used to improve the reliability of case study results."*

The case study protocol by Rahim and Bakash (2003) is a guideline for conducting case studies, which are in-depth analyses of a particular individual, group, or situation. The protocol outlines a step-by-step approach to conducting a case study, including the following:

1. Determine the research question: The first step in conducting a case study is to determine the research question or problem that will guide the study. This could be a specific question about a particular individual or group, or a broader question about a particular phenomenon or issue.

2. Choose the case: The next step is to choose the case or cases that will be studied. This could be an individual, a group, or a situation. It is important to select cases that are representative of the phenomenon being studied.

3. Collect data: The next step is to collect data on the case. This could include interviews, observations, document analysis, or other methods of data collection. It is important to use multiple sources of data to ensure the validity of the findings.

4. Analyse the data: Once the data has been collected, it is important to analyze it using appropriate methods. This could include coding, categorizing, or identifying themes in the data.

5. Interpret the findings: The next step is to interpret the findings of the analysis. This involves making sense of the data and drawing conclusions about the case.

6. Report the findings: The final step is to report the findings of the case study. This could include a written report, a presentation, or other means of dissemination. Overall, the case study protocol by Rahim and Bakash provides a useful framework for conducting case studies and ensuring the validity of the findings.

Basically, the goal of the case study protocol is to establish rules for collecting, presenting, and analysing data in a repeatable and reliable manner while avoiding interviewer bias and ensuring that the data is used effectively. The protocol's major purpose is to serve as a guide for the researcher as the investigator in carrying out the research. This study follows this protocol in order to pursue the case's path of inquiry.

This protocol establishes a defined schedule for the researcher to follow in order to achieve the stated objectives. As a result, following the case study protocol ensures the reproducibility of the case study approach among researchers and cases.

The following subsections of the Case Study Protocol elaborate on the purpose of the study, data collection procedures, and outline the Case Study Report.

1) Purpose of the Case Study Method

The main purpose of the case study is to meet the objectives of the research as follows:

a) To analyse the challenges faced by microenterprises in the microfinance industry in Malaysia

b) To identify the key essential components of the Malaysian microfinance industry

c) To propose a conceptual model for developing the microfinance industry ecosystem for microenterprises in Malaysia

2) Data Collection Procedures

a) Unit of Analysis

In this study, the unit of analysis is the microenterprise of the microfinance industry in Malaysia, focusing on the State of Selangor from main MFI segments. Some of the names of individual microenterprises are suggested by key informants and some by the management of the MFIs with written consent. Prior to the interviews, the researcher must inform these participants about the interview protocols, such as their right to withdraw from the study at any time and that the data will be treated with strict secrecy and will not reveal personal information if published.

The researcher explains the goal of the interview, how the data will be maintained, and what the research's anticipated outcome will be during the debriefing. During the interview, the researcher asked for permission to contact them if they had any questions that needed to be answered. Thus, a prolonged engagement with the unit of analysis, i.e., the interviewees, is encouraged for the purpose of possible inquiries, if need be. During the debriefing session, the interviewees were asked to sign an informed consent form, as shown in Appendix 1.

All the consents were stored securely, which only the researcher has access to. A word of thanks was sent to them by electronic media, and verbatim transcriptions, written interpretations, and reports are accessible to the participants (for their information only).

3) Selection Procedures

The selection for each case study shall be as follow:

a) The researcher is responsible for selecting the cases based on the following criteria:

- They are classified as microfinance institutions (MFIs)
- The contact person was responsible for managing microfinancing programmes or facilities/Units
- Well-established microfinance institutions with a proven track record

b) Based on the identified case, the research contacted individual microenterprises for appointments through management or key informants' recommendations.

c) The estimated time for the interview is one to two hours, with the possibility of repeat visits, where necessary.

4) Guidelines for Interview Questions

The development of interview questions, as shown in Appendix 2, is constructed based on the research objectives as in Table 3.1.

Table 3.1
Guidelines for Interview Questions

No.	Research Questions (RQs)	Research Objectives (ROs)	Questions	Expected Answer
1	Why is the participation of microenterprises relatively low as compared to small and medium enterprises in the microfinance industry in Malaysia?	To analyse the challenges faced by microenterprises in the microfinance industry in Malaysia.	a) Can you elaborate on the products and services that offered by the institution? b) From your experience, what are the difficulties faced by microenterprises? c) In your opinion, why is the participation by microenterprises relatively low? c) Do you think the microenterprise products and services offered are adequate and sustainable? d) In comparing with other institutions which offered similar products and services, do you think these programs and services offered are competitive?	The responses expected would be to highlight the issues faced by the microenterprises in terms of accessibility, effectiveness and adequacy of support system.

			e) What do you think are the essential needs from microfinance industry in ensuring these products and services are sustainable?	
2	What are the key components required in forming the inclusive ecosystem in the Malaysian microfinancing industry?	To identify the key essential components of the Malaysian microfinance industry	a) Explain the benefits of microfinance products and services b) The role of microfinance institutions and microenterprises in terms of contribution to the economy c) How microenterprise participates in the microfinancing? d) How do you know that this institution provides microfinancing product? f) Was the process of application for financing long?	The expected responses would be to segment the microfinance industry so that relevant agencies and authorities would be able to provide suitable products and services.

3	How does the proposed conceptual model assist in developing the ecosystem of microfinance in Malaysia?	To propose a conceptual model for developing the microfinance industry ecosystem for microenterprises in Malaysia	Questions: What is the impact of the following: a) Microfinancing products and services towards ecosystem microfinance industry b) Participation level towards microfinance industry in Malaysia Additional Questions: a) Education Background: What is the highest education level attained? b) Economic Sector: Which industry or line of services your business is in? c) Financial Background: Do you know how to manage your cash flows and budget? Are you given trainings on this? d) Facilities: What are the facilities available to you provided by institutions? Is the internet	The responses expected would be to provide inclusive microfinancing offering to microenterprises in respect of comprehensive products and services, technical assistance, perception, perception towards government effort in microfinancing.

			connectivity adequate in your area of business? e) Communication: How often do you meet with the management of your institution? Do you find the meetings effective? Do you have group gathering amongst entrepreneurs? f) Commitment: How much knowledge do you know in establishing your business and the required skills needed in carrying out daily and sustaining business? Does your institution provide trainings?	

5) Case Study Selection

On the other hand, the case studies selected are microfinance institutions (MFIs) in Malaysia. The case study report will be oriented towards the institutions involved in the case. Using Yin's Type 3 multiple case-holistic design, the cases for this study are microfinance institutions in Malaysia; i.e., one case constitutes one microfinance institution. Due to the fact that it is an exploratory mode of research and purposeful in nature where researcher has the experience to select cases where appropriate with the intention to generalise or contrast results but for predictable reasons. As such, upon in-depth literature review on various MFI business models in Malaysia, there are four main segments namely Bank MFI, Non-bank MFI, Religious based MFI and Self-Help Group. Thus, the total number of cases to be investigated will be four established microfinance institutions (MFIs) from each main category MFI segment: one bank-backed MFI; one religious-based MFI; one non-bank-backed MFI; and one self-help group of community-based.

As for the case study report, it will be oriented towards the microfinance institutions as the case. This study conducts case study research on these MFIs for a better understanding of the overall operating model. From the 4 categories of MFIs, a case is selected for this study : 1) Non-bank MFI – Amanah Ikhtiar Malaysia (AIM), 2) Religious based MFI – Teraju Ekonomi Asnaf Sdn. Bhd. (TERAS), 3) Bank MFI – Bank Rakyat Malaysia, and 4) Self-help Group Community – Satu Daerah Satu Industri (One District One Industry).

Hence, there are four case studies by category segment. In other words, one case study represents one category of the MFIs.

3.4 The Population and Sampling

Although qualitative research has a small sample size, it yields a lot of information from the respondents' comments (Maxwell 1996). For those engaged and those investigating, such a detailed narrative adds context and meaning to events and situations (Geertz 1983). In theory, this style of research collects a lot of data about a small number of companies rather than a small quantity of data about a large number of organisations, as is the case with quantitative approaches.

Several cases are carefully picked in collective or numerous case studies. This has the advantage of permitting comparisons and/or replication across multiple examples. Choosing a "typical" case can assist you in generalising your findings to a theory (analytic generalisation) or testing a theory by repeating your findings in a second or even third scenario (i.e., replication logic). Yin suggests two or three literal replications that predict similar results if the theory is simple, and five or more if the theory is more complicated.

However, critics may argue that this process of selecting "cases" is insufficiently introspective and inappropriate for the complexities of today's businesses. Before examining the growing similarities and differences in cross-case comparisons, data gathering in collective or many case studies must be flexible enough to allow for the formation of a thorough description of each particular occurrence. Even if the nature and depth of data sources from different situations may differ, it is vital that they are roughly similar for this purpose.

It is a good idea to look at data from individual component cases before drawing comparisons between instances in collective case studies. Variations within each case must be evaluated, as well as the relationship between different causes, effects, and outcomes. The information has been organised and coded such that the pertinent topics, both from the literature and from the dataset, can be located easily. An initial coding frame, which can be applied systematically to the full dataset with the use of qualitative data analysis software, can help capture these issues.

In this study, clustered random sampling was applied. The study concentrated on two districts, one in an urban area and another in a rural area, mainly in trading, agriculture, and services. The interview questions were prepared to incorporate both open-ended and closed-ended questions in order to fulfil the study's goals. There are three components to the interview questions: 1) demographic information such as age, marital status, education level, business sector, and loan profiles, if any; 2) information about microcredit success; and 3) challenges and experiences with MFIs and/or authorities/agencies.

In addition, a focus group was organised as recommended by a key informant. The sessions were video-recorded electronically, and the techniques used for the sessions followed the guidelines by Kruger and Casey (2000). Table 3.2 lists all types of respondents and their descriptions.

Table 3.2
Types of Respondents by Segmentation

No.	Type of Respondents/ ME (Unit Analysis) and Case Study	Description of Segmentation
1	Microenterprises (MEs)	Individual personal profiles such as age, gender, etc., number of workers, years of experience, and business types.
2	Bank MFIs	Company profile, types of products, no. of years establishments, mission and vision.
3	Non-Bank MFIs	Company profile, types of products, no. of years establishment, mission and vision.
4	Self-help Group Community	Profile, modus operandi, types of services rendered.

3.5 Focus Group Discussions

An interview approach is intended specifically for small groups, such as focus groups (Berg 2001). The goal of a focus group is to gather information from a specific group on matters that were of importance or interest to them (Creswell 2005).

The goal of focus group discussions in research is to gather qualitative data from a group of individuals who share a common characteristic or experience. These discussions aim to elicit in-depth information, insights, opinions, and perceptions about a particular topic, concept, or phenomenon. Focus group discussions are often conducted to explore participants' attitudes, beliefs, and behaviors towards a particular product, service, or idea. The participants are encouraged to share their opinions and experiences freely, and the researcher may ask follow-up questions to gain a deeper understanding of the participants' perspectives.

The data collected from focus group discussions can be used to identify themes and patterns, generate hypotheses, and develop a deeper understanding of the participants' attitudes and experiences. This information can then be used to inform the development of new products, services, or policies, or to refine existing ones.

In addition, focus group discussions can be a useful tool for validating the findings from interviews of respondents. By bringing together a group of individuals who share a common characteristic or experience, focus group discussions can provide a more comprehensive understanding of the topic under investigation. During a focus group discussion, participants are encouraged to share their opinions and experiences, and to discuss and debate different perspectives. This can help to identify common themes and patterns that may have emerged from the individual interviews. If the findings from the individual interviews are consistent with the themes and patterns identified in the focus group discussion, this can help to validate the findings and increase the confidence in the accuracy and reliability of the data.

However, it is important to note that focus group discussions should not be used as a substitute for individual interviews. Rather, they should be used as a complementary tool to provide a more comprehensive understanding of the topic under investigation.

Perceptions from members of the organisation also play an important role in conducting the case study on AIM, TERAS, and Bank Rakyat in respect of the products and services rendered by the management. The discussions will help the researcher understand the current situation and provide feedback in terms of management style, leadership, delivery systems, communication, and challenges. Focus groups, which are normally made up of six to twelve people and are led by a facilitator, converse freely and spontaneously about topics that are relevant to the investigation (Berg 2001).

Initially, the size of the focus group was not able to be determined due to pandemic Covid-19 situations of twice-full lockdowns nationwide. In fact, the focus group was not physically possible under the current new normal environment, whereby gatherings in confined areas are not permitted by the authorities. Fortunately, with digital technology capabilities available, the researcher was able to conduct virtual discussions via the Zoom meeting platform, where the number of focus group members was set at six, with a two-hour video recording. The profiles of focus group members are detailed in Chapter 4.

3.6 Data Collection

Conducting interviews is a method of data collection used in case study research. Interviews can be conducted over the phone, on a computer, or in person, with the benefit of allowing the interviewer to visually identify the interviewee's nonverbal response(s) and thus clarify the intended question. Probing comments can be used by an interviewer to elicit further information about a subject or issue, as well as to explain a confusing response (Singleton & Straits 2009).

Another important aspect to highlight is that note-taking in interview research does not merely jot down interviewee comments but more so helps the interviewer focus on the interviewee's point of view and internalise what is being said, thereby building a better rapport during the interview session. Importantly, the notetaking discussed here pertains to handwritten notes in contrast to electronic notes (Roller 2020). Interviews, on the other hand, can be costly and time-consuming, making them unsuitable for large samples.

As a result of the recent Covid-19 issue, which necessitated social separation and resulted in the termination of all face-to-face interviewing, the trend of interviewing has switched to electronic interviews via social media platforms in the new normal environment. Methods of non-face-to-face would be telephone interphone interviews and web-based interviews. Covid-19 is expected to significantly accelerate the transition from face-to-face to web-based data collection methods. Nonetheless, face-to-face methods will remain as one of the methods of survey research in years to come (Smith 2020).

Furthermore, case study design enables the researcher to comprehend microfinance organisations' business models, notably the sustainability of their operations. The researcher was the main instrument for data collection in this study, which included a semi-structured interview approach, direct observations, and document analysis (Merriam 2009). To construct the in-depth case or the storied experiences in case studies, the researcher used a variety of data sources (Creswell

2007). Key individuals, face-to-face, and semi-structured interviews will be used to obtain data (Fontana & Frey 1994).

Document analysis was also used as a data collection method. The goal of document analysis is to gain a competitive edge by reviewing a large amount of data from a single organisation (Yin 2011). It benefits the researcher and prevents interruptions of dialogue by asking a participant how to spell a name or title, for example. As a result, it can lessen the difficulties and obstacles of reflexivity (Yin 2003). According to Kirk and Miller (1986), the use of document analysis to supplement interviews is a widely regarded strategy for improving validity. Company profiles, websites, press releases, and annual reports are among the documents examined in this study.

This study conducted a simple clustered random sampling to select participants of microenterprises for the study, primarily in the state of Selangor and Kuala Lumpur in Malaysia. These locations were chosen because the microenterprises are concentrated in Selangor (19.8%) and the Federal Territory of Kuala Lumpur (14.7%), according to the Economic Census 2016 published by the Department of Statistics, Malaysia (DOSM, 2018). The study included 13 individual microenterprises out of the 25 total data, selected from the four categories of microfinance institutions mentioned in section 3.3.2 (5) for the case selection study. Based on the researcher's experience and resource constraints, Creswell's suggestion of 5-25 participants was adopted, and the saturation point was reached with the thirteen microenterprises interviewed. The respondents were Malaysian individual microenterprises operating small businesses such as small farmers, small food producers, village textile producers, small restaurant owners, caterers, and private tailors. The respondents' demographic profiles are detailed in Chapter 4.2.

3.6.1 Arranging Interviews

According to Yin (2003), the principal source of data in this study comes from interviews, as they provide valuable insights. Communication is direct between interviewers and respondents in face-to-face situations in personal interviews. Zikmud (2003) stated that a two-way conversation between an interviewer and a participant is a versatile and flexible method. In arranging interviews, the following points will be useful to the researcher (Phondej, Kittisarn & Neck 2011).

If the interviews are one hour long, a few initiatives can be taken: 1) scheduling 3 to 4 interviews every day is a good idea; 2) allot around 1 to 2 hours per interview to allow some time merely to speak. Schedule a follow-up interview with the interviewee if the researcher requires more time; 3) if possible, leave a gap between interviews to allow time to collect thoughts and prepare for the next interview; and 4) contact the interviewees prior to the interview session. It is important not to underestimate the need for thorough interviewer preparation, which includes both intellectual and practical considerations (Brinkmann & Kvale 2005; Brinkmann 2014).

Successful interviews begin with thorough planning that considers the importance and scope of the research question. Some background reading on the literature in the issue area, as well as how to conduct qualitative interviews and the specific scientific technique to be employed, is required to assist in the preparation of an interview guide.

The interviews were conducted in both languages (Bahasa Malaysia and English), depending on the interviewees' preferences, as well as the time and location. The interview sessions were taped using a tape recorder to ensure that the data documentation was impartial (Flick 1998). These sessions were recorded with a cell phone in today's world. The interviews will consist of open-ended questions aimed at gaining a better understanding of the participants' lives, experiences, and cognitive processes on their own terms (Brenner 2006).

Face-to-face interviews are preferred for the purposes of this study since they are the best device for gathering detailed and rich information (Frey & Oishi 1995). The purpose of a semi-structured interview is to learn more about the informants and to build trust between the researcher and the subject (Fowler 1993; Fontana & Frey 1994). An interview is also a multi-method data collection strategy that includes observation, visual cues, and self-administered sections (Fowler 1993).

According to Meriam (1998), effective qualitative researchers must be skilled observers and listeners. According to qualitative researchers (Merriam 1998; Robson 2002), even if the researcher can take some notes during the interview in relation to an observation, full notes must be written and dictated immediately after the interview to ensure that the observation is accurately captured, understood, and used in conjunction with interview responses. While the interviews were taking place, direct observations were made. Direct observations were limited to the talks, workstations, work settings, and company facilities in this study.

Qualitative research interviews are preferable when the researcher seeks to understand the interviewee's subjective perspective on a topic rather than produce a generalisable understanding for large groups of people. A qualitative interview, for example, could be used to look at a microenterprise's experience of getting loans or its perceptions of microenterprise products and services. As a result, a qualitative interview study can provide minorities and groups in society with a voice that they might not otherwise have (Reeves et al. 2015).

The interviews must be conducted as scheduled, and the researcher must ensure that all interviews are digitally documented. The researcher can take notes in a variety of ways, including using organised local/English language, cognitive mapping, mind mapping, or any other method. To ensure reliability and repeatability, researchers must submit electronic recording files, notes, and research diaries, as well as electronic recording files, notes, and research diaries. Interviews may be conducted using an electronic meeting platform such as Zoom or Microsoft Team in the new normal under the current pandemic Covid-19 crisis, depending on the preferences of the interviewees, especially if the officers of an organisation are from microfinance institutions, agencies, or other organisations.

Interviews may be conducted using an electronic meeting platform such as Zoom or Microsoft Team in the new normal under the current pandemic Covid-19 crisis, depending on the preference of the interviewees, particularly if the officers of an organisation represent microfinance institutions, agencies, and regulators. However, interviews with microenterprises, i.e., individuals, are more likely to use a mobile phone application such as Facetime or WhatsApp rather than face-to-face communication.

Building rapport and establishing comfortable interactions is crucial in a qualitative interview environment, and it is best done well in advance of the interview, but it can also be done during the interview itself. One issue with doing interviews is that there may not be enough time to create trust in the interview atmosphere (DiCicco-Bloom & Crabtree 2006). As a result, the researcher should create a concise explanation of the research project to offer to respondents before the interview as a way of informing them about what to expect during the interview and the importance of the topic to be discussed.

Another factor to keep in mind during an interview situation is the cultural and power dynamics. Prior to the interview, a thorough examination of the cultural and power dimensions is required (Nimmon & Stenfors-Hayes 2016). An examination of what the interview scenario allows and what impediments are expected to arise could be part of such an analysis. People are cultural beings, and their expectations of the interview scenario may differ (Rogoff 2003).

3.6.2 Verbatim

Poland (1995) defines verbatim audio transcription as the word-for-word replication of verbal data, in which the written words are a precise replication of the recorded (video or audio) utterances. The correctness of the meanings and perceptions formed and conveyed during a discussion is critical, as is the manner in which these meanings are created and shared. As a result, verbatim transcription of research data aims to capture not only the meaning(s) and perception(s) of recorded interviews and focus group discussions, but also the context in which they were conducted. Transcribing also refers to the process of turning spoken remarks into written text, such as from an audio-taped interview.

In this study, the actual data transcription from the interviews was made verbatim. According to Corden and Sainsbury (2005), the researchers expressed their fundamental reasons for employing verbatim quotations as a matter of inquiry, evidence, explanation, and illustration to deepen knowledge, give participants a voice, and increase readability. According to Dales (1993), the benefits of verbatim transcriptions include the availability of ready-to-use data; easing data analysis by bringing researchers closer to their data; and the opportunity to complete previous investigations.

Verbatim transcripts strive to record three types of vocalisations and nonverbal interactions: involuntary vocalisations, response/non-response tokens, and nonverbal interactions. Transcribing these aspects of speech might help to clarify the context of a talk or interview. It is critical for the transcriber to ensure that what is recorded and what is transcribed into text are identical. Given "the intersubjective nature of human communication and transcribed as an interpretive activity," the concept of a "perfect match" is problematic (Poland 1995, p. 297). As a result, it is critical to pay attention to:

1. "Hmm," "ok," "ah," "mmh," "yep," "um," and "uh" are examples of popular responses. They are designed to elicit more information from the subject, and many researchers employ them as verbal probes. According to research, such vocalisations can reveal a lot about the nature of a conversation as well as the

factual content of the discourse (Gardner 2001).

2. Involuntary vocalisations include coughing, sneezing, burping, sniffing, laughing, and weeping. Involuntary vocalisations include background noises such as dog barking, sirens, and constant phone ringing. Involuntary sounds can be relevant or meaningless to the researcher during an interview.

3. Nonverbal vocalisations encompass both the participant's and the interviewer's actions, activities, and interactions. Pointing, checking one's thoughts, fidgeting, head nodding, and hand motions are examples of gesticulations. When transcribing from a video, nonverbal exchanges are especially important. Nonverbal interactions, like other types of noise, can give context and explanation or cause misunderstandings for the researcher.

4. Pronunciation and irregular grammar, both of which are major components of everyday speech, can provide important insights into a participant's life and add richness to meaning-making that might otherwise be lost.

3.7 Data Analysis

In most cases, qualitative research data analysis begins concurrently with data gathering. Three ways of qualitative data collection that are widely accepted are: content analysis, grounded theory, and narrative analysis. Other data gathering methods, such as ethnomethodology, discourse analytics, and semiotics, are widely used in conventional research. According to one working definition, the purpose of qualitative data analysis is to "make sense of data in terms of participants' descriptions of the situation, recognising patterns, themes, categories, and regularities" (Cohen, Manion, & Morrison 2011, p. 461).

According to Bernard (2000), the goal of narrative analysis is to find recurring themes in people's experiences, whereas the goal of grounded theory analysis is to uncover categories and concepts that emerge from text and link them into substantive and formal theories. Data analysis, according to Kirk and Miller (1986), is a generally established strategy for improving validity by supplementing interviews with document analysis. The firm profile, handouts, advertisements, board advertisements, the company's organisational structure, analyst, and annual reports are all included in this document analysis.

In terms of content analysis, it takes a different approach to data analysis by establishing codes, applying them to texts, and generating a matrix or table of analysis units per variable. The employment of codes is emphasised in cross-cultural studies. To conduct the data analysis in this study, content analysis was employed. Researchers use content analysis to look at social communication artefacts. Content analysis is a powerful empirical tool for analysing text that technical communicators might use in research projects (Thayer et al. 2007).

It can also disclose hidden links between concepts, reveal linkages between seemingly unrelated ideas, and inform decision-making processes associated with a variety of communication strategies. The research questions, the theoretical foundation of the study, and the appropriateness of the approach for making sense of the data should all play a role in how the researcher chooses to analyse data.

A full description of the place or individuals is required for a case study, followed by data analysis for themes or concerns (Stake 1995). The researcher begins by classifying examples into general categories, a process known as "open coding." Content analysis is carried out in the context of a case study using coding frames. The coding frame, according to Strauss (1987), begins after open coding and consists of extensive coding around a single category. Following the completion of open coding, the coding frames are utilised to arrange the data and discover new findings (Bernard 1994).

The first coding frame is frequently a multi-layered operation that necessitates the sorting of all instances under investigation numerous times. According to Merriam (1998), making conclusions, building models, and generating theories are the following levels of analysis. As noted by Miles and Huberman (1994), the researcher must travel back and forth between the specifics and a landscape view of concepts during this phase of analysis.

The researcher analyses the data from the interviews using the NVivo 12 software application. The tool aids in the qualitative analysis of data acquired using unstructured and semi-structured data collection methods. This programme puts the researcher in close proximity to the data, allowing for in-depth investigation and discovery. Open-ended data, accounts, photos, videos, audio files, or Google Earth photographs make up the software applications.

In reality, NVivo 12 application is more than simply a data management and organisation tool; it also provides an intuitive qualitative data analysis experience that aids in the discovery of deeper research insights. The software tool increases productivity by allowing users to locate common themes and evidence-based insights faster, as well as reveal deeper insights by asking crucial questions of data and identifying patterns and connections that would otherwise be impossible to find manually. It imports data from nearly any source and analyses it using advanced query and visualisation tools. Information management is a similar phrase that stresses the transformation of data into valuable knowledge (Friese 2013). The essential themes under each category of case study were identified using thematic analysis.

The next step is to collect or extract relevant information from each main study included in the sample and determine what is relevant to the topic of interest (Cooper & Hedges 2009). Indeed, the study questions themselves specify the type of data that should be captured (Okoli & Schabram 2010). Important information on the primary study's design, methods, and qualitative and quantitative outcomes, as well as how, when, where, and by whom it was conducted, may be obtained (Cooper & Hedges 2009).

3.8 Reliability

Simply defined, the degree to which a research method produces consistent and steady results is referred to as reliability. The criterion of reliability may not be given as much weight in a phenomenological paradigm, or it may be interpreted differently (Hussey & Hussey 1997). The goal of a reliability test is to make sure that the study's procedure is consistent and stable over time and between researchers and approaches (Miles & Huberman 1994). Qualitative reliability, according to Gibbs (2007), suggests that the researcher's technique is consistent throughout the investigation. According to Gibbs, reliability methods should include: 1) checking transcripts for obvious transcribing errors; and 2) ensuring that there is no drift in the definition of codes, or a modification in the meaning of the codes, during the coding process.

This can be done by comparing data to the codes on a regular basis and keeping track of the codes and their definitions in memos. In addition, reliability can be defined as the correspondence between what a researcher records as data and what occurs in the natural setting under investigation (Cohen, Manion & Morrison 2007). The case study protocol is a trustworthy guide for this study, and it often comprises field procedures, case study questions, and a guide for writing a case study report (Yin 1994).

The repeatability of the review process and steps is linked to reliability, which is assisted by detailed recording of the literature search, extraction, coding, and analysis. Whether the search is exhaustive or not, whether a rigorous approach to data extraction and synthesis is adopted or not, it is vital that the review explicitly and transparently specifies the procedures and strategies used throughout its development.

3.9 Validity

In terms of research validity, according to Willet (2000), the question is to what extent the instruments employed in a study are accurate and measure what they are designed to assess. The accuracy of the research findings is determined by their validity (Creswell 2005). It is also emphasised that in qualitative research, validity is determined by the quality and richness of descriptions, as well as whether or not the findings will surface. Relevant data has been obtained in order to provide a clear picture of the situation.

This study used a numerous case study approach that has been endorsed by a number of academics (Merriam 1998; Patton 2002; Yin 2009). Multiple case studies would aid in achieving the study's dependability, trustworthiness, and validity (Creswell & Miller 2000). Peer review was also used in this study to improve the reliability and validity of the research (Easterby-Smith 1991). These few scholars argue that the broad and abstract principles of reliability and validity can be applied to all studies because the goal of providing a plausible and believable explanation of research results is fundamental to all research (Hammersley 1992; Kuzel & Engel 2001; Yin 1994).

Prior to commencing the interviews, the interview questions were evaluated by a significant source, who happens to be the founder of Microenterprise Academy. The study consists of two parts, with the first part involving qualitative interviews conducted one-on-one, and the second phase involving validation with a group of specialists. This group of three was comprised of the ME Academy's founder, an academician, and a senior management member of the existing MFI. The primary objective of this validation process was to seek their assistance in providing feedback on the accuracy, clarity, and relevance of the themes, sub-themes, and perspectives derived from the interview data. A sample expert review checklist can be found in Appendix 3.

3.10 Documentation

The number of documents provided varies from one organisation to the next. Management information, organisational structures, and any paperwork connected to management processes, such as vision, mission, performance reports, management reports, press releases, and company-wide briefings, are typically necessary. If the organisation forbids data removal, the researcher should request and investigate any supporting data available, followed by a brief description in the report. Once the documents have been collected, they should be filed in a secure manner to protect the confidentiality of the companies.

3.11 Site Visit

According to Yin (2009), site visits allow researchers to examine how well-organized and well-run things appear to be; the atmosphere, particularly when the researcher is given the opportunity to chat with individuals as he or she wanders around; and the status of things in the workplace. The interim and final site visit reports are the case records for cross-site analysis since they contain and organise much of the key information in standard reporting formats (Patton 1990). In some ways, the final site visit reports serve as "pre-interpreted" field notes for the cross-site study.

Although the researcher intended to use a cross-site data analysis approach that combines perspectives in accordance with best practises in qualitative data analysis, this was not possible because the country has been on a total lockdown since May 2021 due to a surge in Covid-19 cases that forced the government to impose strict movement controls across the country. Despite this, the researcher was able to conduct two face-to-face interviews with MEs at their workplace.

3.12 Data Management and Data Secrecy

There are two components of data management that need to be considered:

1. Primary and secondary data are both accessible
2. Respondents and informants are easily accessible

Secondary data was drawn from journal articles, government and state publications, commercial reports, yearly company reports, research papers, and books, among other sources. This data, which is qualitative in nature, was acquired at a primary level using interview questionnaires. The interview questions were tested for response interpretations and practicality before being used in the field (Gilbert 2011; Saunders et al. 2011). Prior to data submission, the interview questionnaires were checked for logic and consistency (Sekaran & Bougie 2010). Prior to interrogating respondents, their consent will be acquired. This information will be kept in a secure location.

3.13 Ethical Consideration

When qualitative research projects use methodologies like interviews, observations, and questionnaires to collect data, ethical considerations arise (Merriam 1988). One of the most important ways to act ethically is to ensure the safety of research participants.

By referring to Gradwell (2004), a few protections were used to preserve each participant's rights. These protections are: 1) the research objectives were clearly stated, both verbally and in writing, so that the participants could understand them; 2) the participant's written approval to proceed with the study as described was obtained; 3) all the data collection equipment and activities were explained to the participants; 4) the participants had access to verbatim transcriptions, written interpretations, and reports.

Besides, the other protections include: 5) the participant's rights, interests, and wishes are taken into account first when making decisions about data reporting and privacy; and 6) the participant has the final say on whether or not to remain anonymous. All participants were given code names or numbers for data collection, processing, and the written report. The interviews will be kept secure at the researcher's location and will not be made available to anyone else for any reason.

Given the level of sensitivity in particular areas, researchers are sure to have difficulty obtaining information or data. The researcher's ethics must be assessed in terms of the rights of subjects who are faced by the researcher and may be impacted by the inquiry (Saunders et al. 2011). From developing the topic to interviewing respondents and processing data to the final draft, ethics were addressed throughout the study process. As a result, ethical considerations could range from general concerns to difficulties with data collection, data processing and storage, data secrecy, and data analysis and reporting.

The confidentiality and sensitivity of data, the voluntary nature of participation and the right to withdraw partially or completely from the research process, mutual consent and possible deception of respondents, data confidentiality, and data sensitivity are all general ethical issues that could be considered during research to avoid possible embarrassment, stress, discomfort, pain, and harm (Saunders et al. 2011).

Due to the sensitivity of the subject under investigation, no personal information from the responders' profiles was released. Another factor to consider is that the data obtained is contingent on cooperation and honesty in providing accurate information, particularly in the area of reported income and financials. To maintain anonymity, the identities of the participants and institutions were coded, and their responses were stored on a password-protected personal computer.

Some issues may arise during research activity. These issues are 1) Microenterprises (MEs) that are hesitant to share financial and personal information, 2) informant interviewers and respondents were unable to cooperate, 3) ME's reactions would be more reflexive than genuine, 4) MEs, MFIs, or authorities' unwillingness to participate in research and/or provide access to persons or data at the appropriate moment.

Besides, the other issues that may arise during research activity are: 5) the sample size may be insufficient; 6) possible methodology issues leading to reliability and validity; 7) sufficient budget for performing research; 8) possible under-estimation of the amount of work and time required; and 9) any additional unforeseen occurrences that may develop as a result of many factors, whether they occur remotely or systemically.

3.14 Conclusion

The methodology of this study presents research design, the types of research applied, case study protocol, population and sample, data collection, data analysis, and ethical consideration and highlights the potential issues faced by researchers. This chapter justifies the need for qualitative methods with one-to-one interviews, case study research, and focus group discussions coupled with secondary data for analysis to respond to the research questions. The following chapter presents the research findings attained from the methodology discussed in this chapter.

CHAPTER FOUR

RESEARCH FINDINGS

4.1 Introduction

This chapter presents the research findings attained by the respondents in this study. This chapter begins by presenting the background and response rate before highlighting the respondents' demographic profile and focus group discussion profile. Then, this chapter presents four case study profiles, which are Amanah Ikhtiar Malaysia (AIM), Teraju Ekonomi Usahawan Sdn Bhd (TERAS), Bank Rakyat Berhad (Bank Rakyat) and Self-help Group Community (One Village/Industry One Product), before highlighting the analysis and findings from one-to-one and focus group discussions. Moving forward, this chapter also presents analysis and findings from a case study. The presentation of these analysis and findings is based on the research questions of the study.

4.2 Background

Narrative analysis, discourse analysis, grounded theory analysis, cross-culture analysis, hermeneutic analysis, and content analysis are some of the techniques used to analyse qualitative data (Bernard 2000). Content analysis, in which written documents or transcripts of recorded verbal communications are analysed, was chosen by the researcher (Strauss 1987). Content analysis, according to Holsti (1969), is a technique for objectively inferring particular properties of messages. Others believe that content analysis is an effective empirical method for analysing text (Thayer et al. 2007).

This strategy can sometimes reveal hidden links between concepts or disclose relationships between seemingly unrelated ideas. As a result, the researcher will choose to analyse data from multiple viewpoints, such as research objectives, secondary sources, the theoretical underpinning of the study, and the technique's applicability in determining the reasoning of the data, as indicated above.

A detailed description of the place or individuals is followed by data analysis to produce themes or issues in a case study (Stake 1995). Before constructing the code, the researcher should use an inductive approach to identify the themes and sub-themes by coding and identifying patterns in the data. The researcher can then categorise the codes into subject groups that are relevant to them. Another method of the coding process can also be done by the frequency of words appearing in the data. Keywords were chosen from the original words and phrases used in the transcripts for coding. To develop new patterns from the text, the researcher must be conversant with the interview transcripts by that time. This method is repeated indefinitely until no new patterns are discovered.

As a result, in this study, the researcher starts with transcription, then moves on to iterative thematic coding, and finally to content analysis. This chapter entails four case studies of microfinance institutions from data interviews of thirteen units of analysis of microenterprises. The types of respondents chosen to participate in this study are from organisations such as 1) AIM, 2) TERAS, 3) Bank MFI, in this case, Bank Rakyat, and 4) Self-Help Group Community namely SDSI.

4.3 Response Rate

Letters written and calls seeking requests to interview their microenterprises were conducted in March and April 2021. Appendix 4 shows a letter seeking a request to interview MEs. At the same time, researchers also made contact with key informants from relevant agencies such as AIM, TERAS, Self Help Community Group, and private agencies under the Non-bank MFI category at the initial stage to gauge the situation faced by micro enterprises before seeking permission to interview these microenterprises. The researcher received quick responses from private agencies but took longer from AIM and TERAS due to internal procedures that had caused a delay in completing the interviews.

Several interviews were facilitated by the key informant, whilst others gave a listing of potential interviewees for the researcher to contact directly. The pandemic situation is one of the contributing factors that causes the delay and low response rate. The majority of offices were closed due to the government's declaring a state of emergency for six months beginning in February 2021. Furthermore, all organisations are facing financial difficulties during the unprecedented pandemic situation to the extent that they only prioritise their financial and internal resources.

Nonetheless, this study managed to interview thirteen microenterprises from these institutions, as shown in Table 4.1.

Table 4.1
Response Rate

Matters	Frequency
Number of calls made, and letters sent	25
Received consent to participate	13
Rate of response received	52% (13 responses out of 25 responses)
Usable response	13
Rate of usable response	100% (13 responses out of 13 responses)

4.4 Demographic Profile of the Interview Respondents

As shown in Table 4.2, the majority of the respondents are female (9) while the rest are male (4). The majority of respondents (46.2%) are between the ages of 30 and 40; two are over 50, and one is under 30. About 60% of MEs are from rural areas, while the remaining are from urban areas.

Most of the respondents have 6 to 10 years of experience (38.2%); 2 respondents have less than 3 years of business experience; and 1 respondent has more than 20 years. In terms of education level, 46.2% of the respondents have a lower level of education, while 53.8% have a diploma or degree, among which 1 respondent has a postgraduate degree. The industry sectors were mainly (46.1%) from the services industry; 23.1% from manufacturing; 23.1% from the trading industry; and only 1 from agriculture.

Table 4.2
Demographic Profile of Interview Respondents

Demographic Profile		Frequency	Percentage (%)
Gender	Male	4	30.7
	Female	9	69.3
Age	20-30	1	7.7
	31-40	6	46.2
	40- 50	4	30.7
	>50	2	15.4
Status	Married	12	92.3
	Single	1	7.7
Years of Business	< 3	2	15.4
	3-5	4	30.7
	6-10	5	38.5
	10-20	1	7.7
	> 20	1	7.7
Education level	Lower education	6	46.2

	(secondary school and below)		
	Higher education (diploma/ degree/ postgraduate)	7	53.8
Industry sector	Services	6	46.1
	Manufacturing	3	23.1
	Trading	3	23.1
	Agriculture	1	7.7

4.5 Focus Group Discussions Profile

Upon one-to-one interview with the respondents, i.e., MEs as the primary data collection, it is also pertinent to conduct focus group discussions with industry experts to not only help to gain an in-depth understanding of overall issues but also specifically meant to obtain data from a purposely selected group from the key industry segments, namely the bank MFIs, non-bank MFIs, religious-based MFIs, and Self-Help Group Community.

The goal of the focus group data collection is to get a better understanding of the overall challenges as well as to obtain data from a carefully selected group of key industry experts, specifically on management and industry views. The goal is to help researchers gain a better understanding of management, leadership, and communications, among other topics. By doing so, it is hoped that the researcher will be able to propose a conceptual model for the ecosystem of microfinance in Malaysia. The researcher organised a group of six members, as shown in Table 4.3. Table 4.4 shows their demographic profile and background experience.

Table 4.3
Profile of Focus Group Members

Focus Group Members by Code Names	Explanation
R1Tai, R2Ana, R3Dino, R4Raja, R5Mohd, R6Wan	A semi-structured with open-ended questions, which begins in engagement mode by introducing themselves, followed by exploratory questions on the microfinancing industry in Malaysia and an exit question on suggestions or recommendations. Duration: approximately 23 hours (9:00 p.m. – 11:30 p.m.) Members with experience from SME Corporation, AIM, TERAS, SHCG, SME Consultant (Google Meet and ZOOM meet)

Table 4.4
Focus Group Members, Demographic Profile and Background Experience

Focus Group Members by Code Name	Demographic Profile	Background Experience
R1Tai	Male >50 years old	> 20 years in advisory and consultancy SME Expert Advisory Panel, SME Corp
R2Ana	Female 44 years old	>10 years in training for AIM Had attended numerous internal and international training programmes such as invitation to IDB Roundtable Discussion etc.
R3Dino	Male 46 years old	>8 years of coaching & mentoring microenterprises. Had coached over 5,000 MEs to date. Founder of Wholesale Entrepreneur Academy
R4Raja	Female 46 years old	>10 years in the development of microenterprises. Former General Manager, TERAS
R5Mohd	Male 63 years old	>10 years pf experience in Economics and Policy Planning Division, SME Corp. >10 experience in Economics Department, Central Bank of Malaysia

R6Wan	Male 43 years old	>10 years of experience serving SME Corp. Malaysia >10 years of experience at SME Bank

4.6 Case Studies Profile

This section describes the background and profiles of four case studies selected, namely AIM, TERAS, Bank Rakyat, and SDSI.

4.6.1 Case Study 1: Amanah Ikhtiar Malaysia (AIM)

4.6.1.1 Background of Company

Amanah Ikhtiar Malaysia is a private trust which was established in 1987 under the Trustee Corporation Act following the success of Project Ikhtiar, which ran from 1986 to 1987 to gauge the viability of microcredits as a means to provide economic opportunities for rural communities. The project was inspired by Grameen Bank's microcredit schemes in Bangladesh, a success story that brought attention to many countries to follow suit. Thus, AIM applied a similar model to that of Grameen to provide microcredit schemes with initially obtained loans from the Malaysian government.

The company's main goals were mainly to 1) lower the poverty rate among poor and low-income households by providing microcredits to fund activities; 2) provide financial facilities, training, and coaching to entrepreneurs from poor families; and 3) create entrepreneurs among poor and low-income families.

Over three decades, it has helped a total of 939,754 borrowers, with the number of beneficiaries estimated at over 3.75 million people. AIM is currently the largest microfinance organisation in Malaysia, having loans of RM2.3 billion to 262,000 borrowers. AIM has received international recognition for helping to alleviate the standard of living for the poor through microloans.

AIM has a reputable and tested group guarantee scheme with five members in a group and a few self-help groups from a centre where compulsory weekly meetings are held. The micro loans will start as low as RM2,000 and below, then move up to more than RM30,000. Repayments are collected on a weekly basis at group meetings.

This establishment is present in about 136 districts in all 14 states of Malaysia, in which it has about 2,400 field staff members. AIM Sahabat has formed a cooperative called Koop Sahabat Amanah Ikhtiar. The members' savings were mobilised and had over RM500 million in funds. This cooperative undertakes business activities, and dividends are paid to members for their saving investments. To date, it has 400,000 members who are referred to as "Sahabat AIM," focusing on women from poor and low-income backgrounds and are part of the five-member self-help groups.

4.6.1.2 Data Gathering of ME Respondents from AIM (Non-bank MFI)

Table 4.5 shows the data sources for AIM and their descriptions.

Table 4.5
Data Sources from Amanah Ikhtiar Malaysia (AIM)

Data Sources of MEs	Description
ME 1, ME 2, ME 3, ME 4	A semi-structured interview with open-ended questions Duration: 1 to 2 hours Interviewee ME1, ME2, ME3: Microenterprise owner by Google Meet ME4 On Site Visit with interview and observation
Documents	Company Profile website and journals

4.6.2 Case Study 2: Teraju Ekonomi Usahawan Sdn Bhd (TERAS)

4.6.2.1 Background of Company

In 2015, Teraju Ekonomi Asnaf Sdn Bhd (TERAS), formerly known as MAIS Zakat Sdn Bhd, was renamed with the purpose of providing services to the poor in respect of economic development and their well-being. Some of the services are 1) to develop, manage and monitor the development of their businesses, 2) provide trainings on entrepreneurship effectively, 3) create job opportunities for the poor (Asnaf) through collaboration with other organisations, and 4) manage the zakat funds as per approved by the board.

A selected group of Asnaf were chosen to participate in the development programmes based on the ability of the individuals, business interests, and mindsets to succeed. They are exposed to further courses in entrepreneurship and basic courses including financial management and motivation. The amount of capital funds ranges from RM2,000 to RM50,000 depending on the type of business, which is then monitored by the officers assigned regularly. For information, this capital is a form of financial aid and not a loan that does not require repayment.

Hence, the selection process undergoes stringent due diligence to ascertain not only that the potential candidates are under a certain poverty threshold but also that they have the potential to succeed in business. The main purpose and intention of providing these development programmes is to alleviate the poor and help them exit poverty. There are currently about 2,000 recipients managed and monitored by TERAS.

4.6.2.2 Data Gathering of ME Respondents from TERAS (Religious based MFI)

Table 4.6 shows the data sources for TERAS and their descriptions.

Table 4.6
Data Sources from TERAS

Data Sources of MEs	Descriptions
ME 5, ME 6	A semi-structured interview with open-ended questions Duration: 1 to 2 hours Interviewee ME 5: Microenterprise owner (Google meet interview) Interviewee ME 6: Microenterprise owner (On site interview)
Documents	Company Profile website and journals

4.6.3 Case Study 3: Bank Rakyat Berhad (Bank Rakyat)

4.6.3.1 Background of Company

The Cooperative Ordinance of 1948 allowed Bank Rakyat to be created on September 28, 1954 (known as the Cooperative Societies Act 1993). Bank Rakyat switched from a traditional banking system to an Islamic banking system in 2002. As an agency of the Ministry of Entrepreneur Development and Cooperatives (MEDAC), the bank is responsible for the development of the nation's entrepreneurship and small and medium enterprises (SMEs) industry. The bank is controlled by its bylaws and the Bank Kerjasama Rakyat (M) Berhad Act of 1978, which permits it to lend to non-members.

The cooperative's main activities are those of a bank that accepts deposits and provides financial services for retail and business requirements while adhering to Syariah principles. It is Malaysia's largest Islamic cooperative bank, with assets of approximately RM112 billion and over 830,000 individual and cooperative shareholders/ members as of December 2020. There are 147 locations across the country, serving 8.3 million customers with over 990 automated teller machines and cash deposit machines.

4.6.3.2 Data Gathering of ME respondents from Bank Rakyat (Bank MFI)

Table 4.7 shows the data sources for Bank Rakyat and their descriptions.

Table 4.7
Data Sources from Bank Rakyat

Data Sources of MEs	Descriptions
ME 7	A semi-structured interview with open-ended questions Duration: 1 to 2 hours Interviewee: Microenterprise owner (Google meet)
Documents	Company Profile website and journals

4.6.4 Case Study 4: Self Help Group Community (One Village/Industry One Product/ *Satu Industri Satu Daerah*)

4.6.4.1 Background of Organisation

It began in Japan when villagers in a small village began to manufacture agricultural products, which grew into human resource development and a focus on improving living standards. This similar scheme was emulated by other countries such as China, Malaysia, Cambodia, Thailand, and even African countries. In Malaysia, a comparable programme known as "Satu Kampung, Satu Produk" (SKSP) was launched in 1992 and later renamed "Satu Daerah, Satu Industri" (SDSI, or One District, One Industry).

This scheme was initially focused on cultural development, villagers' creativity, and innovation as a community's socio-economy, but the concept has since evolved from voluntary activities to broader business-oriented activities with the goal of creating a value chain for the surrounding communities. The primary goal of SDSI is to identify products and services with high potential for development in a certain district. Hence, this community-based scheme will have small businesses ranging from handicrafts, agro-based, herbs and medicines, beverages, general food etc.

Local districts promote and organise these programmes, with the help of other agencies that are interested in entrepreneurship. These schemes support micro, medium-sized and small enterprises. The SDSI programme is overseen by Malaysia's Ministry of Tourism, Arts and Culture, which collaborates closely with state governments and SMEs.

4.6.4.2 Data Gathering of ME Respondents from SDSI (Self-Help Group Community)

Table 4.8 shows the data sources for SDSI and their descriptions.

Table 4.8
Data Sources from SDSI

Data Sources of MEs	Description
ME 8 - ME 13	A semi-structured interview with open-ended questions Duration: 1 to 2 hours Interviewee: Microenterprise owners (Google Meet and ZOOM meet) Key Informant: Assistant District Officer
Documents	Company Profile website and journals

4.7 Findings from One-To-One Interviews and Focus Group

The original data from interviews and focus group discussions was transcribed and transferred to NVIVO 12 for analysis. There are three parts to this section: 1) findings from individual interviews with 13 MEs; 2) focus group discussion with six industry subject matter experts; and 3) case study with four MFI case studies. These findings were recorded according to the research questions below:

1. Research Question 1(RQ1): Why is the participation of microenterprises relatively low as compared to small and medium enterprises in the microfinance industry in Malaysia?
2. Research Question 2(RQ2): What are the key components required in forming the inclusive ecosystem in the microfinancing industry in Malaysia?
3. Research Question 3(RQ3): How to develop a conceptual model in developing the ecosystem of microfinancing in Malaysia?

4.7.1 Research Question 1 (RQ 1): Why the Participation by Microenterprises is Relatively Low as Compared to Small and Medium Enterprises in the Microfinance Industry in Malaysia?

This section analyses the research findings with regard to the second research question, a phenomenon that may or may not be answered or comprehended in this study. There are four sub-themes derived from data collection using thematic analysis of the interviews with the 13 MEs, as in Table 4.12.

Table 4.12
Definitions of Low Participation Sub-themes

Subthemes	Definitions
1. Beliefs	The state of believing that it is the truth, taught from childhood and family, or from religion or social influence
2. Non-committal	ME not willing to commit to borrowing funds or to committing time spent on mcf activities that are too demanding.
3. Perception	How ME understands, feels, and interprets borrowing or financing
4. Past experience	Had undergone or observed bad experience faced by someone he/she knows

Figure 4.8 shows that there are 10 respondents that are mapped to the non-committal sub-theme; 3 to the belief sub-theme; 3 to the past experience sub-theme; and 3 to the perception sub-theme; and only one respondent (ME 4) was quite neutral.

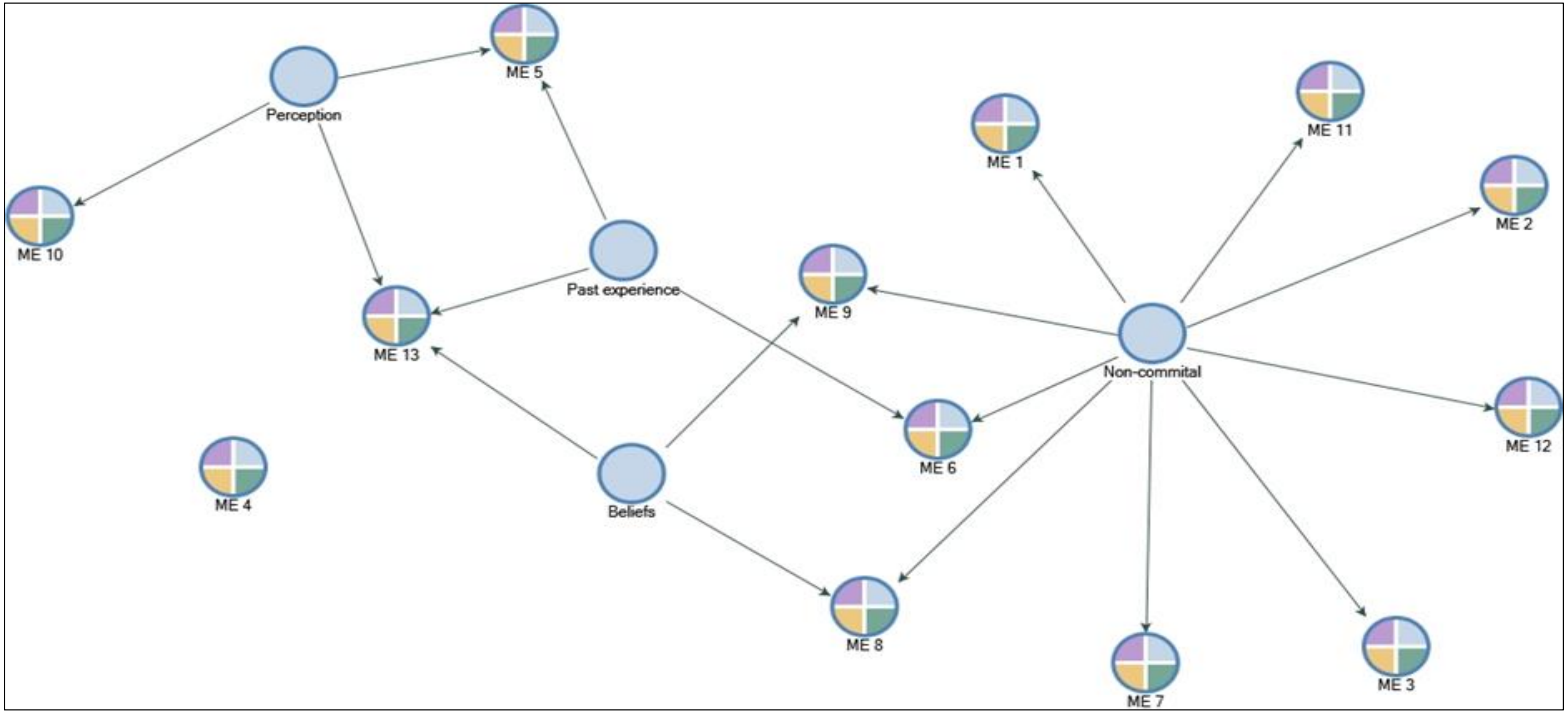


Figure 4.8 Mind Map, Low Participation by MEs

Due to religious and societal values instilled in them by their parents and family members, three respondents do not believe in borrowing. These excerpts from the interviews are quite cast in stone:

<Files\\Interviews\\ME 8> - § 20 Reference 9 - 3.25% Coverage

> *I rather utilize cash rather than loans because I am not sure I can service the payment consistently. Maybe younger entrepreneurs perhaps willing to borrow since they may have longer time to recover if business turns sour.*

Another response from ME 9 stated that:

Reference 7 - 1.35% Coverage

> *As I mentioned earlier, I was trained and taught by my father not to borrow. So, not interested.*

<Files\\Interviews\\ME 9> - § 20 Reference 8 - 1.64% Coverage

> *They are most likely like me who prefers grants not loans from agencies, or at most borrow from family members.*

Due to a previous financial track record or having witnessed a family member go bankrupt due to payment failure, three of the respondents were hesitant to participate in microcredit. The excerpts are as below.

<Files\\Interviews\\ME 13> - § 19 Reference 7 - 3.97% Coverage

> *Fear of borrowing after seeing what happen to my husband who is now bankrupt. My family is relying on me now. I am a 'Polis Bantuan' on part time basis, which earns some monies on monthly basis with minimum of 97 hours per month.*

<Files\\Interviews\\ME 6> - § 20 Reference 8 - 3.50% Coverage

> *For your information, I have a problem with the status of national identification. It is a long story but basically, I cannot apply loan with financial institutions and government agencies due to my birth registration status.*

Reference 9 - 1.48% Coverage

> *They are just like me, I guess, who prefers to receive grants than loans for small businesses.*

On the other hand, three respondents had negative perceptions of microcredit for various reasons:

<Files\\Interviews\\ME 5> - § 20 Reference 9 - 1.81% Coverage

> *I believe they do not want to commit to any loans for fear of failure to pay and end up being blacklisted and so forth.*

<Files\\Interviews\\ME 13> - § 19 Reference 8 - 3.83% Coverage

> *I guess some are like me, the fear to commit loans and when something goes wrong, there is no one or place to turn to for help. Perception and lack of confidence are also some of the factors that stops us from borrowing.*

<Files\\Interviews\\ME 10> - § 19 Reference 8 - 3.36% Coverage

> *I am not sure exactly why microenterprises not applying small loans from institutions or agencies, but I guess it is because it is not as easy as what people think to borrow from institutions/agencies.*

The majority of respondents stated that they are hesitant to borrow from microfinance, in part because they are unwilling to commit to participating in microfinance activities on a regular basis. Two of these respondents said that one of the factors is the age factor, aside from being busy with daily business.

<Files\\Interviews\\ME 12> - § 19 Reference 8 - 0.78% Coverage

> *I do not want/like obligations. Not interested.*

Reference 9 - 4.26% Coverage

> *I am just guessing most are like me who are not interested in external funding, if given a choice unless they are in the form of grants. We do not want to burden ourselves in the beginning with obligations to pay when we are at early stage of business.*

<Files\\Interviews\\ME 2> - § 19 Reference 8 - 4.61% Coverage

Many feel that it is quite cumbersome to borrow from these agencies; one has to be committed every week and consistently have to repay certain amount of monies. Another factor is that the grouping makes some uncomfortable because should any of the member fail to repay, others have to contribute. Hence, group credit is not palatable/acceptable to everyone.

<Files\\Interviews\\ME 12> - § 18 Reference 8 - 3.13% Coverage

As I mentioned earlier, the requirements are quite demanding…too much red tape. I feel that the requirement to have physical shop is not relevant anymore in this era where social media and internet is part and parcel of retail business.

Reference 9 - 1.87% Coverage

As I mentioned earlier, the process and procedures are quite strict and a lot of us do not want to commit loans at early stage of business.

Hence, the beliefs influenced by religion or culture or racial norms, alongside upbringing, lifestyles, and past experience, directly or indirectly, are some of the contributing factors which lead to unwillingness to participate in the formal microfinancing industry.

4.7.2 Research Question 2 (RQ 2): What are the Key Components Required in Forming the Inclusive Ecosystem in the Malaysian Microfinancing Industry?

Before this study identifies the key components in establishing an inclusive ecosystem in the Malaysian microfinance industry, it is crucial that researchers understand the concerns and challenges faced by MEs. Thus, this section analyses the key issues and discontents raised by MEs who face daily challenges in trying to sustain their microbusinesses. For the purpose of protecting the privacy of the thirteen microenterprises participating in this study, each of them was assigned an alpha-numeric label such as ME1, ME2, ME3, etc. This numeric label was used throughout the research work, including results and findings.

This section covers the main themes that arose from the iterative process of utilising thematic analysis to analyse the one-to-one interview transcripts with 13 respondents and the focus group discussions. Based on the thematic analysis, it has revealed five common themes, as shown in Table 4.9 from one-to-one interviews and focus group discussions. Thus, this section conjointly deliberates findings from one-to-one interviews of MEs and focus group discussions due to common themes.

Table 4.9
Main Themes and Sub-themes

No.	Main Themes	Sub-themes
1	Knowledge and Skills	• Education • Essential Skills • Knowledge • Social Media • Technology
2	Management	• Bureaucracy • Competency • Effectiveness • Governance • Training Adequacy
3	Outreach	• Awareness • Funds Availability • Non-financial Assistance
4	Support System	• Association Support • Community Support

		• Family Support • Self-Support
5	Sustainability	• Capital Adequacy • Market Competitiveness • Resources Reliability

4.7.2.1 Emphasis on Themes by Gender

Based on Figure 4.1 below, it shows that female microenterprises emphasise more on the importance of support systems, followed by knowledge and skills, whereas male microenterprises emphasise knowledge and skills, followed by management and sustainability as the key components in providing an ecosystem of microfinancing. A "support system" is defined as a group of people forming a social network and providing moral support and sharing knowledge and experience towards common interests and goals. All things considered, it reveals that the topmost concern during the interviews was the support system, followed by knowledge and skills.

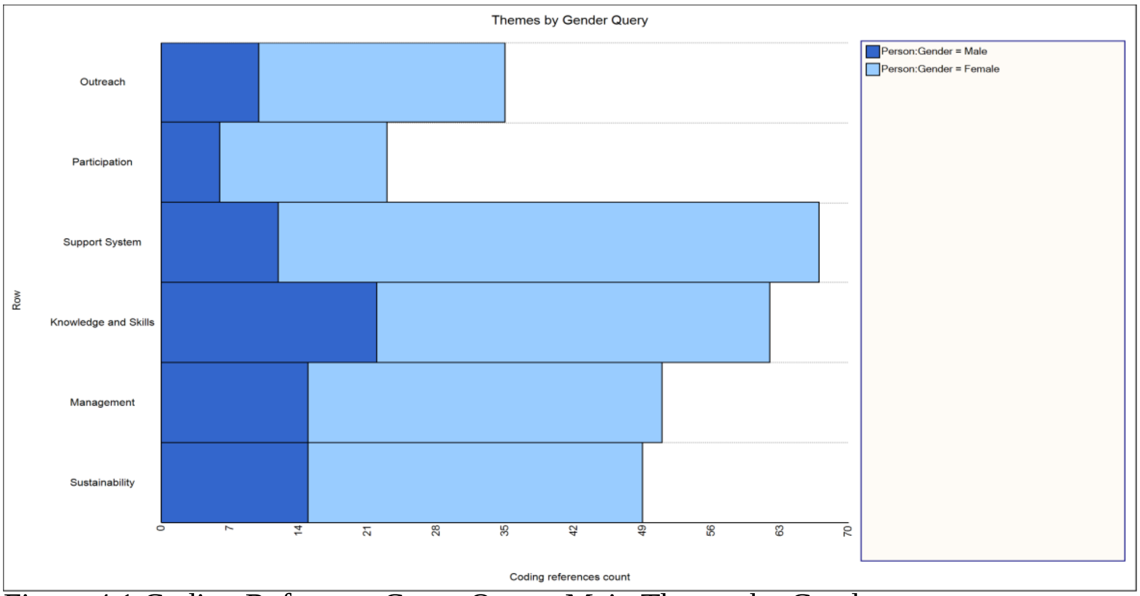


Figure 4.1 Coding Reference Count Query, Main Themes by Gender

4.7.2.2 Main Themes by Locations

In this analysis, the respondents were segmented into urban and rural areas. By definition, urban areas cover big cities and the sub-urban areas surrounding them, whereas rural areas cover small towns and villages. Based on matrix coding analysis from the NVIVO 12 system query, both urban and rural microenterprises feel that the support system is equally important. However, rural microenterprises feel that outreach and management are key concerns of theirs, as depicted in Figure 4.2 below.

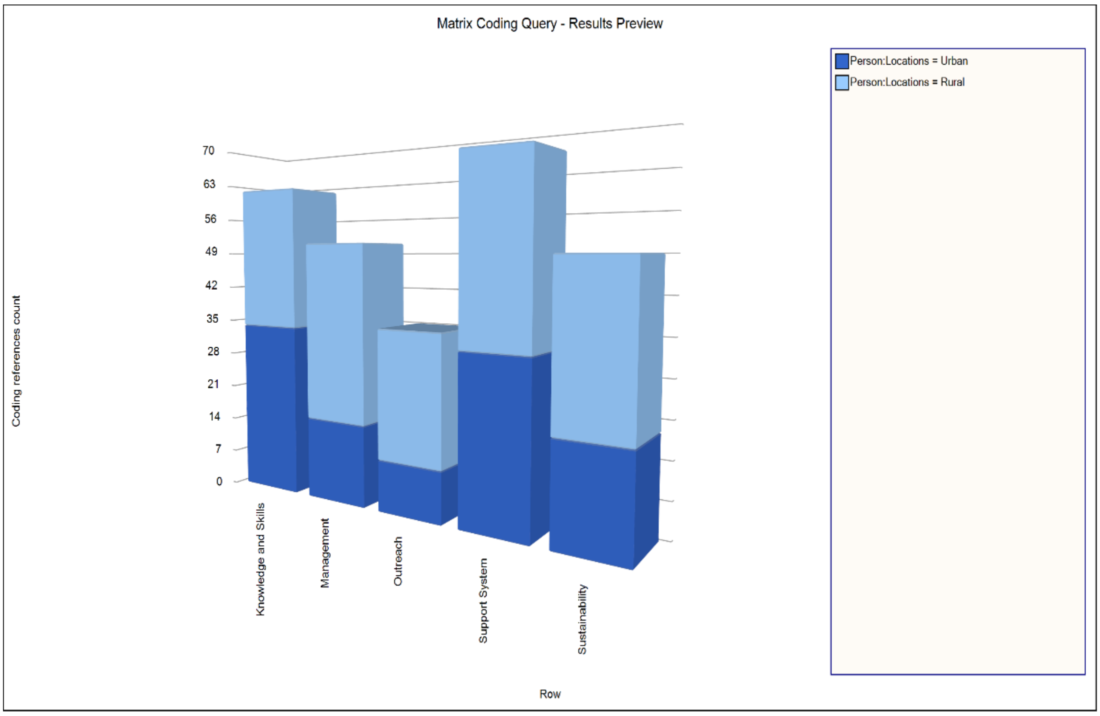


Figure 4.2 Matrix Coding Query, Main Themes by Geographic

Understandably, the concerns by rural enterprises are valid that in order for MEs to be given equal opportunities, efforts on outreach awareness programmes must increase, including information on the availability of microfinancing funds coupled with non-financial assistance, i.e., inclusive microfinancing services to be offered to them. ME 6 and ME 7 were quoted:

<Files\\Interviews\\M6> - § 2 references coded [4.32% Coverage] Reference 1 - 0.79% Coverage

> *Not really aware of loans available in the market*

Reference 2 - 3.54% Coverage

> *For your information, I have a problem with the status of national identification. It is a long story but basically, I cannot apply loan with financial institutions and government agencies due to my birth registration status.*

<Files\\Interviews\\M7> - § 4 references coded [7.13% Coverage] Reference 3 - 1.62% Coverage

> *I am not sure but a lot of times, we don't know what we don't know. Information is not available to us.*

Reference 4 - 2.52% Coverage

They should pay more attention to rural or non-city localities because they are the ones that really need assistance in terms of financials, advisory and trainings.

4.7.2.3 Matrix Coding Analysis – Main Themes by MFIs

Since there were four case studies involved in this qualitative analysis, namely the institutions of AIM, TERAS, Bank Rakyat, and Self-help Group Community, the SDSI, matrix analysis was carried out to explore and understand whether there were commonalities or contrasts of emphasis in the contents. It is found that MEs from AIM stressed more on the importance of support systems (29.535%) and followed by management, whereas MEs from TERAS emphasised more on knowledge and skills.

MEs from Bank Rakyat focused more on support systems, whereas MEs from SDSI focused equally on support systems and knowledge and skills. These outcome results can be reflected on the adequacy of services required by MEs, respectively. For instance, TERAS has always conducted close and regular monitoring of the MEs' progress and business performance, which reflects an adequate support system provided to MEs.

On the other hand, MEs from Bank Rakyat fall short of being given the attention and support they deserve. Conversely, AIM has been providing a local support system and facilitated by AIM officers, but this outcome could be that not all locations were given equal attention. Below is the said matrix analysis:

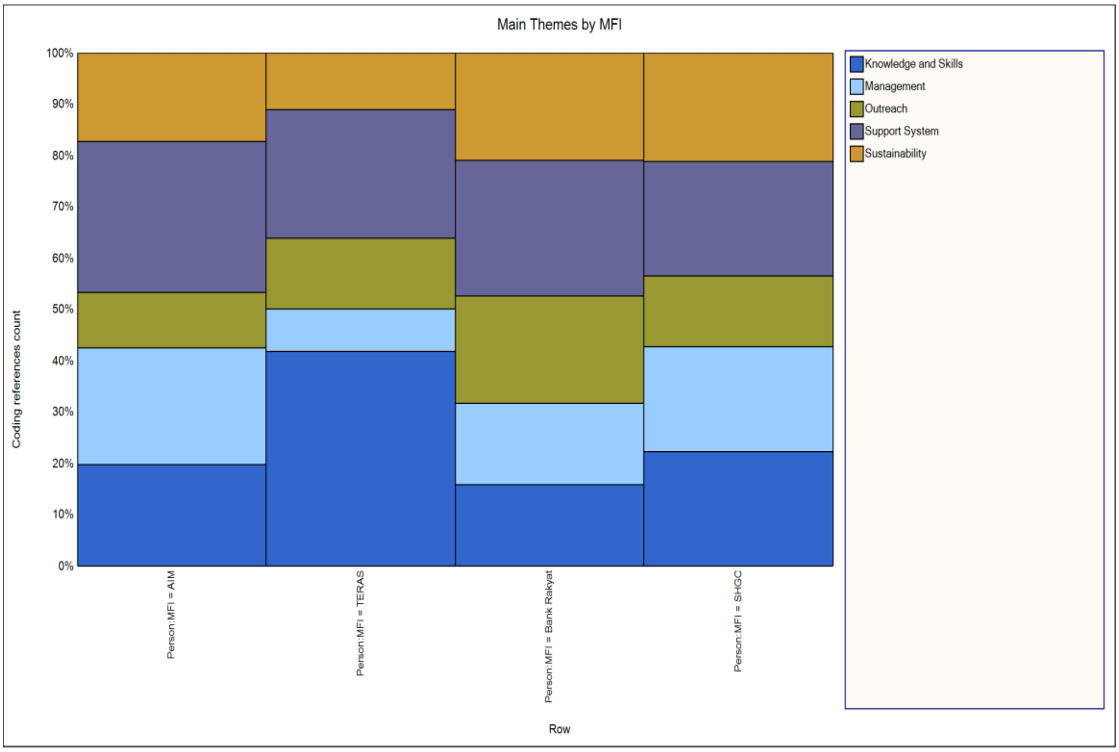


Figure 4.3 Matrix Coding Query, Main Themes by MFI

4.7.2.4 Main Theme 1: Knowledge and Skills

Based on the content analysis using thematic analysis, all respondents felt that relevant knowledge and skills are key components in ensuring a microenterprise is able to succeed. There are five sub-themes derived from this main theme: 1) education; 2) essential skills; 3) relevant knowledge; 4) social media skills; and 5) knowledge of technology. However, two respondents feel that mainstream education is not important because they feel that this education is able to help them when they are facing problems or issues with their business. The following are excerpts from the interview text:

<Files\\Interviews\\ME 8> - § 1 reference coded [1.29% Coverage], Reference 1 - 1.29% Coverage

> *Education is not crucial for business but the business acumen and right DNA is important.*

<Files\\Interviews\\ME 6> - § 1 reference coded [1.47% Coverage], Reference 1 - 1.47% Coverage

> *My education ends at A level only. Education is not necessary but more important is attaining relevant certification.*

In respect of essential skills, all respondents felt that they have sought and updated themselves to acquire the right skills in order for them to continue to survive due to stiff market competition. Most of the time, MFIs could not provide the most up-to-date training. One of the excerpts from ME 6 from TERAS feels that it is not enough to obtain basic knowledge and skills, as explained as follows:

<Files\\Interviews\\ME 6> - § 3 references coded [8.47% Coverage], Reference 1 - 5.29% Coverage

> *However, I feel that these trainings are not enough. For example, several times when my customers seek my advice on other problems they face such as child care related issues or medical by the nursing mothers, I was not able to provide as such. I have no knowledge on related postnatal problems other than providing massage and basic care.*

<Files\\Interviews\\M10> - § 2 references coded [6.76% Coverage], Reference 1 - 1.87% Coverage

> *Yes, I am an accounting graduate so this knowledge in accounting and managing cashflows are very useful to start business.*

Reference 2 - 4.89% Coverage

> *The only required skills for me in carrying out business is sales and marketing i.e. to understand the full cycle of the process from promotion until payment. Currently, I am learning from various sources. My association provides initial training on basic entrepreneurial knowledge but not intermediate or advance.*

On social media capabilities, all respondents agreed that this capability is becoming very crucial in their daily business activities. Some of the MEs commented that the ultimate objective is to be able to sell their products and services using social media.

<Files\\Interviews\\ME 10> - § 1 reference coded [3.43% Coverage], Reference 1 - 3.43% Coverage

> *Social media is very important to us but one needs to be focused and knows what we are getting into. More important is to be able to apply e commerce in your business i.e. straight through payment to achieve quick closures.*

<Files\\Interviews\\ME 12> - § 1 reference coded [2.73% Coverage],
Reference 1 - 2.73% Coverage

> *Yes, social media is very essential as platform for networking and marketing. Need to keep updated in online marketing and all technology related to social media.*

<Files\\Interviews\\ME 2> - § 1 reference coded [4.24% Coverage], Reference 1 - 4.24% Coverage

> *It is very important especially nowadays: 90% are business online. Knowledge in e commerce is crucial in our business operations as well as online marketing. I am currently learning how to market my products via Instagram, Whatsapp, Youtube etc. One needs to have technology know-how to support one's business operations these days.*

Only one respondent is not sure of the effectiveness of social media, as per the interview response.

\Interviews\\ME 8> - § 1 reference coded [0.85% Coverage], Reference 1 - 0.85% Coverage

> *Social Media is important but not sure of the effectiveness.*

The above findings were substantiated by the focus group discussions, which highlighted that the training provided by the MFIs was at times not relevant to the MEs' businesses. Some of these trainers do not have the entrepreneurial spirit and experience to share the knowledge and skills with MEs, as quoted by one of the members:

<Files\\Focus Group\\Focus Group Discussions_Transcripts_1> - § 2 references coded [2.24% Coverage] Reference 1 - 0.76% Coverage

> *Officers-in-charge must have in-depth knowledge in business and well experienced as well as ability to provide any form of assistance to the businesses.*

Reference 2 - 1.48% Coverage

> *Lack of entrepreneurship spirit among the officer in charge especially those who are in-charge of entrepreneur portfolio with irrelevant backgrounds such as education, human resources etc*

Reference 2 - 1.44% Coverage

> *The issue is more on effectiveness of the training; there are a lot of trainings provided but the question is whether these trainings are relevant to their businesses. Most of the time, the trainings are not relevant.*

Bennett, Goldberg, and Hunte (1996), as well as Holf and Stiglitz (1993), wrote that assisting poor entrepreneurs in organising themselves by developing skills and management skills, as well as assisting them in developing self-governance structures that will allow them to take long-term ownership of the project, Karla and Valdivia (2006) asserted that the Peruvian village banking program's entrepreneurial training has a significant impact on clients' savings, loan repayment and retention rates, and business knowledge. Before starting to operationalize their microenterprises, Hamdan et al. (2012) recommended that clients of Malaysian microfinance institutions participate in entrepreneurial and business skills training.

4.7.2.5 Main Theme 2: Management

Management is defined in this context as the management of associations or agencies that offer microfinancing services in terms of handling daily matters, managing clients, supervision, and monitoring the performance of clients. There are five sub-themes derived from the thematic analysis, which are bureaucracy, competence, effectiveness, governance, and training adequacy. As shown in Figure 4.4, most respondents commented that training adequacy and bureaucracy were the main concerns.

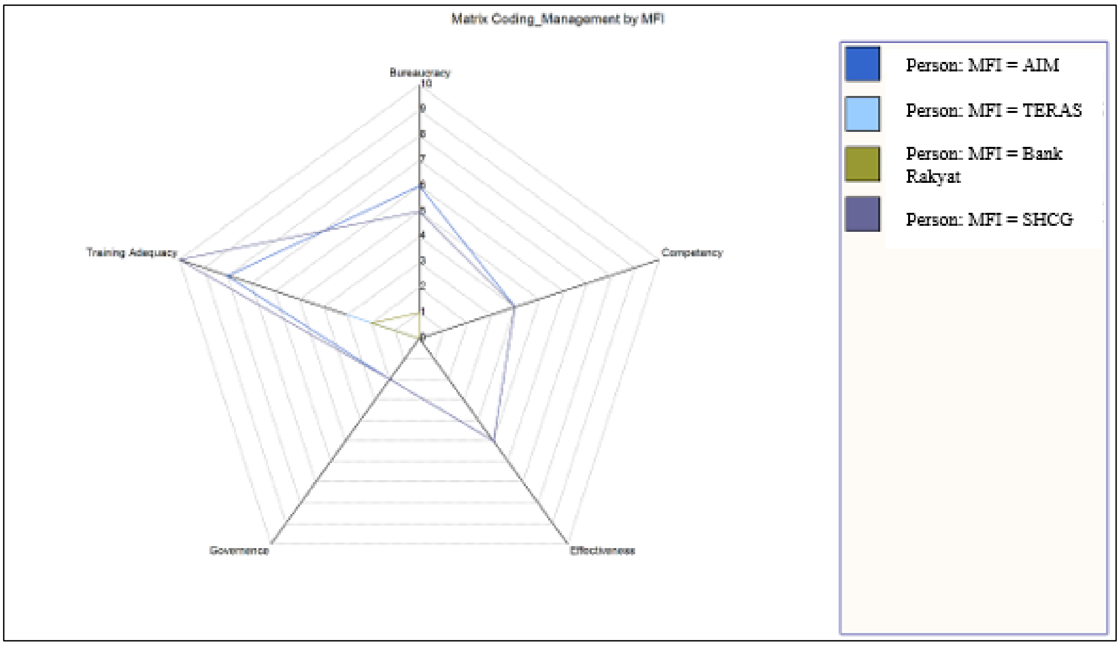


Figure 4.4 Matrix Coding, Management Theme by MFI

There were negative comments made by MEs that the management of some agencies was not transparent and implied the existence of bias. The following are the responses:

<Files\\Interviews\\ME 2> - § 2 references coded [5.35% Coverage], Reference 1 - 3.41% Coverage

> *I find that some agencies are not being transparent and certain cases are quite biased… for example, gives grants to their family members even own children. Certain agencies are merely giving loans with no other support such as trainings or moral support. There is also element of biasness, example, members were being forced to purchase the products created by the respective branches of the organisation.*

<Files\\Interviews\\ME 9> - § 2 references coded [2.96% Coverage], Reference 1 - 0.72% Coverage

> *I am a member of Puspanita (Women Association) but not beneficial to me. They are very selective to only certain members. I find it difficult to obtain information and sometimes not transparent...... hidden agenda.*

Other elements such as non-effective management were highlighted by MEs, inferring that the management of MFIs is not aggressive, outdated information, and some were not competent to train the MEs.

<Files\\Interviews\\M11> - § 2 references coded [7.94% Coverage], Reference 1- 6.52% Coverage

> *The agencies are not active, in my opinion. These agencies namely TEKUN, MARA, AIM should be more active to reach out to us not only providing funds but also providing trainings. Well, they do provide trainings but a lot of these trainings I gathered are not effective or relevant. These trainers are external trainers that do not understand the predicament and challenges faced by us. The concept of group credit is not palatable for me since these people in the group are total strangers.*

Reference 2 - 1.42% Coverage

> *Perhaps I see them not able to support my business. I guess I don't see it could add value to my business.*

Another comment on the management theme by one of the MEs is:

<Files\\Interviews\\ME 9> - § 2 references coded [3.83% Coverage], Reference 1 - 0.68% Coverage

> *The association is more of social networking.*

Reference 2 - 3.15% Coverage

> *These institutions or government agencies should have a good supervisory system in place so that Head office is able to monitor and fully aware of the progress and performance of the micro business in the local countries.*

A few MEs gave some suggestions on how management of MFIs can improve their management through segmentation and the establishment of a One-Stop-Centre in order to be more effective, as per the quotes below:

<Files\\Interviews\\ME 10> - § 1 reference coded [1.95% Coverage], Reference 1 - 1.95% Coverage

> *Government/agencies should segment microenterprise by skills and knowledge in order to monitor their progress more effectively.*

<Files\\Interviews\\ME 1> - § 1 reference coded [3.25% Coverage], Reference 1 - 3.25% Coverage

> *More aggressive like conducting roadshows on microfinancing available by the Government and agencies. More exposure to the youths like me on entrepreneurial ship and provide One-Stop-Centre.*

The above findings are consistent with validation by the following quotes, which are summarised in Table 4.10 by focus group members in respect of the management theme.

Table 4.10
Framework Matrix, Management Theme by Focus Group

FGD Member	Bureaucracy	Competency	Effectiveness	Governance	Training Adequacy
R1Tai	MFIs still think like banks; repayment and collection policies focus		Many more MEs are unregistered; they have unique businesses and require different financing approaches.	The role should be helping them to sustain and grow, not just evaluating applications, i.e., more of a development role than an administrative one.	They are not competent officers who can train enterprises effectively.
R2Ana	What is more important is that all institutions and agencies should share a common database.		A pandemic has a tremendous impact on institutions. Allow time for them to review policies and mandates.	The role played by institutions depends on their mandates. We should have some standards of measurement for the industry.	Certain technical skills are lacking

R3Dino	They must understand their needs and provide continuous coaching and guidance	Incompetent and without experience	What is more important is that all agencies/institutions share their databases and collaborate.	The government should play a significant role in making sure both institutions and enterprises work together	Not enough
R4Raja	During the pandemic, agencies loosened the procedures for applications. Bureaucracy still exists.	-	The industry has not matured and is ineffective; there are few published success stories.	Lack of monitoring and supervision.	-
R5Mohd	-	-	Ministries are not making a concerted effort to promote microfinance.	There should be a central government agency to coordinate and monitor development.	The authorities should facilitate and support in terms of training, technical advice, and

					financial support.
R6Wan	Synergy and collaboration among government, agencies and ministries	Lack of entrepreneurial spirit among government agencies with irrelevant background officers in charge	Microfinance has not matured yet until we address the NPL issue as well as KPIs for effectiveness measurement	The definition of microenterprise is not standard. Rules governing these activities should be enacted. An ecosystem that is safeguarded and conducive is assured by the government. A single central government body for microfinance.	-

Based on the Framework Matrix analysis as per Table 4.10, there is consensus that the management of MFIs or agencies is ineffective and requires an intervention from the government to incorporate the right measurement and monitoring mechanism. Members of the Focus Group also suggested that a single central government agency should be formed to coordinate and monitor all microfinance facilities provided by both the public and MFIs since the industry is quite fragmented whereby several ministry functions are redundant and overlap with different definitions of microenterprise.

The lack of measurement standards for measurement and reporting is also a concern among the members. Another sub-theme of management that is of concern to most respondents, including MEs, is the bureaucracy that has hindered the participation of MEs, which may impede the growth of microfinance. GTZ ProMiS (2010) substantiates these findings, stating that discrepancies in monitoring methods and standards, as well as the lack of a single regulatory and supervisory agency, have resulted in a lack of uniform standards and the establishment of a common direction.

This claim was supported by a large amount of entrepreneurship literature discussion on the function of government business support services in Malaysia. In their study on SME development in Malaysia, Salleh and Ndubisi (2006) discovered that the problems faced by local SMEs with regard to the implementation of government business support included 1) a lack of coordination among service providers, 2) low usage of the services, 3) low level of awareness of these services, and 4) bureaucracy on the part of government agencies. The findings of Hakimin, Rafi, and Dahlan (2009) as well as Norliya, Mashitah, and Zaharah (2010) support this empirical evidence.

Some of the quotes by members of the focus group are quite critical and support the concerns raised by MEs as follows:

<Files\\Focus Group\\Focus Group Discussions_Transcripts_1> - § Reference 7 - 1.25% Coverage

> *I think the institutions are still acting as banks for microenterprises with banking repayment and collection policies. Microenterprises would not be able to make fixed repayment because their businesses are vulnerable to challenging business environment.*

Reference 2 - 0.58% Coverage

> *They must try to understand their needs and must mingle with them and provide continuous coaching and guidance.*

Reference 9 - 0.92% Coverage

> *My suggestions are to have continuous campaigns, search for the right channels to target them, always perform "Gemba Walk", reduce bureaucracy/red tape, and reduce political issues.*

In addition to bureaucracy, the focus group members also highlighted the lack of governance in the industry. There is no clear mandate and scope at the authority level or agencies for microfinancing. As such, the growth and development of this industry was stifled, arising from an unclear mandate and scope, causing intermittent disruptions to the ecosystem of microfinance. This is noted by a few focus group members who quoted:

<Files\\Focus Group\\Focus Group Discussions_Transcripts_1> - § 14 references coded [14.58% Coverage] Reference 2 - 1.42% Coverage

> *Parameter for selection criteria of microcredit facilities are not perfected such as 1. Definition of Microenterprises not clear and not enacted; 2. Business licensing is not under the purview of Ministry of Perniagaan/ Perdagangan; 3. Only companies establish in "Sdn Bhd" are audited.*

<Files\\Focus Group Discussion Zoom> - § 3 references coded [2.25% Coverage],

Reference 1 - 0.96% Coverage

> *The industry is very fragmented authority i.e. too many agencies and ministries looking into entrepreneurship with different treatments and definitions.*

Reference 2 - 1.07% Coverage

> *R2Ana corrected the perception on AIM where it was viewed as an institution responsible for microenterprises. AIM mandate is to alleviate poverty by encouraging the poor to start micro enterprise and not responsible for ensuring the success of their businesses.*

Reference 4 - 0.76% Coverage

> *The role played by the authority depends on the mandate and scope given, direct involvement to microfinance institutions as well as microenterprises.*

4.7.2.6 Main theme 3: Outreach

The study conducted by the researchers aims to ascertain the aspects of outreach initiatives undertaken by MFI in terms of the awareness of the availability of information and the accessibility of microfinance products and services to MEs. Based on Figure 4.5, it is apparent that the rural MEs raised these issues, particularly the lack of awareness.

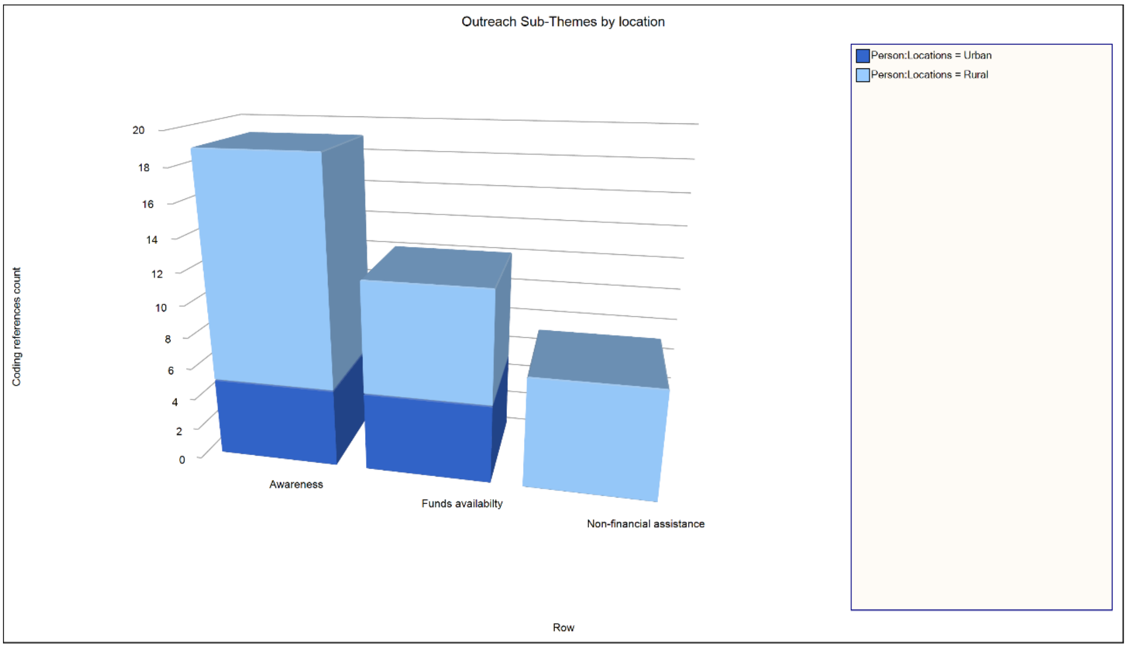


Figure 4.5 Matrix Coding, Outreach Sub-themes by Location

Some of the views made by the respondents are quite bold as follows:

<Files\\Interviews\\ME 7> - § 3 references coded [4.92% Coverage], Reference 1 - 0.78% Coverage

Yes, I am aware of loans available in the market through peers.

Reference 2 - 1.62% Coverage

I am not sure but a lot of times, we don't know what we don't know. Information is not available to us. They should pay more attention to rural or non-city localities because they are the ones that really need assistance in terms of financials, advisory and trainings.

<Files\\Interviews\\ME 9> - § 4 references coded [13.15% Coverage], Reference 1 - 2.79% Coverage

The microfinancing institutions should reach out especially to rural areas. Unlike the rural, the urbans will not have problems to obtain support financially and skills… My father has been in business for decades and he build his business from very micro and we come from a poor family. Not even once any agency come forth to provide information or come forth to offer assistance be it financial nor non-financial.

<Files\\Interviews\\M13> - § 2 references coded [2.73% Coverage], Reference 1 - 1.01% Coverage

I am not aware of funds available out there in the market.

Reference 2 - 1.73% Coverage

> *They should be more aggressive in reaching out to microenterprises in small towns and rural areas.*

The same concern was confirmed on the outreach issue, which was mentioned in the focus group discussions, where members of the focus group highlighted that the MFIs and agencies need to continuously be in touch with their MEs, as quoted below:

<Files\\Focus Group\\Focus Group Discussions_Transcripts_1>- § 4 references coded [2.47% Coverage] Reference 1 - 0.49% Coverage

> *I believe it is because there is a lack of awareness in mass media particularly in social media.*

Reference 2 - 0.64% Coverage

> *They have not gone to the ground meeting them, conduct activities on e-marketing at social media and organise campaigns regularly.*

Reference 3 - 0.58% Coverage

> *Not many know or aware of the funds available and partly these funds have to be repaid and not in the form of grants.*

Reference 4 - 0.76% Coverage

> *One reason is most microenterprises are unaware or too busy that they do not know the availability of microfinancing facilities provided by many*

entities.

These findings on MEs' and focus group members' concerns about outreach are backed up by Parvin, Rahman, and Jia (2012), who claim that easy access to credit, skill training, and membership in development organisations are all important factors in attracting women to microentrepreneurship in Bangladesh.

4.7.2.7 Main theme 4: Support System

A "support system" is defined under the thematic analysis as a network of people who provide the group with practical and emotional support. From the analysis with respect to the support system, there are four sub-themes that have emerged: 1) association support, in this context, obtaining support from relevant agencies and the government; 2) community support, which is usually initiated by local districts, or some form of community group established voluntarily; 3) family support, which includes family and extended family members and friends; and 4) self-support through their own means independently.

Both male and female MEs feel that association support is crucial to their business in providing moral support and sharing experiences aside from financial assistance; 46% of their responses were on the need for association support, followed by family support of 25%, whilst the male MEs emphasise more on the need for association support of 56%, followed by self-support of 22%. The female MEs emphasise more family support as compared to male MEs. Figure 4.6 illustrates these findings.

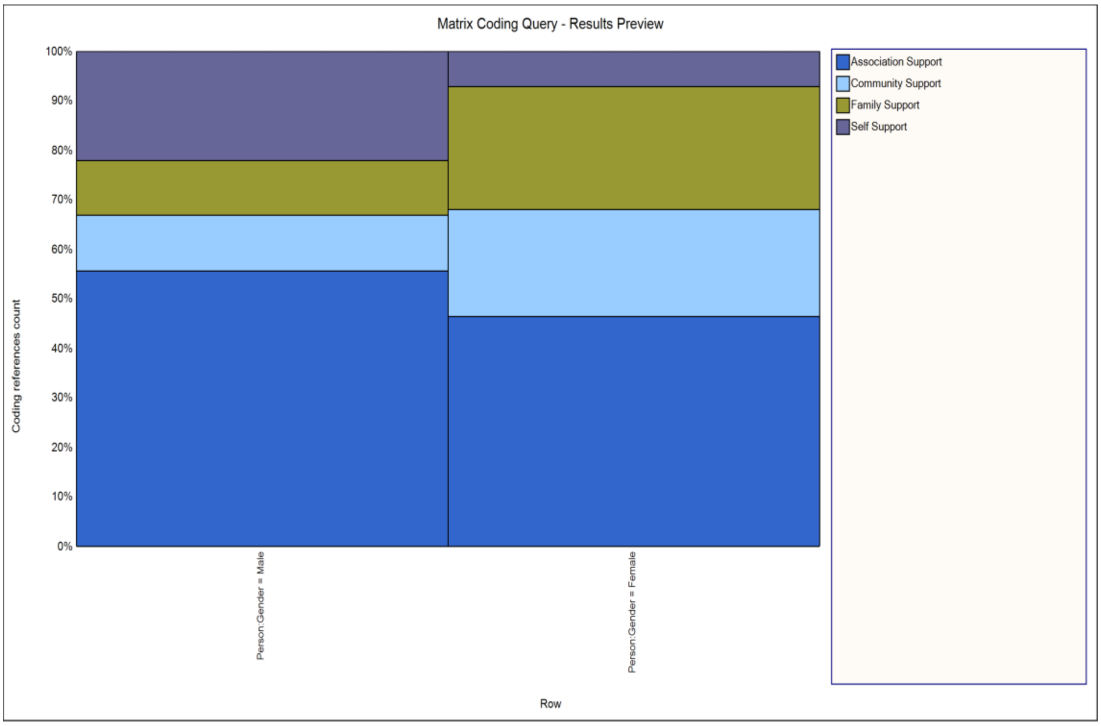


Figure 4.6 Matrix Coding, Support System Sub-Themes by Gender

The importance of group liability to repayment rates and improving group members' performance has prompted regulators, microfinance organisations, and researchers to identify and simulate the prerequisites for effective group formation. For example, fostering regular engagement between group members might improve long-term social relationships and social capital among Village Welfare Services group members in India, resulting in higher loan repayment rates (Feigenberg, Field, & Pande 2011). Self-selection by group members and leaders is a crucial aspect for long-term success since it improves the members' relationships, cooperation, and trust. In addition, self-selected groups with pre-existing ties should perform better than groups generated by researchers (Armendáriz & Morduch 2005).

Below are some of the comments made by respondents in relation to importance of support system:

<Files\\Interviews\\M1> - § 10 references coded [16.62% Coverage] Reference 1 - 2.36% Coverage

> *[…] continuous providing good quality product, good service and continuous engagement with customers; I believe will make business sustainable.*

<Files\\Interviews\\M11> - § 4 references coded [4.58% Coverage] Reference 1 - 1.42% Coverage

> *Perhaps I see them not able to support my business. I guess I don’t see it could dd value to my business.*

<Files\\Interviews\\M7> - § 5 references coded [10.34% Coverage] Reference 5 - 2.48% Coverage

> *There should be more community support with wide range of services i.e. microfinance inclusion for microenterprises especially at smaller districts and rural.*

<Files\\Interviews\\M2> - § 3 references coded [4.96% Coverage] Reference 2 - 1.64% Coverage

> *I have been in business for almost 10 years in selective garments and shoes industry. You can considered it as family business.*

Reference 3 - 2.52% Coverage

We meet weekly but merely on payment, nothing more. No, I don't find the meeting effective. Yes, the weekly is a gathering among entrepreneurs and a local representative from the organisation, AIM.

However, there some positive feedback given by respondents with regard to the agencies as follows:

<Files\\Interviews\\M6> - § 7 references coded [22.24% Coverage] Reference 2 - 10.37% Coverage

For TERAS, yes, they have somewhat been good to me. Initially, giving me a choice which line I am interested in to do business. We meet once a month on progress. Once I had chosen, I was attached to myBidan House which meets once a month. The focus is more on technical training as well as marketing and techniques of promotion. However, I feel that these trainings are not enough. For example, several times when my customers seek my advice on other problems they face such as child care related issues or medical by the nursing mothers, I was not able to provide as such. I have no knowledge on related postnatal problems other than providing massage and basic care.

<Files\\Interviews\\M4> - § 8 references coded [9.59% Coverage] Reference 3 - 1.43% Coverage

I came to know about microfinancing from my peers, farmers who help me to obtain loan.

Reference 4 - 1.97% Coverage

> *RISDA and AIM helped a lot in the initial start-up business in terms of providing relevant equipment and working capital.*

The need for support system is recognised and reaffirmed by members of focus group discussion as follow:

<Files\\Focus Group\\Focus Group Discussions_Transcripts_1> - § 4 references coded [2.55% Coverage] Reference 4 - 1.04% Coverage

> *I think the institutions must operate differently from the banking practices. The focus should be more towards helping them to grow, rather than offering fixed repayment of interest-bearing loans or financing.*

4.7.2.8 Main Theme 5: Sustainability

In addition, researchers probed MEs on the sustainability of their business and three sub-themes were derived, namely: capital adequacy, market competitiveness, and resource reliability. All respondents highlighted that all these factors play a crucial role in determining the survival of their businesses. Based on the Word Cloud Top 30 Frequent Words (Figure 4.7), the most frequent words mentioned when researchers probed MEs associated with sustainability are marketing, knowledge, support, products, and operations, which implies the importance of these aspects in running their business.

Figure 4.7 Word Cloud Top 30, Sustainability Theme

Some of the quotes highlighted by MEs are as follows:

<Files\\Interviews\\M7> - § 1 reference coded [2.23% Coverage] Reference 1 - 2.23% Coverage

> *A good capital for proper Batik workshop to sustain my business and require adequate and good raw materials purchased to ensure the right acidity*

<Files\\Interviews\\M9> - § 1 reference coded [2.05% Coverage] Reference 1 - 2.05% Coverage

> *Essentials aside from financial capital are strong agency network, require repacking knowledge and advisory assistance on entrepreneurial skills.*

Reference 2 - 1.12% Coverage

One need adequate capital and good business knowledge to compete continuously to survive

<Files\\Interviews\\M4> - § 1 reference coded [1.71% Coverage] Reference 1 - 1.71% Coverage

I feel that one has to have adequate capital, skills and knowledge to ensure business is sustainable.

The sub-themes of sustainability emerged as capital adequacy, market competitiveness, and resource reliability, which are consistent with those of the focus group discussions as quoted below.

<Files\\Focus Group\\Focus Group Discussions_Transcripts_1> - § 17 references coded [9.56% Coverage] Reference 7 - 1.33% Coverage

Lack of fund is definitely a challenge for most microenterprises in cases where the demand for their products and services are rising and they need fund / capital to operate their business as well as to expand due to the increasing demand for their goods and services.

References 9-10 - 0.86% Coverage

I think they need both financial and non-financial assistance to sustain and grow their business including equipment and working capital to increase *the production capacity.*

Reference 13 - 0.65% Coverage

From perspective of microfinance provider, a continuous financial capital is crucial to ensure sustainability for microenterprises. As I mentioned earlier, the authority/agencies should facilitate and support in terms of financial support, trainings, and technical advice to the microenterprises.

Reference 3 - 0.84% Coverage

The difficulties and challenges commonly faced by microenterprises include limited market, limited working capital, limited production capacity and low productivity.

However, the focus group members added that the provision of inclusive microfinance assistance from agencies and MFIs with respect to funding, training, and technical assistance to MEs is equally crucial to ensure ME businesses are sustainable. One of the focus group members further stressed that collaboration among agencies would certainly help the process of development of MEs.

<Files\\Focus Group\\Focus Group Discussions_Transcripts_1> - § 1 reference coded [0.40% Coverage Reference 17 - 0.40% Coverage

Synergy and collaboration among government departments, agencies, and ministries.

Reference 5 - 0.38% Coverage

> *Teamwork among all agencies/institutions and always monitor their progress.*

Reference 12 - 1.46% Coverage

> *It would be good that an existing dedicated Government entity just focusing on coordinating, monitoring, and evaluating all microfinancing facilities provided by both the public and private sectors across the country, including both the Federal and state Government, private companies and NGOs.*

In summary, the themes and sub-themes mentioned in this section are valid and consistent throughout the interviews with MEs and confirmed by Focus Group discussions, which leads to the conclusion that all the said themes are key elements of microfinancing in providing an ecosystem through financial inclusion assistance to MEs.

Hence, these five themes, namely knowledge and skills, management, outreach, support system, and sustainability, are the concerns and challenges faced by MEs, which will be the basis for consideration in identifying the key components of the proposed conceptual model for ecosystem microfinancing in Malaysia. In addition, researchers need to understand the operations of MFIs before proposing the conceptual model. The following section will summarise case study findings entailing the background and profile of the four selected MFIs.

4.8 Findings from Case Study

Based on the case study of the four MFIs, the study indicates that the MFIs differ from one another in terms of the products and services they offer, and distinct segments of the following are summary features attained as in Table 4.11.

Table 4.11
Summary of the Case Study (MFIs)

MFI	Microcredit and other products	Rules -Procedures/ Process	Trainings & Development	Regular Meetings
AIM	Yes, weekly payment with a group of 5 (group credit arrangement). However, the amount has a maximum of RM30,000. It does provide other loans, e.g., for school education for children.	It requires 2 weeks to process with no collateral. Only women can apply.	Yes, but basic training includes technical and some soft skills.	Yes, weekly meetings for payment mainly, and less on the sharing of knowledge.
TERAS	No credit, but grants one-off arrangement. The amount varies from RM3,000 to RM40,000 depending on the	Stringent selection based on the prescribed poverty threshold by Islamic authorities. It may take more than 2 months or more for	Yes, but basic training includes technical and soft skills as well.	Yes, monthly meeting with the supervision individually by officers in charge, not among the MEs.

	assessment by the Management.	various reasons. governed by the state Islamic law of Selangor, which differs from state to state in Malaysia. It is applicable to men and women, but to Muslims only.		
Bank Rakyat	Yes, monthly payment. Have various types of products according to the needs. The amount is a minimum of RM50,000.	Stringent Selection by officers of the bank depending on the branch target and allocation. Usually, the application will take about a month for approval. Applicable to men and women	No structured training provided. MEs have to seek other avenues.	None. No form of continuous support system.

SHGC (SDSI)	No financial assistance. Merely a community bonding arrangement.	Registration at the district office. It is applicable to both men and women.	Yes, collaboration with other agencies in obtaining the relevant skills.	Yes, monthly on knowledge sharing and moral support. The activities are spearheaded by the District Officer in charge.

AIM is based on the Grameen Model, where funds are obtained from investments and interest gained from microcredit. It is a self-sustaining model in which it collects the money from debt payments and lends it to MEs. In addition, the officers monitor the progress of MEs' businesses and provide training as deemed fit by the officers. However, the business model requires a group of 5 to be able to form a credit group, which may not be palatable to some MEs, as some are not comfortable guaranteeing one another's debt payment.

Another constraint of AIM is that it is limited to female MEs only, leaving a big gap in demand for male MEs. All in all, this model appears to be acceptable to a wider population of MEs. However, the institution needs to constantly review the overall training requirements to ensure they are relevant to MEs. Based on the findings from the interviewees, good governance and transparency need to be enhanced to gain their members' and public trust.

Based on the feedback and views of the respondents, the preferred MFI would be TERAS, as it does not require MEs to repay the amount given to them and the commitment is not as taxing as AIM, which requires weekly payment and meetings. TERAS also monitors the progress of their MEs closely and provides guidance where needed. Unfortunately, this system is unique to Islamic institutions and may differ from one state to another in Malaysia. In addition, the funds provided are limited and may vary from time to time depending on the allocation budget provided by the parent company, MAIS. The training provided is quite basic and not adequate for the interviews.

As for bank MFIs, they may seem to be in a better position to provide a wider range of products and services and potentially a better system for MEs, but all things considered, banks are not designed to provide an ecosystem of inclusive microfinancing for MEs because they are commercially driven and heavily regulated, which is tantamount to a more stringent application and selection process. Anyway, they do not have the capacity to provide non-financial services such as training, coaching, and monitoring that are much needed by MEs.

The other model that could potentially be applied to a conceptual model would be the Self-Help Group Community. The respondents of this system felt that the knowledge and skills imparted are very relevant and that the focus on locality enhances the confidence of MEs. However, in order to strengthen community-based microfinance, this initiative needs to be reviewed with performance monitoring and good governance in place. Financial assistance may be impossible to implement, but possible collaboration with other MFIs within the community would be of tremendous benefit to MEs in the community.

In summary, the study shows that each microfinance institution has its limitations and that there is no one-size-fits-all solution to meet the demands of microenterprises on the basis that these MFIs vary from one feature to another that caters only to certain segments of microenterprises. This finding is supported by a research in Peru confirming that there is no one-size-fits-all solution for microfinance (Silverberg S., 2013).

4.9 Conclusion

This chapter summarises the findings attained by this study. The findings were analysed and produced five main themes, namely knowledge and skills, management, outreach, support system, and sustainability that became the basis for consideration in identifying key components of the ecosystem for the microfinance industry. At the same time, researcher studied the overall operations of the selected MFIs and found that each MFI has a unique feature catering to a specific segment of the microfinance industry.

Additionally, this chapter analysed the study and elaborated that the beliefs, not willing to commit, negative perception, and bad past experience of MEs explain their low participation in the microfinance industry. The following chapter discusses the findings presented in this chapter and thereon proposes a conceptual model for the ecosystem of microfinancing in Malaysia.

CHAPTER FIVE

DISCUSSION AND RECOMMENDATIONS

5.1 Introduction

While the earlier chapters explained the drivers that motivated this study, reviewed the literature, discussed the adopted methodology, and presented the findings attained, this chapter discussed these findings to derive the conceptual model for microfinance in Malaysia. However, this chapter begins with the recapitulation of the study before discussing the findings based on the research questions. Besides, this chapter also addresses both the theoretical and practical contributions of this study. Then, this chapter emphasises the limitations before providing recommendations for future research.

5.2 Recapitulation of the Study

The study aims to explore and understand the challenges faced by the MEs with the objective of being able to derive a solution, i.e., a conceptual model that could provide an ecosystem microfinance and increase participation by MEs in microfinance activities. The study was applied using Yin's (2003) case study approach, Type 3, where data was gathered from thirteen respondents as the unit of analysis from four MFI institutions, namely AIM, TERAS, Bank Rakyat, and SHGC (SDSI) in Malaysia. As for Case Study Protocol, the study adapts Rahim and Barsh (2003) as guidelines to conduct the research.

The research questions of this study are:

1. Research Question 1(RQ1): Why the participation by microenterprises is relatively low as compared to small and medium enterprises in the microfinance industry in Malaysia?
2. Research Question 2(RQ2): What are the key components required in forming the inclusive ecosystem in the Malaysian microfinancing industry?
3. Research Question 3(RQ3): How does a conceptual model assist in developing an ecosystem of microfinancing in Malaysia?

The findings from thematic analysis were produced where researchers discovered five main themes, namely: knowledge and skills, management, outreach, support system, and sustainability, which are the main challenges and are used as the basis for consideration when identifying the key components of the ecosystem for microfinance in Malaysia. The researcher also studied four cases of MFIs, specifically AIM, TERAS, Bank Rakyat, and SDSI, and deduced that no one operating model fits all and that every MFI has its own target segment/s of MEs.

The analysis has also uncovered the rationale for low participation by MEs in obtaining financial assistance from MFIs. The MEs' reluctance and negative opinion of microfinance were caused by negative experiences in the past, either directly or indirectly, instilling beliefs that loans are bad and not willing to commit their time to the MFIs' activities are the causes that lead to low participation in the industry.

From understanding the challenges faced by MEs and from the case studies conducted, researchers have identified the key components that constitute a conceptual model for ecosystem microfinance in Malaysia. These key components of the said ecosystem comprise of 3 main components, with each component comprised of several sub-components, which is in tandem with the market system approach. In building an ecosystem of microfinance based on the market system approach, all the key components must function as a cohesive whole where each component's core functions (demand and supply participants), rules (formal and informal rules that shape the behaviours of participants) and supporting functions (information and services related) need to move in tandem, keeping in mind the key elements challenge faced by MEs.

Thereupon, a conceptual model of the ecosystem for microfinance in Malaysia is put forth as depicted in Figure 5.1, illustrating the inter-relationships between these components. Basically, the roles of the government, authorities, and agencies as supporting functions play a crucial role in the equation as facilitators, coordinators, initiators, nudges, educators, and promulgators to ensure the ecosystem of things is running smoothly and constantly. In addition, it is also pertinent to note that MEs are not homogenous and that MFIs, the government and their agencies need to understand them before formulating any rules and regulations for the industry or offering financial assistance or services to MEs.

Thus, this study met all the objectives of the research as intended: Research Objective 1(RO1); it had identified the key essential components of the Malaysian microfinance industry as stated therein; Research Objective 2(RO2): it had analysed the challenges faced by the Malaysian microfinance industry; and Research Objective 3(RO3): it had proposed a conceptual model for the development of the Malaysian ecosystem microfinance industry.

5.3 Discussions

This section discusses the findings of this study, addressing all three research questions. While chapter four presents the findings according to research questions one, two, and three, however, this section discussed the findings based on the challenges and issues that lead to low participation raised by MEs (research question one), followed by the identified key components (research question two). Then, based on the discussion of research questions one and two, this section then proposes a conceptual model for research question three.

5.3.1 Research Question 1 (RQ1): Why the Participation by Microenterprises is Relatively Low as Compared to Small and Medium Enterprises in the Microfinance Industry in Malaysia?

Based on the responses obtained from these respondents, we can conclude that most respondents are not keen on participating due to negative perceptions, bad experiences, upbringing beliefs, and not keen on committing their time to participating in the activities organised by MFI, except one respondent, ME 7, who remained neutral as she is a debtor to Bank Rakyat, which does not require regular meetings and activities.

Beliefs, perceptions, and negative experiences from the past can all play a role in the decision to participate in microfinance. Consequently, simply offering affordable microfinance schemes or loans may not necessarily increase participation rates among Microenterprises (MEs). A study conducted by Md Abdullah Omar and Kazuo Inaba (2022) supports this finding, stating that financial institutions must offer innovative and need-based formal financial services that are tailored to the specific needs of financially excluded segments of the population. This is because the demand for financial services varies depending on cultural, traditional, and income-related differences. In addition to this approach, a long-term strategy to improve participation rates among MEs would involve continuous education efforts by the government and its agencies to build confidence and trust in microfinance.

However, the connotation of participation must not be limited to participation in microcredits or borrowings. From this study, there are MEs who are only satisfied with obtaining non-financial services and support because it has been revealed in the study that not all MEs would want to borrow from MFIs due to their beliefs and bad experience. This empirical evidence supports the theory of microfinance based on the financial market approach, which states that gender, ethnicity, religion, and age all have a significant impact on financial need behaviour (Ledgerwood 2013).

The study also suggests that MFIs should offer non-financial microfinance services in addition to financial services, as this was found to be an important factor in increasing participation rates among MEs. Furthermore, it is crucial for the government, regulators, agencies, and MFIs to recognize that MEs are not a homogeneous group and to segment them in order to better meet their specific needs. Ultimately, the study concludes that the issue of low participation rates among MEs in the formal microfinance industry can be partly explained and addressed through these strategies.

5.3.1.1 Addressing Challenges before Identifying Key Components Required in Forming Ecosystem for Microfinancing in Malaysia

In the previous section, this study identified five main challenges faced by MEs as the themes of the findings. Thus, these challenges derived from the data analysis findings from the interviews and focus group discussions would need to be addressed before identifying the key components and proposing the conceptual model as follows:

Lack of knowledge and skills: By providing MEs with adequate knowledge and skills in entrepreneurial and related skills, MEs will be able to overcome the majority of the problems they may face in day-to-day business, such as marketing their products and services in increasingly competitive markets, better managing their cash flows and bookkeeping, and more efficiently managing resources and assets. As a result, new sets of skills in social media networking and e-commerce would undoubtedly help them compete with competitors who have an advantage in knowledge and skills.

For instance, livestreaming, TikTok, YouTube, and other social media marketing via livestreaming require skills in networking, storytelling, and influence. More importantly, the MFIs and agencies in the said industry need to be trained first with the right skills in order to coach these MEs. These findings support Ledgerwood's (2–13) assertion that the focus is no longer solely on providing credit for microenterprise investment, but that there is a strong trend toward innovations that have resulted in a combination of microfinance and non-financial services, i.e., financial inclusion, which includes business training (Dunford 2002; Valvadivia et al. 2008), which is an educational component.

Microfinance institutions have discovered that capital, knowledge, and opportunity are the three most important factors that can assist poor MEs to become more empowered (Saleha 2009). According to the World Bank, providing people with education is the best way to help them get out of poverty (Narayan & Petesch 2007). Human development is most effectively achieved through education (Wamaungo 2011).

Lack of good management practices by MFIs: Good management skills performed by MFIs have a tremendous impact on the participation of MEs. According to the findings of this study, there are concerns about the openness and effectiveness of MFI activities, as well as the bureaucracy involved in MFI organisations. This may have a significant impact on the level of confidence and trust towards MFIs or agencies concerned, which can lead to a decline in the participation of MEs. Thus, this may hinder the growth of microfinance in Malaysia.

Regardless of whether such incidents occur remotely or otherwise, it is an indicator that requires attention by the authorities to these shortcomings, considering microfinancing is a national agenda for Malaysia. The possible causes are, not limited to, 1) lack of supervision by the authorities in monitoring the practises performed by MFIs; 2) lack of consistent monitoring of the performance and feedback from the ground; and 3) lack of industry and standards in respect of the practises imposed on MFIs.

Fundamentally, the above shortcomings are probably due to the absence of clear mandates by the government, which was supported by the findings arising from the focus group discussions. Without clear mandates to respective agencies to oversee the development and activities of the microfinance industry in the country, it will directly lead to fragmentation of the industry, causing non-cohesiveness in the effort to develop a sustainable ecosystem for microfinance in the country. Henceforth, this study proposes a few suggestions.

Firstly, the government needs to review its management reporting structure with clear mandates and policies to ensure that there is a single authority governing the activities of microfinance and realign the related functions so that there is no redundancy or gaps in terms of roles and responsibilities among ministries. Currently, there are several ministries that govern the activities of microenterprises, namely the Ministry of Entrepreneur Development and Cooperatives, the Ministry of Finance, the Ministry of Domestic Trade and Consumer, the Ministry of Agriculture and Food Industries, and the Ministry of Rural Development. The government may need to consider exploring other countries, such as India, which has a Ministry solely dedicated to Micro, Small, and Medium Enterprises who is responsible for promoting the growth and development of this sector.

Secondly, the government needs to establish standard performance measurements and indicators to track performance for all MFIs to follow consistently in accordance with the national objectives and plans. Some countries and regions have developed standardized performance measurement tools and indicators for microfinance institutions (MFIs) to track their performance. For example, in the United States, the Community Development Financial Institutions (CDFI) Fund developed the CDFI Assessment and Rating System (CARS) to evaluate and rate the performance of CDFIs, which include MFIs. In Europe, the European Microfinance Network (EMN) developed the Social Performance Task Force (SPTF) and its Universal Standards for Social Performance Management (USSPM) to establish a framework for measuring social performance in microfinance. Other countries and regions have their own set of performance indicators and tools, such as the MIX Market, which is a global microfinance database that provides financial and social performance information on MFIs in various countries. Additionally, some countries have regulatory bodies that oversee and monitor the performance of MFIs and require them to report on specific performance indicators.

Thirdly, the government would need to play a supporting role to allow the single authority, which would most likely be the MSME Corporation, now that goes with name as Micro, Small, and Medium Enterprises, to be the main coordinator for the industry. Terms of reference and scope of responsibilities need to be reviewed so as to ensure that all players in the microfinance industry be made aware of the mandates and reporting structure.

The government may need to consider proposing an enactment to regulate all activities relating to microfinance. Microfinance laws have been effectively enacted in India, Indonesia, and other countries to enhance access to credit, boost productivity and economic empowerment, incentivize MFIs by offering low-cost loans to MEs, and assist the financial and social welfare of the poor and low-income. Consumer protection, confidentiality, and information sharing among MFIs are also included in the law.

In 2003, the Asian Productivity Organization (APO) undertook an evaluation of the legislative and regulatory environment for microfinance in nine countries, including Malaysia. Being regulated has a number of advantages, including enhanced capital availability, the capacity to offer a diverse product mix, improved credibility, and a better knowledge of clients, as well as the opportunity to provide more inventive items (Theodore 2002). The cost of regulation, both direct and indirect, is a disadvantage. Overall, it appears that the benefits of regulation outweigh the costs, particularly if MFIs are allowed to mobilise public deposits. Microfinance was also acknowledged as an important tool for promoting microenterprise development in the nations surveyed.

The main objective is to ensure the appropriateness of the regulatory framework that can achieve both the sustainability of MFIs and protect depositors/donors without compromising the innovativeness of financial inclusion services to the poorest MEs. Some governments, such as Vietnam and the Lao People's Republic, have felt compelled to adopt decrees on microfinance regulation in order to provide legal certainty for MFI activities. Only bank MFIs are regulated in Malaysia under the Development Financial Institutions Act 2002 (DFIA), which includes bank MFIs that are supervised by the Central Bank of Malaysia.

However, there is no regulatory framework for non-bank MFIs that does not allow them to mobilise deposits from the public. Although the government has provided loan capital to a few non-bank MFIs such as AIM and TEKUN in the form of grants, there is no specific regulatory framework. As more non-bank MFIs enter the microfinance industry, it is most appropriate for the government to investigate the possibility of enacting specific and comprehensive rules and regulations governing microfinance in the country to protect the public's savings that are being mobilised into the system.

Outreach issues: This issue has always been a common and major topic for researchers. Many studies have tried to figure out what factors influence MFI outreach. Because access to credit improves people's lives and MFIs' allocation of credit to the poor is a core function, outreach is a key metric of success. Quayes (2015) and Rhyne (1998) define it as a measure of its depth and width, with depth referring to the poverty level of MFI consumers (Rao 2014; Rauf & Mahmood 2009), and breadth referring to the size of MFI operations. According to some (Christen et al. 1995; Otero & Rhyne 1994), cited in Meyer (2002), outreach and sustainability are complementary in the sense that MFIs gain from economies of scale as the number of clients grows, lowering costs even further. Churchill's (2020) study, which surveyed 1,595 MFIs across 109 countries, revealed that profit-making MFIs experience improved financial sustainability when they increase their outreach breadth, and vice versa. However, not-for-profit MFIs experience a decline in financial sustainability when they increase their outreach breadth, and vice versa.

According to some (Christen et al. 1995; Otero & Rhyne 1994), cited in Meyer (2002), and Churchill (2020) outreach and sustainability are complementary, in the sense that MFIs gain from economies of scale as their client base grows, lowering costs and assisting MEs in achieving financial sustainability. There are studies that show MFIs reach the poor marginally, much less the ultra-poor. From this study, it appears MFIs have no clear direction and criteria to target, and MFI financial stability has always been the explanation for why they are unable to reach the poor. This is corroborated by Hulme and Mosely (1996), who claim that outreach and financial sustainability are inversely related.

Increased outreach, according to the idea, equals higher transaction costs in order to obtain information about clients' creditworthiness, rendering MFIs financially unsustainable. Many studies on the performance of MFIs in various nations support the premise that performance is not a simple issue (Adongo & Stork 2005; Zeller & Meyer 2002; Meyer, 2002; Cull et al. 2007).

Nonetheless, Porteous (2006) found that competition appears to be placing lower pressure on interest rates only in the latter two nations in a study of three mature microfinance markets: Bangladesh, Indonesia, and Bolivia. While Bangladeshi MFIs' poverty focus and vast accessibility, as well as their lower interest rates from the start, may be crucial explanatory variables, the absence of quote price competence was discovered to be another significant limiting factor.

Nonetheless, in rural areas, the authorities need to coordinate with the Self-Help Group of community-based organisations to reach out to MEs. Although new platforms have emerged, such as equity crowdfunding and peer-to-peer financing, as alternative financing channels geography wide, there are still numerous rural and remote areas that will not be reached due to the weakness in the infrastructure nationwide. For instance, the Securities Commission Malaysia has produced a Third Capital Market Masterplan (CMP3) that will focus on further expanding funding needs by laying down the foundation to allow new MFIs to participate in the industry, with the hope that these alternative channels of financing will be able to provide financing to MEs at an affordable rate.

However, this effort will not materialise if the said plan is not in tandem with the national telecommunication plan with the necessary infrastructure. Thus, the coordination required by the government, authorities, and all the relevant supporting functions, with participation from District Offices, SHGCs, NGOs, etc., is key to resolving the outreach issue.

The ongoing concern of sustainability in the literature, coupled with the dual social and economic role played by MFIs, means that achieving financial inclusion may be difficult without government intervention. This could take the form of subsidising MFIs or expediting digital financing plans. Nonetheless, it is crucial for the government to guarantee that subsidies do not result in inefficiencies within the microfinance industry and among MFIs in particular as claimed by Moh'd Al-Azzam et al. (2022) and Lascelles and Mendelson (2008) in the literature.

Lack of support systems: Another finding of the study is that the importance of a support system in socioeconomic development, particularly in the microfinance industry, for the less privileged members of society is grossly underestimated. This study indicated that all respondents, both males and females, felt that they needed moral support from the community, associations, agencies, and family. This type of social support not only strengthens relationships and bonds among community members, but it also provides a social network and a psychological safety net for members to help one another deal with the stresses of daily life. Although social awareness should be part of MFIs' social responsibilities, in reality, it is quite difficult to instil that corporate culture at MFIs.

Based on the study conducted, the SDSI setting does give the MEs a positive effect in providing moral support and other non-financial microfinance services. According to Feigenberg, Field, and Pande (2011), encouraging repeated interactions between group members can increase long-term social ties and enhance social capital among the group members of Village Welfare Services in India, resulting in higher loan repayment rates. Self-selection of the group members and its leader is an important factor for long-term success because it enhances the members' relationships.

Other research into the relevance of social capital has discovered a link between social capital and repayment. Hermes et al. (2005) concentrate on microfinance in Eritrea and employ similar social-tie measurements. Their findings suggest that social links aid group leaders in improving their screening and monitoring efforts, resulting in a lower occurrence of group member payback issues. Karlan's (2007) study, which takes place in Peru, examines social relationships by examining how closely group members share the same culture and/or live together, and finds that social links measured in this way are linked to higher payback performance. Manos and Tsytrinbaum (2014) look at 825 MFIs from 30 countries between 2000 and 2010 and show that culture is a significant determinant of MFI financial and social performance, with the strength of the link depending on the type of cultural values and beliefs.

That being said, the scope of the local district offices should be reviewed to include the role as facilitator and coordinator among all agencies in that district as a point of reference and act as a conduit between the authorities at the federal level and the local community. Despite the aforementioned, the government can engage in social intervention through policy packages that create incentives for socially-oriented individuals to devote their lives to bringing about change in their communities.

This initiative can add value to the community, particularly in countries like Malaysia that have diverse cultures, races, and ethnicities, which can assist the local district offices, which MFIs may not have the capability to provide the platforms for facilitation and communication in a certain multi-culture or racial community. Therefore, the more appropriate solution is to empower a society through continuous investments in social capital.

Keeping in mind that the success of microfinance programmes is determined by how receptive society is to the development of social capital. In practise, this means that simply copying and pasting models like group lending from one setting to another may fail. Fortunately, the Grameen Bank model adopted by AIM in Malaysia was implemented successfully but may not be sustainable in the future in view of the impending effect of technology advancement, which has a direct impact on cultural change.

Sustainability: It is ironic that while most scholars in the literature are researching the sustainability of MFIs, they are not paying as much attention to the sustainability of MEs as it should be. The study, which focused on MEs, found that the sustainability of their businesses is their primary concern. As it directly affects their livelihood and welfare, ensuring the sustainability of MEs' businesses should be a national priority. Factors such as adequate and continuous funding, relevant knowledge and skills to compete in the market, and resource reliability are crucial for the sustainability of MEs. The case studies conducted revealed that there is no one-size-fits-all operating model for poor enterprises, as they are highly diverse and heterogeneous. The needs of MEs become even more complex when they operate at different stages of development and in distinct business segments, each with its own unique problems.

From the study, comprising of different genders, ages, business segments, life-cycle stages and family structures, their needs differ in terms of financial requirements, training needs, and other forms of support. Otero (1994) highlighted that, from a policy standpoint point, institutional polarity is key to serving the needs of the MEs and that there should be segments where products and services providers cater to different needs. According to Benette and Goldberg (1993), there is a lack of understanding of the variety of needs, goals, risk profiles, investment opportunities, and barriers faced by the poor; microcredit alone may not be a suitable solution for the ultra-poor because the pressing needs will be to solve other problems such as poor health, lack of savings, and education, whereas the entrepreneurial poor will be satisfied with a reliable source of microcredit.

In building an ecosystem of microfinance based on the market system approach, all the key components must function in a cohesive manner where each component of the core functions (demand and supply participants), rules (formal and informal rules that shape the behaviours of participants) and supporting functions (information and services related) need to move in tandem, keeping in mind the key elements and challenges faced by MEs.

5.3.2 Research Question 2 (RQ 2): What are the Key Components Required in Forming the Inclusive Ecosystem in the Malaysian Microfinancing Industry?

Hence, in responding to research question one with much deliberation on challenges faced by MEs, the key components and related participants, but not limited to, are those identified in the financial ecosystem for microfinance in Malaysia as depicted in Table 5.1. These components are the demand side, comprising of MEs from various demographics, namely age group, gender, locations, and life-cycle stage, whereas the supply side is comprised of MFI participants with products and services for financial inclusion. Other important components are the rules and regulations, standard practises and policies, as well as informal rules such as cultural norms.

The key participants who play supporting yet crucial roles in ensuring these components of the ecosystem of the microfinance industry work cohesively are namely the government, regulators, the agencies, infrastructure, communities etc. Another important component based on the challenges faced by MEs is the human capital development to be provided by the relevant ministry, universities, academies, and so forth. In identifying these components through challenges and issues faced by MEs, it is expected to develop a comprehensive ecosystem of microfinancing in Malaysia.

Table 5.1

Key Components of Ecosystem Microfinance in Malaysia

Key Functions	Corresponding Challenges & Issues	The Key Components	The Key Participants
Core Functions	Knowledge & Skills, Outreach, Support System, Sustainability	Demand (MEs)	Segmented MEs by age, gender, locations, life-cycle stage
	Sustainability, Outreach & management issue	Supply (MFIs)	Bank MFIs – Commercial Banks, Development Banks, FinTech Non-bank MFIs – Cooperatives, NGOs Individuals donors/lenders/funders

		Financial inclusion	Segmented Products and Services
Rules	Management issues, outreach & support system	Formal Rules - Regulations, Informal Rules Standards, Policies	DAFIA 2002, BAFIA 1989, Money Lender Act 1951, Cooperative Societies Act 1993, proposed dedicated law for microfinancing Multi- Racial, Multi-Religion, Multi-Culture, Multi-Ethnics MEs and communities Monitoring measures and industry standards
Supporting Functions	Management issues, outreach & support systems	The Government	Ministries, Authorities includes Local and federal authorities, Agencies, Consultants
		Regulators	Central Bank, Securities Commission, NSDC Appointed agency (MSME)

		Coordinator	Appointed agency by the government
		Advocacy/Social Capital	Associations of multi-racial and multi-ethnics, Self-help Group Communities (SHGC) at strategic districts particularly rural districts
		Information/Research	Private and Public companies
		Financial Capital/Funding	Debt or equity investment companies, angels, donors Credit Bureaus, Deposit insurance, accounting services
		Infrastructure	Telecommunications, technology platforms (crowdfunding, PTP Funding)
	Knowledge & skills	Human Resource Capital	Ministry of Human Resources, Academies, Universities etc.

5.3.3 Research Question 3 (RQ 3): How Does the Proposed Conceptual Model Assist in Developing the Ecosystem of Microfinancing in Malaysia?

5.3.3.1 Proposed Conceptual Model for Microfinance in Malaysia

Thus, the recommendation to propose a conceptual model will comprise all the key components with key participants as identified in Table 4.9 with supporting participants to support the core functions. In developing countries such as Malaysia, where poverty is a national agenda, the manoeuvring and steering of the entire system needs to be balanced between demand and supply. However, there will be times when the initiatives and policy-making decisions need to be tilted towards the demand side of the ecosystem, with concerted efforts by relevant parties put in place to be able to meet the socio-economic objectives.

Thus, it is critical to remember that rules and regulations, industry best practises, and standard performance measurement are key enablers for the microfinance ecosystem, which can only be achieved through active collaboration between the government, relevant authorities, and MFIs on a continuous, consistent, and proper communication channel. Figure 5.1 illustrates the inter-relationships of these components in ensuring a sustainable ecosystem for microfinance in Malaysia.

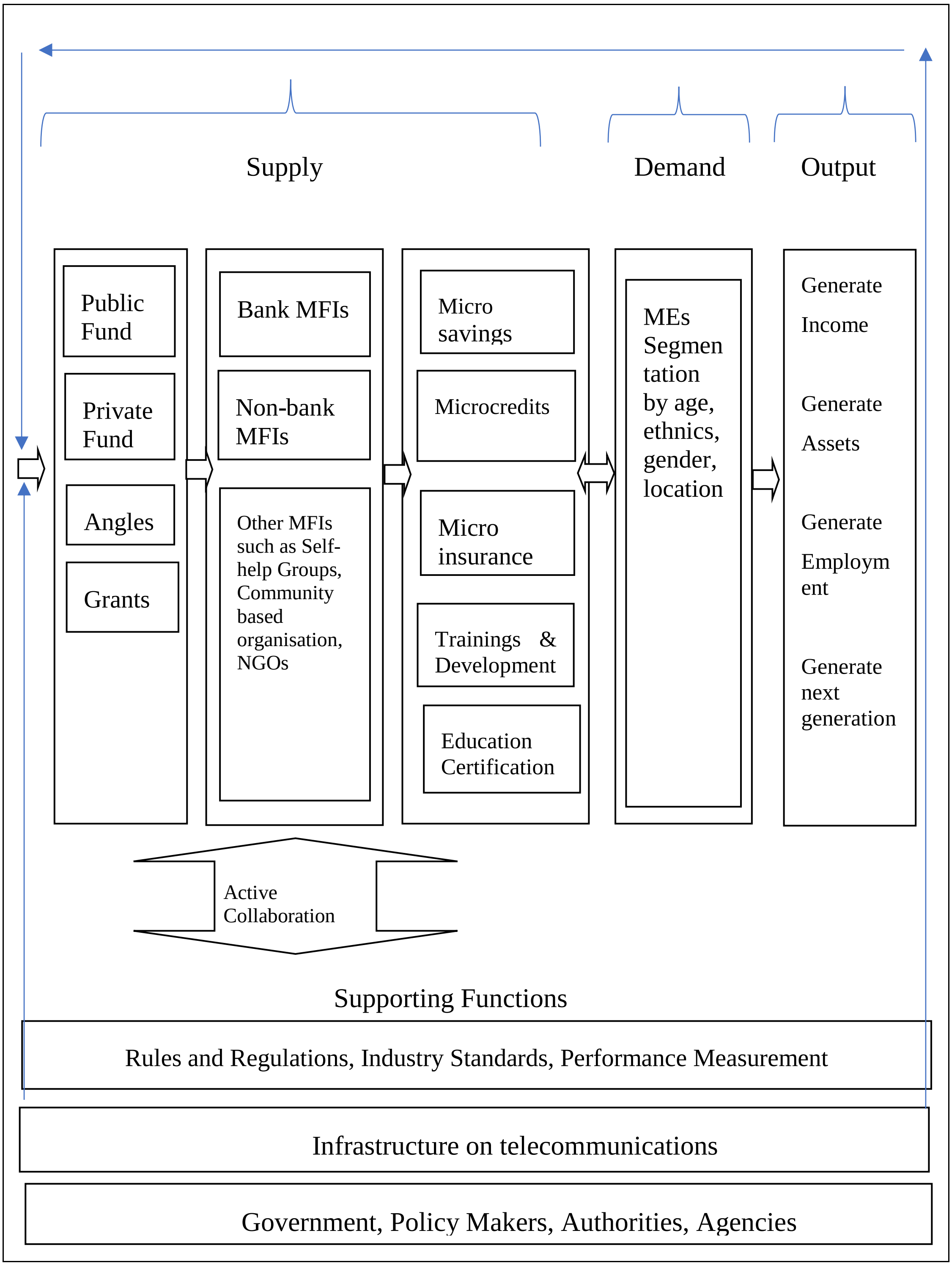


Figure 5.1 Proposed Conceptual Model for Ecosystem Microfinance in Malaysia

Therefore, the study has proposed that the above conceptual model would be able to assist in the development of ecosystem microfinance through the integration of the inter-relationships between the key components and the importance of each component in playing its role cohesively to ensure there is a continuous and cohesive flow of activities in overcoming the challenges faced by MEs. This is substantiated by the statement made by Armstrong et al. (2018) that the role as facilitator and coordinator is crucial not only to ensure the mobilisation of savings to fund the credits occurs, but also to ensure all initiatives undertaken by these microfinance participants and other agencies are working closely together in tandem with the national agenda to eradicate poverty. Several salient points to be highlighted in the said model are:

1) Active and constant collaboration between the government and its agencies and MFIs;

2) The supply side of the said model should be a continuous flow with adequate and accessible to MEs;

3) There will be times when the government will be the supplier of funds to the microfinance industry;

4) Availability and accessibility of financial inclusion i.e., financial and non-financial assistance at reasonable costs is required to serve diverse groups of MEs;

5) MEs are not homogenous; thereby, MFIs and supporting functions must understand the different needs of various segments of MEs;

6) Rules and regulations can be crafted based on feedback from the industry participants to promote good governance and transparency;

7) Common industry standards are essential for the purpose of tracking the performance of MFIs and MEs;

8) Infrastructure readiness is paramount to ensure the continuous flow and outreach of information and communication from the supply side (MFIs) to the demand side (MEs) and vice versa;

9) The outputs, such as the creation of employment, income, and assets, will flow back into the financial system, which will begin the cycle of microfinance again, forming an ecosystem; and

10) Local authorities should act not only as facilitators and coordinators but as a conduit between federal and local communities and MEs.

Hence, it can be concluded that this study accomplished all the study's objectives: Research Question 1(RO1): it examined the challenges faced by the MEs in the Malaysian microfinance industry; Research Question 2(RO2): it identified the core important components of the Malaysian microfinance industry, as indicated; and Research Question 3(RO3): it suggested a conceptual model for the development of the ecosystem microfinance industry in Malaysia.

5.4 Theoretical Contributions

The study provides advantages for various stakeholders involved in the microfinance industry, such as regulators, bank MFIs, non-bank MFIs, NGOs, microenterprises, and communities, as microfinancing is a crucial factor in Malaysia's economic growth and poverty reduction. By determining the fundamental elements of microfinance in Malaysia and comprehending the obstacles faced by microenterprises and other industry players, this study contributes to the existing literature on the market ecosystem. This knowledge can aid industry players in developing effective strategies according to their respective roles. Additionally, this study may serve as a foundation for future research, including comparative studies on inclusive microfinance programs among diverse cultural and demographic groups, correlation analysis on the relationship between financial literacy and the success or failure of microfinance businesses, and examination of the proposed conceptual model of the microfinancing ecosystem for its applicability. To evaluate the long-term effectiveness of the research design, future studies can assess the contribution of microenterprises to the GDP.

5.5 Practical Contributions

The study has produced a practical contribution to the microfinance industry in Malaysia. It provides a better understanding of the MEs and the rationale for not being willing to participate in the microfinance products. The study identified the key components and the gaps in forming an ecosystem for microfinance in Malaysia. This study is able to contribute to the industry and policymakers on the importance of understanding the demand side of the microfinance system in order to provide the appropriate initiatives and measures that would improve MEs' participation in the industry. Furthermore, the study has opened the possibility of bringing new knowledge to the Malaysian authorities, MFIs, and others that could be used to focus more on the perspective of microenterprises as the customers and, in likelihood, spur further economic growth in Malaysia.

The study suggests that the supporting functions of microfinance, such as government and donor agencies, should act only as facilitators and not as core players in the microfinance ecosystem. However, there has been ambiguity over the nature and scope of some functions, which has led to continuous financial aid by the government and its agencies in microfinance. Therefore, facilitators need to implement their vision and long-term strategies without becoming market players, and governing rules and regulations need to be imposed to protect both investors and the MEs. Education is a key component to ensure MEs are equipped with knowledge and skills for sustainable business, and supporting functions should work closely to produce a comprehensive education plan for micro entrepreneurs.

The heterogeneity of MEs in Malaysia requires MFIs and supporting functions to tailor products and services to meet their diverse needs. MFIs targeting rural areas need to be innovative and provide affordable products and cost-effective services to meet customers' needs, which may require decentralization of management and operations. Group lending programmes may have a positive impact on economic growth, but the study shows that it may not be suitable for all MEs and may exclude potential participants from the microfinance system.

5.6 Limitations of the Study

This study has some limitations that should be considered when interpreting the results and implications. Firstly, the study is based on a small sample size of four MFIs with 13 MEs and a six-member focus group, which may not be representative of all MFIs and MEs in the microfinance industry. Secondly, the study only used qualitative research methods, which may be subject to researcher bias. Additionally, conducting the interviews and group discussions mostly via online platforms may have created a different environment compared to physical interactions. Furthermore, the study's sample was limited and provided by key informants, which may not fully represent all segments of the ME population. Lastly, as Malaysia is a multi-cultural and multi-ethnic country, it may be challenging for existing agencies to reach all intended targets, and more attention should be given to entrepreneurial efforts of each target group, including those in rural and remote areas. To address these limitations, future research and collaboration between academics and the government should be encouraged, including funding for studies and research that can better determine program offerings to impact the success and sustainability of microenterprises. Additionally, future studies could examine whether ethnic and socio-demographic differences exist in microfinance participation.

5.7 Recommendations for Future Studies

The current study has identified several areas for future research. Firstly, future studies should aim to include data from additional states to enhance the generalizability of findings. Secondly, adopting a quantitative approach with structured questions and statistical hypotheses testing could improve the outcome of studies. Thirdly, researchers should explore the inter-relationship between demand and supply in the microfinance ecosystem, as well as the impact of the regulatory framework on the microfinance industry in Malaysia. Comparative studies among Asian countries on supporting functions in the microfinance industry, as well as studies on the influence of culture, ethnicity, and religion on participation in microfinance, could also be beneficial. Moreover, demographic studies to assess factors that determine acceptance of financial inclusion are needed, and research is required to analyze the role of policy in reducing financial exclusion. Finally, future research may consider exploring the possibility of a dedicated law and ministry for microfinance in Malaysia through comparative studies with other countries.

5.8 Conclusion

In summary, this study has achieved its research objectives with great success. Firstly, it sheds light on the significant challenges faced by microenterprises (MEs) in Malaysia, providing valuable insights into the reasons behind the low participation rates in the microfinance industry (RQ1). Secondly, it identifies the crucial elements of the microfinance ecosystem and demonstrates how these components are interlinked to help MEs overcome their challenges and maintain their businesses, thus making a significant contribution to poverty alleviation efforts (RQ2). Finally, this study offers a conceptual model for an inclusive microfinance ecosystem in Malaysia, presenting a roadmap for policymakers and stakeholders to create a sustainable and thriving microfinance industry in the country towards achieving national objectives and United Nation's SDGs commitment (RQ3).

REFERENCES

Ademola, AE & Arogundade, K 2014, 'The impact of microfinance on economic growth in Nigeria,' *Journal of Emerging Trends in Economics and Management Sciences*, vol. 5, no. 5, p. 397. Library Catalogue: www.questia.com. Available at: <https://www.questia.com/library/journal/1P3-3509156931/the-impact-of-microfinance-on-economic-growth-in-nigeria>

Ahmed, TJ 2018, 'An integrated approach for building sustainable Islamic social finance ecosystems.' *ISRA International Journal of Islamic Finance*, vol. 11, no. 2. Available at: <https://www.emerald.com/insight/content/doi/10.1108/IJIF-10-2018-0118/full/html>

Aisha Ismail, Sadia Farooq, Zafar Ahmed C 2020, 'Understanding the Functions of Microfinance Ecosystem: A Perspective of Microfinance.', Available at:< https://www.researchgate.net/publication/350958130> [accessed Jan 20 2023].

Al-Mamun, A, Adaikalam, J & Mazumder, MNH 2012, 'Examining the effect Of Amanah Ikhtiar Malaysia's microcredit program on microenterprise assets in rural Malaysia,' *Asian Social Science*, vol. 8, no. 4.

Al-shami, SS 2017, 'Assessment the wellbeing effects of microfinance in Malaysia,' *Journal of Computational and Theoretical Nanoscience,* vol. 23, no. 8, pp. 7634-7636.

Al-Sultan, FH 1997, 'Micro-Finance for Macro-Results,' *UN Chronicle*, vol. 34, no. 1.

Alshebami, AS & Rengarajan, V 2020, ‘An imperative need for a new social order in microfinance community - towards ushering in a resilient eco-system in the battle against corona pandemic,’ *International Journal of Research - Granthaalayah*, vol. 8, no. 8, pp. 107–123.

Amanah Ikhtiar Malaysia. (n.d.). Keratan akhbar, Available at: <https://www.aim.gov.my/media/keratan_akhbar>

Amanah Ikhtiar Malaysia. (n.d.). Statistik, Available at: <https://www.aim.gov.my/statistik>

Amanah Ikhtiar Malaysia. (n.d.). Pinjaman amanah ikhtiar: cara mohon dan semak status syarat. Available at: <https://semakanstatus.com/pinjaman-amanah-ikhtiar/>

Anton S, Alice, W, Christopher, D, John, KH, Sara, RL, Amanda, P, Susy, C, Lisa, K, David, SG & Jennifer, WM 2002 *Pathways out of poverty: innovations in microfinance for the poorest families*. p. 19, Women's World Banking. Online Research Library: Questia. Available at: <https://www.questia.com/read/119441594/pathways-out-of-poverty-innovations-in-microfinance>

APEC, 2008 *Commercially sustainable microfinance a strategy for promoting financial inclusion in APEC January 2*. Library Catalogue: www.apec.org. Available at: <https://www.apec.org/Publications/2010/04/Commercially-Sustainable-Microfinance-A-Strategy-for-Promoting-Financial-Inclusion-in-APEC-January-2>

Armstrong, K, Ahsan, M & Sundaramurthy, C 2018 ‘Microfinance ecosystem: How connectors, interactors, and institutionalizers co-create value,’ *Business Horizons*, vol. 61, no. 1, pp. 147–155.

Arora M., Swati C Singh 2022 ‘Microfinance and Sustainable Development in Africa’ *IGI GlobalBusiness Science* pp. 21. Available at: < https://www.researchgate.net/publication/356634061. DOI: 10.4018/978-1-7998-7499-7.ch004. [accessed Jan 16 2023].

Alhassan Y., Nwagbara Uzoechi, Arora Manpreet, Singh Swati 2022 ‘Microfinance for achieving Sustainable Development Goals: Pondering Over Indian Experiences for the Preservation of Magnificent African Natural Resources’ IGI Global, pp 82-102. Available at <http://services.igi-global.com/resolvedoi/resolve.aspx?doi=10.4018/978-1-7998-7499-7.ch004>

Ascarya, A 2014, *Sustainable conventional and Islamic microfinance models for micro enterprises.* Library Catalogue: www.researchgate.net. Available at: <https://www.researchgate.net/publication/301787287_SUSTAINABLE_CONVENTIONAL_AND_ISLAMIC_MICROFINANCE_MODELS_FOR_MICRO_ENTERPRISES>

Atmadja, AS, Sharma, P & Su, JJ 2018, ‘Microfinance and microenterprise performance in Indonesia: an extended and updated survey,’ *International Journal of Social Economics*, vol. 45, no. 6, pp. 957–972.

Beck, T 2015, *Microfinance: a critical literature survey (English).* Library Catalogue: documents. IEG working paper No. 4. Worldbank.org. Available at: <http://documents.worldbank.org/curated/en/588931467993754857/Microfina

nce-a-critical-literature-survey>

Beugre, CD & Das, N 2013, 'Limited capital and new venture creation in emerging economies: a model of crowd-capitalism,' *SAM Advanced Management Journal*, vol. 78, no. 3, p. 21.

Bhatt, N & Tang, SY 2001 'Delivering microfinance in developing countries: controversies and policy perspectives,' *Policy Studies Journal*, vol. 29, no. 2.

Bhuiyan, AB, Siwar C, Ismail, AG & Omar, N, 2017, 'The Islamic microfinancing contributions on sustainable livelihood of the borrowers in Bangladesh, *International Journal of Business and Society*, vol. 18, no. S1, p. 79.

Burjorjee D.M. and Scola B., 2015, 'A market systems approach to financial inclusion,', *Consultative Group to Assist the Poor*. Available at:< https://www.cgap.org>researches.documents.>

Central Bank of Malaysia 2018, Financing for small and medium enterprises. Central Bank of Malaysia. Available at: <https://www.bnm.gov.my/index.php?ch=fi&pg=fi_sme&ac=443&lang=en>

Chan, SH 2010, *The influence of leadership expertise and experience on organizational performance: a study of Amanah Ikhtiar Malaysia.* Asia Pacific Business Review. Available at:< https://www.tandfonline.com/doi/abs/10.1080/13602380802503566> [Accessed 2020-05-31 15:59:32]

Cieslik, K & Hudon, MV 2019, *The unruly entrepreneurs – investigating value creation by microfinance clients in rural Burundi*. Available at: <https://www.tandfonline.com/action/journalinformation?journalCode=cods20> [Accessed

2019-07-02 0:03:52].

Chu, V., Luke, B., 2020. A participatory approach: Shifting accountability in microenterprise development. Financ. Account. Manag. Available at:<https://doi.org/10.1111/faam.12252>

Cozarenco A. , Hartarska V. & Szafarz A., 2022, 'Subsidies to microfinance institutions: how do they affect cost efficiency and mission drift?', *Taylor & Fancis Online*, vol. 54 no.44. pp. 5099-5132 | 2. Available at:<https://www.tandfonline.com>.

Doran, A 2008, *Private sector microfinance,* Oxfam Library Catalogue Google Books.

Githaiga, Peter Nderitu, P May 2021, 'Revenue diversification and financial sustainability of microfinance institutions' *Asian Journal of Accounting Research,* ISSN: 2459-9700.

Fardous Alom, Moha Asri Abdullah, Abdul Rashid Moten & S. M. Ferdous Azam C 2016, Success factors of overall improvement of microenterprises in Malaysia: an empirical study' *Journal of Global Entrepreneurship Research* vol. 6, Article no. 7. Available at:<https://doi.org/10.1186/s40497-016-0050-2 >.

Financial Stability and Payment Systems Report, 2018. Sustainable development of the financial sector, BNM annual report 2018. Available at: <http://www.msmsugar.com/our-company/msm-group>

Hamdan, H, Othman, P & Hussin, WSW 2012, *Is microfinance program in Malaysia really effective in helping the poor?* Zetero Library Catalogue.

Harvey MH & Bonnie 2018, *How crowdsourcing is shaping the future of everything*. Available at: <https://www.entrepreneur.com/article/307438>

Herath, HMWA 2018, *Microfinance theory and practice.* Available at: <https://www.researchgate.net/publication/335757487>

Hishigsuren, G 2020, *Information and communication technology and microfinance: options for Mongolia*. Zetero Library Catalogue.

Idolor EJ, Eriki, PO 2012, 'Financial analysis of assessment of impact of micro-financing insitutions towards poverty reduction in Nigeria,' *Journal of Financial Management & Analysis*, vol. 25, no. 1, p. 51.

Imhanlahimi, JE, Idolor, EJ 2010, 'Poverty alleviation through micro financing in Nigeria: prospects and challenges,' *Journal of Financial Management & Analysis*, vol. 23, no. 1, p. 66.

Islam, MR 2014, 'Non-governmental organizations' role for social capital and community empowerment in community development: experience from Bangladesh, *Asian Social Work and Policy Review*, vol. 8, no. 3, pp. 261-274.

Ismail, A, Farooq, S & Ahmed, Z 2020 'Understanding the functions of microfinance ecosystem: a perspective of microfinance providers in Pakistan,' *Paradigms*, vol. 14, no. 2, pp. 50–64.

Jasman Tuyon and S. Junaidi S. Mohammad, Rosalan Ali 2011. "The role of microfinance in development of micro enterprises in Malaysia", *Business & Management Quarterly Review*, Vol. 2(3), pp. 47-57, ISSN 2180-2777 Avaialble at:< www.bis.org/review/r070704e.pdf>

J. Mark Munoz, Dianne H. B. Welsh, Sow Hup Chan, Peter V. Raven Munoz, J.M., Welsh, D.H.B., Chan, S.H., Raven, P.V., C 2014, 'Microenterprises in Malaysia:

a preliminary study of the factors for management Microenterprises in Malaysia: a preliminary study of the factors for management success.' *International Entrepreneurship and Management Journal*. Available at:<doi: 10.1007/s11365-014-0302-y>

Joanna L n.d., *The new microfinance handbook*. Retrieved October 18, 2021. Available at: < https://openknowledge.worldbank.org/bitstream/handle/10986/12272/9780821389270.pdf>

Karunajothi K, Samuel L & Ng SJ 2019 '*Understanding financing through the lens of small and medium enterprises (SMEs)*. Bank Negara Malaysia. Available at:< https://www.bnm.gov.my/index.php?ch=fi&pg=fi_sme&ac=443&lang=en>

Katwaroo-Ragbir, S 2013, 'The role of regulation in the development of the trinidad & tobago microfinance sector,' *Journal of Emerging Trends in Economics and Management Sciences*, vol. 4, no. 2, p. 189.

Khoja, F & Lutafali, S 2008, 'Micro-financing: an innovative application of social networking. *Ivey Business Journal Online*, vol. 72, no. 1, Online Research Library: Questia. Available at: <https://www.questia.com/magazine/1P3-1451062731/micro-financing-an-innovative-application-of-social>

Ledgerwood, J, Earne, J & Nelson, C 2013, '*The new microfinance handbook: a financial market system perspective*. The World Bank. Available at:< http://elibrary.worldbank.org/doi/book/10.1596/978-0-8213-8927-0>

Maxwell JF, Charles AEG & Alvaro A 1996, *Central banking in developing countries: objectives, activities and independence*. Online Research Library: Questia.

Available at:< https://www.questia.com/library/103095471/central-banking-in-developing-countries-objectives>

Maizaitulaidawati Md Husin, Razali Haron C 2020 ‘Micro, small and medium enterprises’ competitiveness and micro-takāful adoption’ *ISRA International Journal of Islamic Finance.* ISSN: 2289-4365.

Marek Hudo, Camille Meyer, April 2016, ‘A Case Study of Microfinance and Community Development Banks in Brazil: Private or Common Goods?’, *Nonprofit and Voluntary Sector*, Quarterly 45(4_suppl), DOI: 10.1177/0899764016643609.

Mohd Iskandar, Takiah, Nor Hazwani Hassan, Zuraidah Mohd Sanusi, Zakiah Muhammadun Mohamed 2017 ‘Board of Directors and Ownership Structure: A Study on Small and Medium Enterprises (SMEs) in Malaysia’, Jurnal Pengurusan, vol. 49, pp. 25-39. Available at: < http://ejournals.ukm.my/pengurusan/article/view/15171/6567>

Moh'd Al-Azzam, Karim Mimouni, Houcem Smaoui, Akram Temimi, 2022, ‘Subsidies vs. deposits and cost inefficiency in microfinance’, Journal of Economic Behavior & Organisation, Vol. 198, pp. 212-235. Available at:<https://www.sciencedirect.com>.

Md Abdullah Omar & Kazuo Inaba, April 2020, ‘Does financial inclusion reduce poverty and income inequality in developing countries’, *Journal of Economic Structures*, vol. 9, no. 37. Available at: <https://journalofeconomicstructures.springeropen.com/articles/10.1186/s4000

8-020-00214-4#citeas>.

Misnan, SNS, Abdul Manaf, H & Othman, P 2015 ‘The role of microcredit in promoting women’s entrepreneurship skills: Lesson from Amanah Ikhtiar Malaysia (AIM), Malaysia,’ *Journal of Governance and Development*, vol. 11, pp. 39-51.

Muridan, M & Ibrahim, P 2016, Micro financing for microenterprise in malaysia: a review. international business management. Library Catalogue: www.researchgate.net.Available at: <https://www.researchgate.net/publication /309102774_Micro_financing_for_microenterprisesinMalaysiaAreview>

Nancy, B, Jani, ND & Pedroni, MN 1997, *Financing Women Entrepreneurs in South Asia: A Conversation*. Available at: <https://www.questia.com/library/journal /1G1-54117813/financing-women-entrepreneurs-in-south-asia-a-conversation>

Nawai, N & Mohd Shariff, MN 2011, *The importance of micro financing to the microenterprises development in Malaysia’s experience*. Available at:< https://www.ccsenet.org/ass>

Nazrie MNA & Kumar TS 2019, ‘The chronology of microfinance development in Malaysia: a review,’ *KnE Social Sciences: FGIC 2nd Conference on Governance and Integrity 2019,* Yayasan Pahang, Kuantan, Pahang, Malaysia. pp. 1271-1284.

New policy to drive entrepreneurs n.d., Retrieved October 8, 2021, from Available at:<https://www.nst.com.my/news/nation/2019/07/503403/new-policy-drive-entrepreneurs>

Noor Azam Samsudin, Zuraini Alias, Noor Ullah Khan, Hanieh Alipour Bazkiaei, P

2021, ‘Pathways towards Sustainable Business Model for Malaysian Microenterprises’, *Academy of Strategic Management Journal*, pp. 1544-1458; Vol: 20 Issue: 6S. Online ISSN: 1939-6104.

Ozili,Peterson K., 2020, ‘ Theories of Financial Inclusion’ *SSRN Electronic Journal.* Available at: https://www.researchgate.net/publication/338852717_Theories_of_Financial_Inclusion> DOI: 10.2139/ssrn.3526548

Kementerian Perdagangan Antarabangsa dan Industri n.d., Retrieved September 17, 2021. Available at: https://www.miti.gov.my/index.php/pages/view/3743?mid=465

Mazliana Muridan, Patmawati Ibrahim, June 2018, ‘A Review of Financing Issues Among Microenterprises in Malaysia’,*Journal of Computational and Theoretical Nanoscience vol.* 24(6), pp. 4661-4665. Available at:< DOI: 10.1166/asl.2018.11677>

Obaidullah, M & Shirazi, NS 2014, *Integrating philanthropy with microfinance: models of community empowerment, social impact finance*. Palgrave Macmillan UK. pp. 75-96.

Postelnicu, L & Hermes, N 2016, ‘Microfinance performance and social capital: a cross-country analysis,’ *Journal of Business Ethics,* vol. 153, no. 2, pp. 427–445.

Purkayastha, D, Tripathy, T & Das, B 2020, ‘Understanding the ecosystem of microfinance institutions in India*,’ Social Enterprise Journal*, vol. 16, no. 3, pp. 243-261. Available at:<

https://www.sciencedirect.com/science/article/abs/pii/S0167268122001287>

Robinson, & MS 2001, *The microfinance revolution*, Washington, D.C.: New York, World Bank, Open Society Institute. Library of Congress ISBN

Saeed, A, Javed, AY & Noreen, U 2018, ‘Microfinancing, governance, and performance: a South Asian perspective, *Journal of Economics, Finance and Administrative Science*,’ vol. 23, no. 46, pp. 247.

Samer Ali Al-shami, M.S.R. Bin Abdul Hamid, Nurulizwa Rashid, Izaidin Abdul Majid, 2014, ‘Conceptual framework: The role of Malaysian microfinance on thewellbeing of users' servicesfrom the perspective of (AIM) and (TEKUN)’ *World Applied Sciences Journal*. Vol. 30, pp. 382-394. Available at:<DOI: 10.5829/idosi.wasj.2014.30.icmrp.54>

Sheila T1995, *‘Give a poor woman a fish? no. a fishing pole? no. a loan? yes. A CAPITAL IDEA.* Online Research Library: Questia Available at:< https://www.questia.com/newspaper/1P2-33406863/give-a-poor-woman-a-fish-no-a-fishing-pole-no> [Accessed 2019-05-03 14:57:17]

Silverberg, Sarah, 2014, ‘One Size Does Not Fit All: A Study of Microfinance Practices in Peru.’ Source: Undercurrent Fall/Winter, Vol. 10 Issue 2, pp. 45-53. .

Fred M. Ssewamala and Michael Sherraden, 2004, ‘Integrating Saving into Microenterprise Programs for the Poor: Do Institutions Matter?’ *Center for Social Development*, No. 4-05. Available at:<https://gwbwcb.wust.edu/csd>

Siti Nazariah Abdul Zalim, 2022 ‘Performance measurement in Islamic microfinance institutions: does it change social norms and values?’ *Qualitative Research in*

Financial Markets, vol. 14, no. 2, pp. 306-323. Available at:< https://doi.org/10.1108/QRFM-09-2020-0186> [Accessed 2023-02-10]

Sonfield, MC 2012, 'Micro-finance from Bangladesh to the United States: beneficial or detrimental to nascent entrepreneurs?,' *American Journal of Entrepreneurship*, vol. 5, no. 2, p. 51.

Srikant M. Datar, Marc J. Epstein, & Kristi Yuthas Winter 2008, 'In Microfinance, Clients Must Come First', *Standford Social Innovation Review.* Available at:< https://ssir.org/articles/entry/in_microfinance_clients_must_come_first>.

Tamili, FNM, Mohamed, Z & Terano, R 2018, 'Effectiveness of the microcredit program in enhancing micro-enterprise entrepreneurs' income in Selangor,' *Asian Social Science*, vol. 14, no. 1, p. 795.

The Star 2019, Understanding SME financing in Malaysia Available at: <https://www.thestar.com.my/business/smebiz/2019/04/01/understanding-sme-financing-in-malaysia/>

Selvaraj, T, Karim, ZA, Abdul-Rahman, A & Chamhuri, N 2019, The determinants of microcredit quality in Malaysia: A panel evidence. *International Journal of Business and Society*, vol. 20, no. 2, pp. 641-656.

Siti-Nabiha, AK, Azhar, Z & Ali-Mokhtar, MA 2018, 'Management control for microfinance: An examination of the belief system of a Malaysian microfinance provider,' *Asian Academy of Management Journal of Accounting and Finance*, vol. 14, no. 1, pp. 185–208.

SME Corporation Malaysia - Micro Connector Programme. (n.d.). Retrieved October

9, 2021, from https://www.smecorp.gov.my/index.php/en/programmes1/2015-12-21-09-53-14/micro-connector-programme

SME Corporation Malaysia - About DKN 2030 n.d., Retrieved October 8, 2021. Available at: <https://www.smecorp.gov.my/index.php/en/policies/2015-12-21-09-09-50/about-dkn2030>

Versluysen, E 1999 *Defying the odds: banking for the poor.* Available Online Research Library: Questia website Available at: <https://www.questia.com/ library/119565537/defying-the-odds banking-for-the-poor >

Weber O & Ahmad A2014, 'Empowerment through microfinance: the relation between loan cycle and level of empowerment,' *World Development*, vol. 62, pp. 75-87.

Winnipeg 2013 *She leads an underwear revolution for African girls.* Free Press, Online Research Library: Questia Reader. Available at: https://www.questia.com/read /1P3-2967054961/she-leads-an-underwear-revolution-for-african-girls

World Bank Group, Inclusive and Sustainable Finance Hub in Malaysia, March 2022 'Malaysian SME Program Efficiency Review', *International Bank for Reconstruction and Development / The World Bank.*

BIBLIOGRAPHY

Amanah Ikhtiar Malaysia n.d.., Maklumat korporat, Retrieved February 26, 2022. Available at: <https://www.aim.gov.my/profil/maklumat_korporat>

Asher, A & Gale, A2007 strategic risk management: mapping the commanding heights and hazards. Institute of Actuaries of Australia.

Bank Rakyat, n.d., Corporate overview, Retrieved February 26, 2022. Available at: <https://www.bankrakyat.com.my/c/about/corporate/overview-1>

Connors, R & Smith, T 1999, *Change the culture change the game.* New York: Penguine Group.

Dr Cordelia Mason, Dr Wan Nursofiza Wan Azmi, 2015, 'Aiming for Greater Financial Inclusion through Sustainable Development: The Story of AIM (Amanah Ikhtiar Malaysia)', *Asian Institute of Finance.* Available at:<https://www.thecasecentre.org/products/view?id=152709>

Duyck, JA 1998, Value based management: developing a systematic approach to creating shareholder value, *The Academy of Management Executive*, vol. 12, no. 2.

Finger, R2015, Bank of America: lesson in poor corporate governance. Available at: <http:www.huffpost.com/richard.finger:bank.of.america.a.lesson_b_7257364. html>

Kraftangan Malaysia - Program Satu Daerah Satu Industri (Produk Kraf). (n.d.).

Retrieved February 26, 2022. Available at: <https://www.kraftangan.gov. my/en/hkk2019/2-kandungan-umum/208-program-satu-daerah-satu-industri-produk-kraf>

Misnan, SNS & Manaf, HA 2015, The role of microcredit in promoting women's entrepreneurship skills: lesson from Amanah Ikhtiar Malaysia (AIM), Malaysia, *JGD*, vol. 11, pp. 39-51.

Muridan, M & Ibrahim, P 2016, 'Microfinancing for microenterprises in Malaysia: a review, *International Business Management,'* vol. 10, no. 17, pp. 3884-3891.

Queensland Government 2016, Enterprise risk management framework 2012-2016, strengthening our commitment to risk management. AZ/NZS ISO 31000:2009 Risk Management – Principles and guidelines.

Rooyen CV 2012, 'The impact of microfinance in Sub-Saharan Africa: a systematic review of the evidence,' *World Development* vol. 40, no. 11, pp. 2249-2262.

Ross, E & Holland, A 2006, *100 great businesses and the minds behind them.* Singapore: Advantage Quest Publications.

Simard, E & Boulay, E 2006, Market valuation of equity in the international investment position: canada's experience. BOPCOM-06/12. Nineteenth Meeting of the IMF Committee on Balance of Payments Statistics, Frankfurt, Germany.

Sonfield, MC 2012, Micro-finance from Bangladesh to the United States: beneficial or detrimental to nascent entrepreneurs? *American Journal of Entrepreneurship*, vol. 5, no. 2, p. 51.

S. Robinson, M 2019, *The microfinance revolution – 1.* Available at: <

https://www.questia.com/read/119471086/the-microfinance-revolution>

Teraju Ekonomi Asnaf Sdn Bhd (TERAS) (n.d.). Retrieved February 26, 2022. Available at: <https://myteras.com/>

Trompenaars, F & Coebergh, PH 2014, *100+ management models: how to understand and apply the world's most powerful business tools*, Oxford: Infinite Ideas Limited.

Yunus, M 1999, *Banker to the poor: micro-lending and the battle against world poverty*. New York: Public Affairs Publishers.

Yunus, M 2010, *Building social business - the new kind of capitalism that services humanity's most pressing needs*. New York: Public Affairs Publishers.

APPENDICES

Appendix 1 – Consent Form

Note: This page is removed for confidentiality.

Appendix 2 – Interview Questions

Challenges Faced by Microfinance Industry in providing ecosystem microfinancing for Micro Enterprises in Malaysia

Roszy Non, DBA DBA Thesis

Supervisor: Associate Professor Dr. Wan Norhayate Wan Daud

Saya adalah pelajar postgraduate di Faculty of Business Management, Westminster InternationalCollege, London School of Commerce di Subang Jaya, Selangor yang menuntut dan berdaftar didalam program **Doctorate of Business Administration (DBA), University of Wales Trinity Saint David, United Kingdom**. Kini saya sedang menyediakan kajian selidik (thesis) setelah mendapatkan kelulusan di atas penghantaraan **Full research Proposal dan Etical Approval daripada UMTSD.**

Oleh itu, tujuan kajian selidik adalah untuk memahami dan mendalami isu-isu yang dialami olehpeniaga-peniaga kecil serta mendapatkan maklumbalas dan cadangan bagi menambahbaik system pengurusan dan pembangunan pembiayaan mikro di Malaysia.

Segala maklumat yang diterima akan dirahsiakan berlandaskan polisi etika University semasa mejalankan penyelidikan ini. Tiada pendedahan peribadi yang ditemubual akan diterbit. Hanyapenggunaan kod dipakai semasa pengumpulan data berlandaskan Akta Perlindungan Data Peribadi 2010.

Yang benar,

Note: This section is removed for confidentiality

Section A

1. Can you elaborate on the products and services that you offered?

Bolehkah tuan/puan menerangkan sedikit produk atau servis perniagaan sekarang?

We offer various types of local Malaysian honey such as Trigona Itama (kelulut), tualang, rock and wild flower honey

2. From your experience, what are the difficulties and challenges that you as microenterprise faced?

Mengikut pengalaman, apakah yang paling besar cabaran dan rintangan tuan/puan sebagai peniaga kecil?

1. lack of funding to scale up the business 2. popularizing local honey in the face of cheap imported honey 3. lack of marketing budget

3. Do you think your current product/s and services offered are adequate and sustainable?

Pada pendapat tuan/puan, adakah produk atau servis yang diberi mencukupi untuk mengekalkan business tuan/puan?

in the current economic situation, I do not see we can sustain the business

4. Do you think your products and services offered are competitive? Why not?

Pada pendapat tuan/puan, adakah perniagaan sekarang kompetitif? Jika tidak, mengapa?

1. it is competitive as we believe the products are of high quality or even better to suit the hot and humid Malaysia environment. We are philosophical that Malaysia's products are meant for the state of affair of Malaysian and Malaysia , by Allah.

5. What do you think are the essential needs in ensuring your businesses are sustainable?

Pada pendapat tuan/puan, apakah keperluan yang utama untuk memastikan perniagaan tuan/puan kekal?

Exposure to media channel that require high marketing budget will help boost revenue and profit and will ensure scaling up of the business

Section B

1. Are you aware of funds/loans available in the market?

   Adakah tuan/puan tahu apakah dana/pinjaman yang ada di pasaran?

   Yes but too much red tapes

2. If yes, are you participating in this? How do you know that this institution provides microfinancing product? What are the types of products available?

   Jika ya, tuan/puan ada menyerta di dalam kemudahkan untuk mendapatkan bantuan kewanagan ini? Bagaimana tua/puan tahu bahawa inistitusi/organasasi menyediakan kemudahan kewangan ini? Apakah produk-produk yang disediakan?

   No,

3. If no, why are you not participating in microfinancing?

   Jika tidak, boleh terangkan kenapa tuan/puan tidak mencuba memohon kemudahan ini?

   as I said too much red tapes.

4. In your opinion, why is the participation by microenterprises relatively low as there are still many utilise internal funds to support own businesses? Do you think there is a lot of bureaucracy involved in application process?

   Pada pendapat tuan/puan, mengapa masih ramai lagi tidak memohon kemudahan ini, berdasarkan statistiks yang masih ramai mengguna dana/pinjaman dalaman untuk menyokong perniagaan tuan/puan? Adakah terdapat banyak birokrasi semasa proses permohonan?

   We rather use cash than involved in loan that we are not sure of servicing it and pay back. May be for younger entrepreneurs, they have time to recover if the business turns south.

5. In your opinion, have the institutions/organisations played their role to support small business entrepreneurs like yourself? Any suggestion that you think their roles should be to support you and your peers?
   Pada pendapat tuan/puan, adakah institusi atau organisasi/pertubuhan memainkan peranan yang sepatutnya untuk menyokong perniagaan kecil seperti tuan/puan? Apakah cadangan tuan/puan ingin utarakan di atas peranan institusi atau organasasi untuk menyokong berterusan kepada peniaga-peniaga kecil?
   I believe many amateur govt depts with little or no experience in grass root business experience and involvement trying to advise micro entrepreneurs. Employees of govt depts are not entrepreneurs thus their advices are irrelevant.

Section C

1. What is the highest education level attained? Do you think education is crucial in your business?
   Boleh tuan/puan memberitahu tahap pendidikan ang diperolehi? Pada pendapat tuan/puan, adakah penting pendidikan dalam mengendalikan perniagaan tuan/puan? Jika ya, mengapa? Jika tidak, mengapa?
   Master. Education is NOT crucial for business but the adrenaline and business acumen and DNA are very important. In other words, risk taking is the name of the game. However, education helps one thinking systematically especially on math.

2. Are you a member of any association/organisation/NGO/community? If yes, which one/ones? If no, why?
   Bolehkah tuan/puan memberitahu samada tuan/puan ahli kepada mana-mana pertubuhan atau organisasi? Jika ya, yang mana? Jika tidak, mengapa?
   No, but member of many loosely organized group in the internet to build networking

3. Which industry or line of services your business are in? How long have you been in this business? Do you have multiple business? Is the business a family business? How many employees do you have?

   Industri manakah perniagaan tuan/puan? Berapa lama tuan/puan berkecimpung dalam perniagaan ini? Adakah tuan/puan mempunyai satu jenis perniagaan atau lebih? Adakah perniagaan ini perniagaan family? Berapa pekerja yang berkhidmat dalam perniagaan tuan/puan?

   I used to work in oil and gas industry as employee. As entrepreneur it is completely different ball games. I am in wellness and health industry for the last five years. We diversified to include honey-based products. A familiy but basically I run it alone. Employees are all on job basis

4. How do you fund your business? Is there funding assistance from government and its agencies/NGO/associations or self-funded? Is there any cost of funding involved? If yes, is the cost reasonable?

   Bagaimana tuan/puan membiayai operasi perniagaan tuan/puan? Adakah kewangan pembiayaian ini dibantu oleh kerajaan dan ejensi/bank/bertubuhan/NGO atau sendiri? Jika ya, pembiayaian ini perlu dibayar? Adakah kadarnya berpatutan?

   Own cash. No outside funding.

5. Do you think social media is important to promote your business? Do you think you have the skills to use social media as the platform for marketing? Do you think technology capabilities are important to support your business operations?

   Pada pendapat tuan/puan, adakah penting social media diguankan untuk promosi perniagaan tuan/puan? Adakah kebolehan teknolgi amat penting untuk menyokong operasi perniagaan tuan/puan?

   It is important but not sure of its effectiveness. Technology capabilities are important in order to cut cost

6. Are you been attending trainings? If yes, are these trainings provided by organisations/government etc. or self-taught training? If provided, are the training adequate to assist you in the business?
   Tuan/puan ada tidak menyertai kursus atau bengkel? Adakah kursus atau bengkel disediakan oleh kerajaan/pertubuhan dll atau kendiri? Jika diberi latihan dan sebagainya, adakah memadai untuk membantu menjalankan perniagaan tuan/puan?
   attended many training such as MARA-organized and PUNB. In a way it is adequate but when come to decision making, this is the tough one as all decision involve capital outlay.

7. Do you know how to manage your cash flows and budget before you start the business?
   Adakah tuan/puan mempunyai ilmu/pengetahuan/pengalamam mengurus kewangan seperti bajet dan tunai aliran sebelum memulakan perniagaan tuan/puan?
   Yes. Using Excel to generate cash flow projections; looks good on paper but the reality is another thing.

8. How much knowledge do you know in establishing your business and the required skills needed in carrying out daily and sustaining business? Does your association/organisation provide trainings i.e. how often and in what manner? If no, where do you obtain your trainings?
   Berapa banyak kah pengetahuan dan kemahiran tuan/puan semasa memulakan pernigaan? Adakah persatuan/penubuhan/organasasi menyediakan latihan kemahiran dan kekerapan diberi serta kaedahnya? Jika tiada, di aman tuan/puan mendapatkan latihan yang diperlukan?
   We established the source of supply and understand the supply chain system. Develop the products even on selection of exotic bottle to bottle the honey, label design, developed receiving and delivery form, invoice etc. 99% without any help or assistance from any associations. Self training

9. If you are part of association/organisation, how often do you meet with your peers and the management of your organisation? Do you find the meetings effective? Do you have group gathering amongst entrepreneurs?
   Sekiranya tuan/puan adalah ahli kepada persatuan/organasasi, berapa kerap perjumpaan dengan rakan ahli-ahli peniaga yang lain dan pengurusan? Adakah perjumpaan ini berkesan atau mencapai objektifnya? Adakah perjumpaan ini mengikut kumpulan dan apa kaedahnya?

   Not part of association but loosely attached to networking group such as NLP group

10. Is there any other feedback that you wish to highlight in relation to development of microfinancing for microenterprises?
   Apakah lagi yang tuan/puan ingin mencadang untuk kebaikan pembangunan pembiayaan mikro bagi peniaga-peniaga kecil di Malaysia?

   Micro enterprises should have a vision of going bigger than themselves to sustain and grow. Small business will remain small and easily go down; need to move to higher ground i.e. moving to SME status. For a burger stall, one should think of scaling up and leveraging into multiple outlets or even franchising .

I would like to express my gratitude for spending time to participate in this research study. If need be, I may need to contact you after this interview for further clarification where there may be.
Saya ingin mengucapkan ribuan terimakasih kerana meluangkan masa untuk mengambil bahgian dalam kajian penyelidikan ini. Di samping itu, saya mungkin menghubungi tuan/puan selepas temubual jika terdapat penjelasan yang diperlukan atau apa-apa soalan tambahan yang mungkin ada.

Appendix 3 – Sample Expert Review Checklist

Note: This section is removed for confidentiality.

Appendix 4 – Letter Seeking Request to Interview MEs

Note: This section is removed for confidentiality.

Note: This section is removed for confidentiality.