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The effect of microfinance on women's empowerment: Evidence from Malaysia

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Microfinance is widely known as a financial development tool for those deprived of access to financial services, especially women. However, the literature provides conflicting evidence and shows that women's empowerment may not, or may only be partially achieved through microcredit, especially in Muslim societies. This study seeks to scrutinize the effect of Amanah Ikhtiar Malaysia (AIM), a microcredit institution, on Malay Muslim women in an urban area. A quasi-experimental method was used to conduct a cross sectional survey of 500 old and new clients. Informal semi-structured interviews were conducted with 20 current clients who had received microcredit two years earlier. The findings show that AIM microcredit empowered the women and enhanced gender equality. It enabled women to access financial capital, form their micro- and small-businesses and obtain an income which helped them to contribute to household expenditure. Even though the effect of microcredit was partial, it provided them bargaining power for decision-making and controlling of resources and enhanced their self-esteem in their households and communities.

Keywords: women; empowerment; microfinance; Malaysia

Introduction

Microfinance has become an effective financial development tool in the economic credit market and targets deprived people who cannot gain access to conventional credit. The central aim of microfinance is to alleviate poverty and empower its beneficiaries, especially women, through financial services, such as microcredit, savings, insurance and training. Women are the main clients of many microfinance institutions (MFIs), especially in Muslim societies, because they have been marginalized and subjected to control by men for a long time, and because more than 70 percent of the world's poor are women (Kabeer, 2012). The underlying logic is that microcredit will enable women to participate in economic markets by forming small- and micro-businesses. Consequently, they will have the opportunity to gain independent incomes, contribute to household expenditure and play important roles in household decision-making, while MFIs will enhance their sustainability by imposing small amounts of interest. For such reasons, microfinance has received

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considerable attention from international development agencies, including the United Nations, and is considered to be an important means of achieving millennium development goals of gender equality and halving poverty and hunger by 2015 (Hermes & Lensink 2011; Montgomery & Weiss, 2011).

For a long time, rural women were the main targets for the majority of the MFIs in the developing countries, including Malaysia, because a large number of poor and low income households are located in such regions. Recently, many microfinance institutions have extended their services to urban areas, especially in Malaysia, to target low income households. Despite the rapid growth of MFIs and their clients, impact assessment studies on urban areas are still scarce, while controversies have emerged (Samer, Majid, Rizal, Muhamad, & Rashid, 2015; Duvendack et al., 2011; Hulme, 2000).

The impact of microfinance still varies from one country to another. For example, a study by van Rooyen, Stewart, and de Wet (2012) revealed that the impact of microcredit was mixed in the sub-Saharan African countries, ranging between no impact, positive impact, and negative impact. Marital conflicts have also been known to rise when men force their wives to seek microcredit for their households (Haile, Bock, & Folmer, 2012). The impact of microfinance on women's empowerment also varies from rural to urban areas, due to demographic and socioeconomic differences. For example, in the Malaysian context, the daily activities of women borrowers in rural areas are easily carried out without skills or good education. However, in urban areas, women borrowers have to invest in their micro-businesses and interact with many people of different races and backgrounds. To do so, they require entrepreneurial skills of communication and business. Therefore, we argue that women borrowers in urban areas may be subject to several restrictions that not only impede their mobility and ability to make their own life decisions, but also limits their capabilities to participate in market activities and run their micro- and small-businesses.

The literature suggests that the impact of microfinance varies in different contexts due to factors such as financial literacy, type of services provided, population density, attitudes to debt, and group-cohesion (Armendáriz & Morduch, 2005). This is often dependent on other features such as family culture, religion and community norms. For example, poor Malay women generally suffer from dual difficulties, first, because of their gender in a patriarchal society, which restricts their mobility outside home and second, because of their membership in an oppressed caste or class where they must obey husbands and perform the familial duties of care (Othman, 2006). This raises the question: what is the effect of microfinance on women's empowerment?

This study aims to examine the impact of Amanah Ikhtiar Malaysia (AIM), a micro-credit institution, on Muslim women's empowerment in urban areas of Malaysia. The main reasons for conducting this study in urban areas are: first, assessments and literature on the impact of microfinance in the urban areas of Malaysia are still limited, especially with respect to women's empowerment.

Poor urban households have increased from 14.3 percent in 1985 to 29.4 percent in 2004, while income inequality still persists among different ethnic groups (Lehar, Anas, & Choo, 2014). Although, micro- and small-enterprises generate major incomes for women, who in Malaysia have poor education, only 16 percent of these enterprises are owned by women (Omar, Nazri, & Wel, 2014).

This study has three objectives. First, it aims to shed light on the role of micro-finance on women's empowerment in urban areas. Second, it seeks to provide empirical evidence on women's empowerment in decision-making processes in households. Finally, this paper aims to assess how women's empowerment and lives fare, following a microfinance intervention in a Muslim community and explain how access to AIM has affected these.

Structure of the microfinance sector in Malaysia

Malaysia is a multi-ethnic, multicultural, and multilingual society with three main ethnic groups, namely, Malay, Chinese and Indian. Malays account for over half the Malaysian population and Islam is the official religion of the federation, as well as the legally-presumed faith of all ethnic Malays (Nagata, 1980). Since 1970, the Malaysian government has made great efforts for socioeconomic development and to eliminate poverty. The National Development Policy (NDP) and new economic policy (NEP) sought to achieve goals of economic development, poverty eradication and gender equality (Jomo & Sundaram, 2004; Lehar et al., 2014). The National Policy on Women was also introduced to ensure equitable sharing of resources and development opportunities by men and women and to integrate women into all sectors of development according to their capabilities and needs. The government has implemented programs to achieve these objectives by investing in education and training, which has enabled poor people, especially women, to gain access to education, acquire the skills needed to compete in the labor market and find better employment. Therefore, Malaysia successfully improved the livelihoods of people and reduced poverty from 49.3 percent in 1970 to 5.5 percent in 2000 and unemployment to 3.1 in 2000.

Despite making significant efforts to transform the country's economy, several challenges remain: women's employment in the formal sector remains below 50 percent, compared to 80 percent for men. Moreover, there are only 15.9 percent businesswomen in the country (Mat & Mansor, 2010). Other challenges relating to the livelihoods of low income households in urban Malaysia also remain, for example, poor urban households have continued to increase from 14.3 percent in 1985 to 15.6 percent in 1993, 23.7 percent in 1995 to 26 percent in 2002, and to 29.4 percent in 2004 (Rasiah, 2011). Wealth and income distribution is unequal among the Malaysian ethnic groups. For example, the average monthly income per household in 2012 for the Bumiputera was 4457 RM, compared to 6,366 RM for the Chinese and 5,233 RM for the Indians (Rasiah, 2011).

The involvement of Malaysian women in economic activities is still very limited, comprising about 16 percent, while the majority of women entrepreneurs

tend to invest in informal sectors of the economy and activities that have poor productivity, especially the Malay women who are economically and socially weak, compared to the Chinese or Indians (Omar et al., 2014; Othman, 2006). The main reasons for this is their traditional and patriarchal families that see women as house-wives whose job is to take care of their children and husbands while men are breadwinners and heads of their households. To tackle such issues, a minimum wage policy was introduced for the public and private sectors, with the aim of enhancing livelihoods and alleviating poverty. In addition, several income-generating projects were established to diversify incomes and open new opportunities for those who live in poverty such as the microfinance institutions. Amanah Ikhtiar Malaysia (AIM) is the largest microfinance institution in Malaysia for poor and low income women, with its social mission of gender equality and poverty alleviation (Al-Shami, Majid, Rashid & Hamid, 2014).

Amanah Ikhtiar Malaysia (AIM)

AIM was established in 1986 with the social missions of women's empowerment and household improvement (Rasiah, 2011). The Grameen bank model of group-lending was replicated by AIM, which adjusted services to suit the Malaysian context. Its primary purpose is improving poor and low income women's financial stability and independence. Generally, it provides financial services at low interest rates and without physical collateral for self-run micro-businesses to groups of women in groups of five or more members who are jointly responsible for microcredit default. It commonly requires members to meet weekly with other members, usually neighbors, outside their homes. These regular meetings are important to exchange information and avoid microcredit default. Moreover, they strengthen and expand the group members' social networks and improve their social capital and trust. These, in turn, enhance cooperation among members on microcredit repayment processes and for exchange of experiences and knowledge.

The activities are in accordance with Syariah and the microcredit is given free of interest, except for a 10 percent charge for operational and management fees, with two percent compulsory savings to secure the given microcredit (Al-shami et al., 2014). AIM is operated in both rural and urban contexts. The selection of clients is based on women's income, which is similar in both rural and urban areas. The rural project defines eligible clients, such as those who are poor, whose household income is below the poverty-line of 750RM, and its beneficiaries must be resident in selected districts for at least two years. For the urban project, eligible clients are those who are from low income categories, with incomes of less than 2,000 RM, who have been resident in selected areas for at least two years, and with less than RM 50,000 value of their household assets (Al-Mamun, Wahab, Mazumder, & Su, 2014; Samer et al., 2015). In addition, they must not be members of any bank or microfinance institution or have borrowed from any institution before.

The AIM lending group provides two types of economic microcredit. First, loans are disbursed to women entrepreneurs for productive purposes such as starting new businesses. There are four types of microcredit: Mesra microcredit, Sri-kandi microcredit, Wibawa microcredit and urban microcredit. The Mesra and Sri-kandi microcredit range from 2,000–20,000 RM with a grace period of 25 to 150 weeks. These types of microcredit are usually disbursed to active clients to facilitate growth of their businesses. The Wibawa is an economic product for small microcredit of up to 5000 RM, with a short term of 24 weeks. This type of product is often disbursed to first-time borrowers. Finally, due to the increasing number of poor urban households and growing wage disparities among the Malaysian ethnic group, the “Urban Micro Finance Program” was established in 2008 in Selangor and Melaka, where the cost of living is relatively high, compared to other states (Al-Mamun, et al., 2014). The size of urban microcredit is between 3,000 and 20,000 RM and must be repaid within 12 to 100 weeks (Mokhtar, 2011).

The second type is a non-economic product, which provides for social purposes of enhancing household wellbeing and recovery. There are two types of non-economic microcredit, namely Bistari microcredit which goes up to 5000 RM for educational purposes and Sejahtera Multipurpose microcredit, which goes up to 10,000 RM for purposes of maintaining household wellbeing. In addition, recovery microcredit, called Penyayang, is of amounts between 1,000 RM and 5,000 RM, for purposes of recovering from crises such as natural disasters or health problems. AIM also provides non-financial services of training, especially before disbursement of microcredit such as in basic accounting, entrepreneurial management, supply and inventory management.

Women’s empowerment

Generally, empowerment is known as “the expansion in people’s ability to make strategic life choices in a context where this ability was previously denied to them” (Kabeer, 2001). Based on this definition, the ability to make choices can be considered in three inter-related dimensions, namely, resources (e.g., material, human, or others), agency (e.g., goals, motivations, and purposes) that individuals bring to their activities, and finally achievement which refers to the particular ways of being and doing that are realized by different individuals (Kabeer, 2001).

In Malaysia and elsewhere, especially in Muslims societies, daily activities, interaction in the community and family rules shape women’s social positions and gendered roles. Islamic laws and cultural norms impact their lives at different stages, including their dress, mobility, marriage, divorce, permission for birth control, property rights, rights to inheritance, education, employment opportunities and decision-making (Offenhauer & Buchalter, 2005; Othman, 2006). For example, a Muslim woman may wear the *hijab* which covers her hair and must obey her husband and take his permission before she can undertake any activity outside the home (Al-Hibri, 1997). Women are seen as housewives and they are required to take care of children, satisfy marital and maternal duties, while men

are financial and administrative supporters of their families (Syed, Özbilgin, Torunoglu, & Ali, 2009). Household decisions are often made by husbands because they control and sponsor household expenses (Othman, 2006). Advocates of women's empowerment emphasize that enabling women economically by extending financial services to them impacts them both economically and socially at individual and household levels. On the one hand, women with productive microcredit acquire the ability to participate in market activities and gain independent incomes, which helps them to improve the quality of their lives and their households (Fofana, Antonides, Niehof, & Ophem, 2015; Rai & Ravi, 2011; Cheston, & Kuhn, 2002). On the other hand, access to microcredit helps women to enhance their self-esteem and consolidate their positions in household decision-making (Swain & Wallentin, 2009; Haile et al., 2012)

Access to microfinance enables women to gain space and freedom, especially to move out of their homes to deal with their businesses or to visit their relatives' homes (Holvoet, 2005; Kato & Kratzer, 2013). The underlying logic of microfinance is that extending financial services to women will enable them to become self-employed and gain access to income through their micro- and small-businesses. Women who have jobs also have bargaining power in household decision-making and can move out of their homes to their jobs and elsewhere (Elson, 1999). Access to microfinance also enables them to gain bargaining power within their households, including making decisions regarding family planning. Studies have recognized the advantages of participation in microfinance programs, for example, it was found to have significant impact on most households via increased incomes, improved standards of living, and decreased vulnerability of most households (Al-mamun et al., 2014; Chan & Ghani, 2011; Samer et al., 2015).

However, the benefits of women's empowerment, either in terms of decision-making processes or reducing gender inequalities, are less clear. The impact of microfinance on women's empowerment was found to be mixed, between positive and negative impacts, in Sub-Saharan Africa (van Rooyen et al., 2012). Women are empowered when they have the ability to make economic decisions, such as purchasing assets (Kabeer, 2001). The literature suggests that access to microfinance enables women to contribute to their households and make economic decisions such as purchase assets (Fofana et al., 2015; Hashemi, Schuler, & Riley, 1996).

Studies from Africa and India have emphasized that access to microfinance is associated with women's empowerment in terms of taking health decisions and accessing health insurance (Jennings et al., 2014; Rai & Ravi, 2011).

Research Methodology

Different methods were employed in this study. First, quantitative data were collected followed by qualitative data collection and analysis. For the quantitative analysis, a cross-sectional survey was conducted with married women who

applied for productive loans in the third quarter of 2013. Two samples were identified, namely, current clients, which comprised a group that had already received assistance and new clients who had not yet received loans and served as a control group. The current clients were those who received productive loans for starting new businesses from the third quarter of 2013 and continued to borrow until July 2015, while the new clients were those who were eligible to obtain productive loans in the third quarter of 2013, but their applications were held in abeyance until July 2015 because they had not been resident in the area for the required minimum of two years, as required by AIM policy (Al-Mamun et al., 2014).

The selection was made by using a random stratified sample that included four urban districts namely Shah Alam, Selayang, Masjid Alzem, and Melaka. In 2008, AIM launched the urban loan program. The total number of AIM clients in the four districts was estimated to be 4,850 clients divided into four categories. Of these, 2,039 clients received non-productive loans for household welfare purposes; another 2,011 received productive loans for starting new businesses between 2008 and 2013; and 395 dropped out from the program between 2008 and 2013. Of these, 209 clients were successful and became self-sufficient, while another 186 dropped for other reasons such as moving away from the areas. Finally, 405 clients received productive loans in October 2013. The clients who joined the AIM program in October 2013 and received productive loans were the existing group of clients, based on whom we made our estimates regarding microcredit. The main reason for identifying the members who received productive loans in 2013 as our main sample of existing clients was to avoid biased estimation due to differences of time when the loans were given. In contrast, 159 members were eligible to receive loans in October 2013, but their applications were delayed to July 2015.

The sample finally comprised 500 respondents, with 360 current clients and 14 new ones. Those who quit the AIM program were under 10 percent, which was an acceptable figure, while a dropout rate higher than 20–30 percent would have been a severe problem because it would have affected the impact of the program, as some scholars have pointed out (Armendáriz & Morduch, 2005; Karlan, 2001). The major reason for dropping out was migration to other states.

Second, we undertook qualitative case studies through informal interviews with 20 individuals. The criteria of sample selection for these were that they should be Malay Muslim women who were married and had received loans two years earlier for the purposes of starting new businesses. These were done using a semi-structured schedule. The target sample was selected purposively in the first stage of quantitative data collection during the survey. The respondents were invited to participate and answer our questions and then were interviewed at their business locations in the selected districts. The aim of the qualitative interviews was to explore how access to microcredit affected several aspects of women's empowerment.

Women's empowerment was measured in terms of "economic empowerment" and "social-familial empowerment." Economic empowerment referred to two

questions relating to decisions about household expenditure and asset purchase (code=1 if a woman decided alone or jointly; code=0 if decided by her husband or family). Second, socio-familial empowerment referred to women's freedom of mobility and the balance of power within the family on decisions about birth-control (code=1 if a woman decides alone or jointly; code=0 if decided by her husband or others). In addition, the health insurance indicator was introduced as an indicator of women's economic empowerment (code=1 if a woman had health insurance; code=0 if she did not).

Data analysis

This section presents the differences of the socio-demographic characteristics between 360 of the current members (existing recipients who had received micro-credit for starting new businesses in October 2013 and were still active until July 2015) and the control group of 140 members who were new clients whose applications had been postponed in October 2013 and had been accepted in July 2015, but they were yet to receive microcredit. As shown in Table 1, eight indicators were used to determine the differences between current and control group members and these were: clients' age, number of children living in their households, number of school-going children in the households, number of household members who lived together, and the number of years the members had spent in school. These were coded continuously based on the information provided by the respondents. While the indicators of possessing savings accounts, access to training before joining the AIM scheme and finally holding jobs before joining were coded in binary form, in which those who said 'yes' they had done so were given a score of 1, while those who said 'no' were given a score of 0. This study excluded marital status and religion because all the selected women were Muslims and married. The overall results of the average T Test and proportion Z Test indicated that both the current clients and those of the control group were similar and there were no major differences between them.

Table 1. Socio-demographic differences between current and control group

Control Variables	Current Group 360	Control Group 140	Differences	
			T/Z. test	P. Value
Average age	38.54	37.28	1.8	0.07
Average number of Children	2.96	2.78	1.84	0.07
Average children in School	2.75	2.6	1.5	0.13
House size	5.05	4.86	1.78	0.08
Average years in school	9.83	10.18	1.67	0.095
Saving account	243 (67.5%)	84 (60%)	1.6	0.11
Access to training	122 (33.9%)	38 (27.1%)	1.5	0.15
Access to job before joining AIM	245 (68.1%)	84 (60%)	1.7	0.089

Notes: ** = significant at 1% level. * = significant at 5% level. + = significant at 10% level.

A regression logistic model was performed to examine how women's access to productive microcredit for starting a new business affected each of the five empowerment indicators. The independent variable was access to microfinance services and the coded binary in which the current group members with access to microfinance before eighteen months were coded 1, while the control group members who joined in 2015 and had not yet received microcredit were coded 0. Each column in Tables 2 and 3 represents a separate regression model, with the dependent variable being identified along the vertical axis. The models also adjusted socio-demographic characteristics, as discussed above. Findings are presented as coefficients with their 95 percent confidence intervals (CI) for key variables. The statistical significance is $p < 0.05^*$ and $p < 0.001^{**}$, indicating when the confidence interval does not contain 1.0 (Scotia, 2010).

First, the coefficient of logit in Model (1) shows that current members who received microcredit eighteen months earlier were more likely to have a high level of involvement in making decisions following greater mobility outside their homes, as compared to new clients who have yet not received microcredit. A significant positive association was observed between access to microfinance and women's decisions to move out of their homes (OR = 3.1, 95 percent CI: 2.032–4.770). The underlying logic was that, access to microfinance would enable women to access places outside because of their small businesses (van Rooyen et al., 2012). This also enabled them to challenge community rules and cultural norms that impeded their mobility outside home (Singh, 2015). There were other control variables with significant effects on decisions regarding women's moving outside their homes. Older women were more likely to make such decisions themselves and accordingly a significant positive association was observed between age and such decisions (OR = 1.01, 95 percent CI: 1.004–1.067). The older women had greater say and independence as they had more experience of life and a better understanding of how to get what they wanted (Fofana et al., 2015).

Second, the coefficient of logit in Model (2) shows that the current clients were more likely to make household decisions relating to daily expenditure as compared to the new ones. A significant positive association was observed between access to microfinance and daily household expenditure decision-making (OR = 2.37, 95 percent CI: 1.552–3.612). There were other control variables with significant effects on household daily expenditure. Access to business training also has had a significantly positive effect on women's decision-making about daily expenditure. A significant positive association was observed between access to business training and women's involvement in household decision-making (OR = 1.68, 95 percent CI: 1.143–2.469). Access to business and entrepreneurial training improved their business knowledge, practices and revenues (Karlan & Valdivia, 2011). The rapid growth of business revenue enabled women to contribute to and support their households which was key to women's empowerment for economic decision-making (Hashemi et al., 1996). In addition, the coefficient of logit indicated that women who had jobs before joining the AIM program were more likely to make such decisions (OR = 2.2, 95 percent CI: 1.490–3.246).

Table 2. The effects of AIM microcredit on women's mobility, daily expenditure and decision-making for major purchases

Source	Model (1) Women's Mobility			Model (2) Daily expenditure			Model (3) Major purchase		
	Z value	OR	IC- (95%)	Z value	OR	IC- (95%)	Z value	OR	IC- (95%)
Current members	< 0.0001	3.1	2.032–4.770	< 0.0001	2.37	1.552–3.612	< 0.0001	3.37	2.156–5.266
Age	0.025	1.04	1.004–1.067	0.391	1.012	0.985–1.039	0.891	0.998	0.968–1.029
Size of Household	0.87	1.02	0.839–1.230	0.642	0.959	0.802–1.146	0.335	1.103	0.904–1.344
Years in school	0.28	0.95	0.858–1.046	0.099	1.079	0.986–1.182	0.78	0.986	0.890–1.092
Access to Training	0.22	1.29	0.857–1.941	0.008	1.68	1.143–2.469	0.792	1.059	0.692–1.619
Have saving account	0.93	1.02	0.666–1.563	0.428	1.172	0.792–1.735	0.379	0.817	0.521–1.282
Access to job before	0.37	1.2	0.888–1.830	< 0.0001	2.199	1.490–3.246	< 0.0001	3.468	2.261–5.320
Intercept	0.235			0.006			0.403		

Notes: ** = significant at 1% level. * = significant at 5% level. + = significant at 10% level.

Table 3. The effect of access to AIM microcredit on family planning decisions and access to health insurance

Source	Model (4) Family Planning Decision			Model (5) Health Insurance		
	Z value	OR	IC- (95%)	Z value	OR	IC- (95%)
Current member	< 0.0001	2.525	1.657–3.846	0.002	1.957	1.286–2.979
Age	0.305	1.015	0.987–1.043	0.487	0.991	0.965–1.017
Size of Household	0.152	1.142	0.952–1.371	0.92	1.009	0.846–1.204
Years in school	0.771	0.986	0.899–1.082	0.905	1.005	0.919–1.100
Access to Training	0.101	0.726	0.495–1.065	0.2	1.281	0.877–1.872
Have saving account	0.949	1.013	0.676–1.518	0.292	1.234	0.835–1.824
Access to job before	< 0.0001	2.438	1.654–3.594	< 0.0001	2.496	1.698–3.669
Intercept	0.029			0.228		

Notes: ** = significant at 1% level. * = significant at 5% level. + = significant at 10% level.

Third, the coefficient result of logit in Model 3 shows that the current members were more likely to make decisions about major household purchases as compared to the new clients. A significant positive association was observed between access to microfinance and decisions regarding major purchases (OR = 3.37, 95 percent CI: 2.156–5.266). This was because access to microfinance enabled the women to earn and contribute to their households and purchase assets (Hashemi et al., 1996; Fofana et al., 2015). The coefficient of logit indicates that women who had jobs before joining the AIM program were more likely to make decisions regarding major household purchases (OR = 3.47, 95 percent CI: 2.261–5.320).

Fourth, access to the AIM program had positive effect on women's empowerment, as illustrated by family planning decisions. The coefficient result of logit in Model 4 demonstrates that the current members were more likely to make family planning decisions about when they should get pregnant and how many children they wanted, compared to new clients. A significant positive association was observed between access to microfinance and family planning decisions (OR = 2.5, 95 percent CI: 1.657–3.846). The significant effect of microfinance may be attributed to two reasons. First, women who accessed microfinance and started new businesses had major responsibilities, either within their households or relating to their businesses. Therefore, they were involved in making decisions in order to balance their household duties and jobs responsibilities. Second, women who joined the AIM program had the bargaining power to decide when to get pregnant and how many children they wanted, because they had the ability to invest some of their incomes in their households and for their children. The coefficient of logit indicated that women who had jobs before joining the program were more likely to be involved in making family planning decisions (OR = 2.4, 95 percent CI: 1.654–3.594). This finding was in consonance with studies that reported that women with well paid jobs had high levels of education and therefore

would also make such decisions (Govindasamy & Malhotra, 1996; Sonfield, Haststedt, Kavanaugh, & Anderson, 2013).

Fifth, health insurance was found to be an important outcome of access to microfinance. A significant positive association was observed for being in the AIM program and health insurance (OR = 1.96, 95 percent CI: 1.286–2.979). There were other control variables with significant effects on decision-making regarding health insurance. A significant positive association was observed between access to jobs before joining the AIM program and possession of health insurance (OR = 2.5, 95 percent CI: 1.698–3.669). In Malaysia and elsewhere, providing quality health services has become an important need for all. However, access to good health services is relatively costly.

Discussion

The literature suggests that microfinance is an effective tool for women's empowerment, but is controversial, because its impact varies from one context to another (Duvendack et al., 2011; Hulme, 2000; van Rooyen et al., 2012). Others have argued that husbands and sons may use their wives and mothers as proxies to access microcredit and then leave them to deal with responsibilities of payment or default (Ali & Niehof, 2007; Kabeer, 2001). It also may spread inequalities as well as reconfirm a gender-specific division of labor (Bekele et al., 2012). Furthermore, microcredit use is often controlled by men (Ganlea, Afriyie & Segbefia, 2015). In this paper, we examine the effect of AIM microcredit on Muslims women's empowerment in the urban areas of Malaysia. The findings of our study illustrate that access to AIM microcredit changed several aspects of the borrowers' lives, socially or economically, which has helped to reduce gender inequality to some extent.

Following continuous participation in weekly group meetings and for microcredit repayment and disbursement that always take place in AIM offices, interaction with other members and the outside world, the women's knowledge and personalities had grown. In addition, their self-esteem and confidence also increased. For example, qualitative case studies through semi interview were conducted with twenty women who received economic loan for productive purpose start-up new business in 2013. Based on our observation and interviews with three women in Selangor, it was seen that after participating in the program they had "gained a job and leaned how to talk and express their opinions." They were no longer scared to speak to outsiders. Some women who received microcredit from AIM became well known in their communities and were able to play an important role in leading others. A woman who had a clothes shop in Selayang told the investigators that "I have been asked by the community to speak about my business experience and deliver some advice on how women can build good businesses." She also said that "the AIM program made me important and many people in my community and others started to recognize me."

Although some women clients were seen to have little control in their use of the loans, their household members started treating them better, because they had become vital sources of household income. This enhanced their standing and positions in their families, which supported them to improve their bargaining power in making decisions. Two borrowers told the investigators that “we get better treatment and respect from our family members particularly when we receive new microcredit.”

Mobility outside home is an important indicator of women’s empowerment, especially in societies dominated by religious and cultural norms such as these Muslim groups. These curtail women’s mobility outside their homes (Sidani, 2005). The *shariah* laws used by the religious right, impose restrictions on their participation in public life and movements (Syed et al., 2009). In this study the aim was to examine and understand how access to microcredit affects Muslim women in Malaysia. Our quantitative findings confirmed that the women were duly empowered after they gained access to AIM microcredit. One woman who had a shop and sold traditional clothes in Melaka was asked to explain the changes she had experienced after receiving loans two years earlier. She said:

Before borrowing, I had nothing to do except taking care of children and waiting for my husband’s support. I was always surrounded by restrictions, by my husband and my parents-in-law and I could not easily go out of my home or visit my relatives. But after borrowing, I started my business and my husband and his parents accepted the fact gradually and treat me nicely. Nowadays, I have the ability to go to my shop whenever I want without big restrictions.

The findings of this study confirm what Fofana et al. (2015) have identified in Côte d’Ivoire, where access to microcredit has strengthened women’s decision-making. This was also illustrated by a study from Bangladesh, where microfinance enables women who have access to microcredit to exercise greater bargaining power in household decision-making, including moving outside their homes (Schuler & Hashemi, 1994).

The impact of AIM on women’s empowerment not only has impact on their mobility and household decision-making, but also means people of their communities treat them better and they gain in self-esteem. For example, one woman who had a bakery and beverage shop in Masjed Al azim district, Melaka said that:

Before receiving microcredit and joining group meetings I could hardly speak in public or even introduce myself in front of a large audience, including men. However, after receiving microcredit my group members selected me as a group leader. The officer of AIM asked me during weekly meetings to report and deliver some advice to my group members and others on how to develop their businesses. Nowadays, I am widely known in my community as one of the successful businesswomen.

In many Muslims communities of Malaysia, microcredit clients were always considered recipients of donations because of their poverty. However, the interviewees had evidently been empowered within their communities after gaining

access to microcredit because they had gained abilities of contributing to and helping other members of their communities, rather than merely being recipients of charity. One woman who had a beverage shop in Gombak accordingly said:

I used to avoid going to any community meeting or ceremony because I do not like people seeing me with pity or as if I had nothing to contribute and only received charity. I also do not like anybody to give me charity. However, after one year of operating my business, I started attending community ceremonies and meetings.

One of the most important objectives of microcredit was to empower women and low income households economically by transforming the strategy of empowerment and poverty reduction from relief and subsidies into one of an entrepreneurial culture. Micro- and small-enterprises are widely known as means of employment in developing countries. However, in many developing countries such as Malaysia, the proportion of women who owned such enterprises is still very low, at about 16 percent, compared to their male counterparts. In this study 15 interviewees declared that they had successfully started their own businesses after gaining access to AIM microcredit, while five said that they shared their businesses with their husbands. One interviewee who had a small restaurant close to her house in Shah Alam Selangor said:

After gaining access to microcredit I and my husband opened this restaurant and work eight hours from 6.30 AM to 14.30 PM. Now, we have daily income. We always used to borrow earlier from our relatives or friends and now we do not need to borrow.

Women's contribution to the household was one of the important changes that took place after they received microcredit from AIM. All interviewed women showed significant variations in their contributions to household income. From February 2014 to January 2015, their average contribution to household income generated by their new enterprises, was less than 30 percent. Even though, women's contributions to household expenses tend to be relatively low, compared to those of their husbands, it is important to promote women in their households, enhance their self-esteem and efficacy. For example, a woman who ran a grocery business in Melaka said:

Before borrowing, I was not able to contribute to my household or help my husband in household expenditure. However, after receiving microcredit I operate my business and have access to a regular income. I also acquired the ability to help my husband with the children's expenditure and to receive good treatment by my husband and family members.

The findings of this study are in consonance with research from India and Bangladesh, for example, Sanyal (2015) and Mahmud, Shah, & Becker (2012), who noted that access to microcredit empowered women to make decisions regarding household expenditure.

The incomes of the majority of the poor and low income households in urban areas go towards meeting their basic needs. Therefore, any sudden and major

events, such as wedding ceremonies or illnesses, posed a challenge to them. In such an instance, a woman who had a grocery business in Selyang demonstrated how access to AIM enabled her to help her husband in paying for the marriage ceremonies of their daughters:

Before borrowing, I could not save any money and I could not handle any sudden problem without borrowing from our relatives or friends. But after borrowing from AIM, I extended this grocery as you see and I saved about 6000 RM. I used this money to pay for some of the expenses of my daughter wedding ceremony.

In a similar vein, a woman who had a sewing shop in Shah Alam explained how access to microcredit changed her life:

Before borrowing we were living in my father-in-law's house. We always borrowed from our relatives for any uncertain event such as children's health. However, after borrowing I started my business and earning an income has enabled me to help my husband for household and children's expenditure and we rented a small house.

Access to AIM loans enabled women to collect assets for themselves and their households. It also enhanced their position for household decision-making and control over resources. A woman who operated a restaurant in Shah Alam said:

I was hardly able to contribute to my household expenditure. However, after borrowing, I and my husband extended our restaurant and generated good income and enhanced our household expenditure including children education. I also bought a refrigerator, T.V, washing machine and gas cooker from my own income.

The findings of this paper are similar to those of empirical studies conducted by DeLoach and Lamanna (2011) and Rai and Ravi (2011), which suggested that access to microfinance enables women to improve the quality of their lives and children's health. Some literature also argues that microfinance works differently in different contexts and in urban and rural areas. This also implies that the impact of microfinance is dependent on other factors such as religion, cultural norms and demographic factors. This study bridges existing gaps by examining the effects of microfinance in urban spheres, providing new evidence on its impact on women's empowerment in such contexts of Malaysia.

Research implications

The findings of this study have several important implications for academic research, microfinance institutions and policymaking. For research, there are three significant contributions: first, this paper adds new evidence about the effect of microcredit on women's empowerment from the urban developing country context of Malaysia. Second, the recent literature provides conflicting results about the impact of microcredit on women's empowerment in societies where religious law and familial norms influence their daily activities. However, in this paper, the Malay Muslim women were seen to have been empowered,

both in social and economic terms at household and community levels, after receiving microcredit. Household decision-making was seen to have shifted from being solely a domain of men, to one where women did this jointly with their husbands. Women's movement outside their homes has improved because of the program, as also their social status in their communities. For example, access to microcredit enabled them to participate in weekly meetings held in the AIM offices; network with AIM members either in their own groups or others; and interact with other people—men and women—in the market. In addition, the clients were shown to gain economic benefits after they received productive microcredit from AIM. For example, they learned how to participate in market activities, run their own businesses and gain access to income and assets. Third, this study provides insights about the effectiveness of microfinance for women's empowerment in a Muslim community and how it has changed several aspects of their lives as they are enabled to challenge religious law and community norms that perpetuate their vulnerability and restrict their rights. The Malaysian microfinance experience is thus seen to contribute positively to women's empowerment within a Muslim community context, especially those who were not educated and deprived of access to labor markets or loans.

For policymaking, microfinance was seen to play an important role in achieving the millennium development goals of mitigating the gap of gender inequality which is an important objective of the new economic policy (NEP), which has guided the achievement of the Malaysian 2020 vision to become a developed nation. Despite the significant impact of AIM on women's empowerment, a large number of clients have not become financially self-sufficient and still rely on credit from AIM (Al-Shami et al., 2014; Al-shami, Majid, Rizal, Muhamad & Rashid, 2015). The policy-makers of AIM should, therefore, pay attention to important mechanisms or processes that will enhance the capacity of women to run their businesses, enabling them to become self-sufficient rather than relying excessively on microcredit. Therefore, there is a need to identify factors that would enhance the sustainability of women's businesses, especially those of the microfinance clients, and this remains an important area for future research.

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Abstract in Bahasa Malaysia

Pembiayaan mikro secara meluasnya dikenali sebagai kaedah membangunkan mereka yang tidak diberi peluang akses perkhidmatan kewangan lain, khususnya di kalangan golongan wanita. Walau bagaimanapun, literatur kajian lampau telah mengemukakan bukti yang bercanggah di mana pembiayaan mikro kepada golongan wanita terutamanya mereka dalam masyarakat Islam mungkin tidak langsung atau mungkin sebahagiannya sahaja memberi kesan terhadap kejayaan mereka. Kajian ini bertujuan untuk meneliti kesan Amanah Ikhtiar Malaysia (AIM) iaitu sebuah institusi pembiayaan mikro, di kalangan wanita Melayu Islam di kawasan bandar. Satu kaedah kuasi-eksperimen telah digunakan untuk menjalankan kajian terhadap 500 pelanggan lama dan baru pembiayaan mikro. Temubual informal separa berstruktur telah dijalankan bersama 20 pelanggan yang sedang menerima pembiayaan mikro dalam tempoh dua tahun sebelumnya. Hasil kajian menunjukkan bahawa pembiayaan mikro AIM menjadikan wanita bertambah berjaya dan dapat menyumbang terhadap kesamarataan antara gender. Ia membolehkan mereka memperolehi modal, membentuk perniagaan mikro atau kecil dan seterusnya memperolehi pendapatan yang dapat membantu mereka untuk menyumbang kepada perbelanjaan isi rumah. Walaupun kesan pembiayaan mikro ini menyumbang kepada sebahagian sahaja peningkatan ini, namun ia dapat menyediakan mereka kuasa tawar-menawar untuk membuat keputusan, kawalan ke atas sumber dan meningkatkan keyakinan diri golongan ini.

Keywords: wanita; empowerment; pembiayaan mikro; Malaysia