

ASSESSING ECONOMIC IMPACT OF MICROCREDIT SCHEME: A REVIEW OF PAST STUDIES ON AMANAH IKHTIAR MALAYSIA (AIM)

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ABSTRACT

Background and Purpose: Microcredit scheme was introduced to provide credit facilities for poor people to start a business activity. Microcredit creates income-generating self-employment activities that allow poor people to venture into small businesses and achieve economic independence. The scheme has been recognised as a successful tool to uplift the socio-economic status among the poor. Amanah Ikhtiar Malaysia (AIM) is the largest microfinance institution in Malaysia and therefore, its impact on the beneficiaries is crucial to be studied. This paper aims at reviewing the economic impact of AIM based on the existing literature.

Methodology: Four electronic databases, which are Scopus, Science Direct, Springer and Ebscohost were used to search the literature. Subsequently 118 articles were generated from this search. However, only 13 articles which met the selection criteria were analysed. We selected only empirical studies that focused on the economic impact of AIM.

Findings: Results of the review showed that income has dominated the economic impact assessment followed by asset, economic vulnerability and spending. Low concentration on the indicators other than income should be noted especially on spending as it provides a clear evidence that the recipients enjoy the economic well-being in terms of consumption expenditure.

Contribution: This review reveals that microcredit has a great potential to uplift the economic status of the poor.

Keywords: Amanah Ikhtiar Malaysia, asset, economic impact, income, microcredit.

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1.0 INTRODUCTION

Financial constraint is the major hindrance faced by poor people to participate in business activities. Poor people are incapable of applying for business loans from financial institutions due to their inability to provide collateral and sufficient documents. This lack of access to financial support traps them further in poverty. This social phenomenon is known as the vicious cycle of poverty – a phenomenon whereby the poor is poor because they lack the economic resources. In this case, the lack of access to credit is one of the reasons they remain poor. In an effort to overcome this, microcredit scheme was introduced that was specially designed to provide credit facilities for the poor to start a business activity. Microcredit creates income-generating self-employment activities that allow poor people to venture into small businesses and achieve economic independence. The provision of small loans to the poor is considered as an effective tool to increase their income generating activity, thus alleviate them from the poverty trap.

Microcredit in Malaysia began in 1986 when Professor David Gibson and Associate Professor Sukor Kasim from Universiti Sains Malaysia initiated a research action called Ikhtiar Project. This project was an effort to assist poor people to initiate an income generating activity through small business by providing small loan. The project was inspired by the Grameen Bank model which has achieved remarkable success in poverty alleviation through microcredit scheme in Bangladesh. The project was conducted in one of the poorest areas in Malaysia which was in the Northwest Selangor, from 1986 to 1988. At the end of the Ikhtiar Project, 70% of the participants were able to increase their income remarkably with the average monthly income increment of RM119. It was an impressive achievement especially for women when 84% of them manage to generate RM136 of average monthly income with 90% of repayment rate (David & Sukor, 1990). This success led the Ikhtiar Project to be declared as a successful poverty reduction programme. Following the success, Amanah Ikhtiar Malaysia (AIM) was institutionalized in 1987. In order to support the programme, the government had allocated some fund under the 6th Malaysia Plan in 1990 to help AIM to undertake its mission.

AIM is the largest microfinance institution in Malaysia and remains as one of the successful institutions in alleviating poverty through microcredit scheme. In 2018, AIM had

378,721 members and it also managed to sustain high repayment rate among the members at 98.2% repayment rate. The total disbursement of AIM to all borrowers until 2018 was RM21,478,044,131 (Amanah Ikhtiar Malaysia, 2018). AIM provides small loan without any requirement for collateral or guarantor and no legal action will be taken on those who fail to settle their payment (Siti Noor & Halimah, 2015). AIM practices group-lending in which every group member is responsible to ensure that all members pay their dues. Other members in the group are responsible to bear the payment if any one of the members fail to fulfil their commitment. They are required to attend the centre's weekly meeting and payment have to be made during this weekly meeting. All participants are eligible to apply subsequent loans only if they have good repayment record and fulfil other conditions.

2.0 LITERATURE REVIEW

In 2000, through the Millennium Development Goals, the United Nations declared microcredit as one of the important tools to reduce poverty by 2015. The report revealed that the proportion of those living in extreme poverty (who earned less than \$1.25 a day) in developing world, dropped from 47% in 1990 to 14% in 2015 (United Nations, 2016). Along with this result, Malaysia's report on Millennium Development Goals showed that the extreme poverty rate in Malaysia had been largely reduced from 16.5% in 1990 to 0.6% in 2014. Malaysia were able to improve the socioeconomic status of women by promoting various programmes such as microcredit scheme, women entrepreneurship programmes, tax incentives and re-employment program for the women (Economic Planning Unit & United Nations Malaysia, 2016). This report showed that microcredit scheme is one of the main programmes that delivered significant impact in increasing the income among the poor people in Malaysia particularly among the women.

Numerous studies have been carried out globally to evaluate whether microcredit delivered positive or negative impacts on the borrowers as shown by Hassan and Islam (2018); Tambe et al. (2017); Sandhya and Sri Ranjini (2018); Pham, Katsuhiko, and Pham (2019). The impact assessment of microcredit can be assessed in terms of economics impact (Pham et al., 2019), social impact (Mayoux, 1999) and politics impact (Mayoux, 2000). However, according to Hulme (2000) the impact studies of microcredit have been dominated by the economic impact. There are various ways to assess the impact of microcredit on the economic performances and most of the studies revolved around the issues of 'before and after' situation related to the economic performance of the borrowers. In many developing countries, income

and consumption are two important indicators used to assess the effectiveness of microcredit, particularly in alleviating poverty (Hussain, Mahmood, & Scott, 2018).

Apart from Malaysia, other countries have also recorded many success stories of microcredit in increasing the income and alleviating poverty among its beneficiaries. Hussain et al. (2018) investigated the impact of microcredit in reducing poverty in Pakistan by using logistic regression to analyse the relationship between financial poverty (refers to the lack of income, expenditure and saving) with the size of microloans. The study concluded that the size of microloans is inversely correlated with financial poverty among the borrowers, which indicated that as the amount of loan borrowed increased, the financial poverty fall. Mizanur and Ahmad (2010) investigated the impact of microcredit on income, expenditure, family employment and assets of the borrowers in Bangladesh and showed that the average income of the borrowers increased by more than 33 percent after joining the microcredit scheme. The borrowers' expenditure also increased with the highest expenditure being on food, followed by house repair, maintenance and medication. Family employment was also increased from an average of 1.96 household members to 2.1 members. Furthermore, the result revealed that the change in assets which refer to house, land, furniture, radio, television, cycle and car also increased significantly after joining the microcredit scheme. Another impact study of microcredit was carried out by Mahmood, Hussain, and Matlay (2014) in Pakistan. This study examined the impact of microfinance loan on poverty reduction amongst women micro-entrepreneurs by seeking a relationship between income and the amount of loan using binary logistic regression. The result showed that there was significant contribution of the amount of loans in increasing the beneficiaries' income. Bhuiyan, Siwar, and Talib (2012) studied existing literatures on the impact of Grameen Bank's microcredit in Bangladesh on income and consumption of its borrowers. The study also found that the income and consumption of the borrowers increased after joining microcredit scheme compared to before their participation in the scheme.

While many studies agreed with the positive impact of microcredit in increasing income, thus reducing the poverty, some studies argued that the microcredit scheme does not reach the poorest. Das (2019) evaluated the impact of credit access on income and poverty in rural Assam, India. This study used income per capita to access the impact of microcredit on household income. The results indicated that access to credit managed to raise income of the poor household and had significant positive relationship with formal credit and subsequently led to the reduction of the number of poor households. However, formal credit is only effective in lifting those who are closest to the poverty line and had very low impact on the poorest

among them. Ukanwa, Xiong, and Anderson (2018) found the same result in Nigera, whereby the poorest benefit less from microcredit. They argued that this is due to the lack of basic necessities of life faced by the poorest which forced them to give priorities to livelihood for survival rather than for business growth which impacted their income level. Patrick and James (2019) extended the analysis of the impact of microcredit in Uganda by investigating the impact of various microfinance products which are microloan, savings and money transfer services. With regard to microloan, the study indicated that the provision of microloan contributed only a small percentage to the socio-economic growth of the recipients. Moreover, they also found that there was no significant difference between the recipients and the non-recipients of microloan in terms of increasing their socio-economic status.

On the other hand, some studies criticised the effectiveness of microcredit by stating that microcredit worsened poverty among the borrowers. Atmadja, Su, and Sharma (2016) studied the impact of microcredit on the performance of women micro-entrepreneurs in Surabaya, Indonesia. The performance of the microenterprises in this study was measured by profit. This study revealed that the amount of microcredit borrowed by its recipients had negative relationship with the microenterprise performance. Another study by Atmadja, Sharma, and Su (2018) also reached the same conclusion whereby the analysis showed that microcredit had negative impact on the profit from the microenterprises.

Due to the mixed result on the impact of microcredit, impact assessment of this programme remains an important area to study. Since a handful of studies have been made on the economic impact of Amanah Ikhtiar Malaysia (AIM), the present review is an attempt to provide an overview of these studies.

3.0 METHODOLOGY

This study was carried out to review the existing literatures on the economic impact of AIM. The review relied on four electronic databases which are Scopus, Science Direct, Ebscohost and SpringerLink. The search strategy was formed by using the combination of the following keywords: microcredit impact, microfinance impact, microcredit effect, microfinance effect and Amanah Ikhtiar Malaysia. This search generated 118 articles. However, several criteria were made before further assessment of the articles was carried out. The first criterion was the publication type. This study selected only journal articles with empirical data which means that we excluded review papers, books and conference proceedings. Secondly, we only selected studies which had been done on AIM and finally, we chose studies which focused only on the economic impact of AIM. Based on these criteria, 105 articles were excluded from further

assessment and only 13 articles were eligible to be reviewed and assessed. Content analysis were conducted to identify themes related to the economic impact of AIM. After reviewing all 13 selected studies, we considered four themes of economic indicators that were used to examine economic impact of AIM which are income, asset, spending and economic vulnerability.

4.0 FINDINGS AND DISCUSSION

4.1 Income

Income is the most popular indicator used to assess the economic impact of microcredit particularly changes in income (Hulme, 2000). Most of microcredit impact studies adopted the “before and after” situation to measure performance of the borrowers (Bhuiyan et al., 2012). In line with this, a study by Mohamed, Che Supian, and Norziani (2012) in Kedah showed that the average income of the borrowers increased from RM1,286.77 before joining microcredit to RM2703.63 after joining the programme which showed an increment of 110% or RM1,416.86. T-test analysis showed that the mean difference was significant. This study further measured the effectiveness of microcredit scheme in reducing the poverty rate among the recipients by analysing an average percentage of the extreme poor and the poor that have managed to overcome their poverty problem. The analysis showed that the category of “extreme poverty” declined from 12.8% (before) to 2.3% (after). The category of “poor” declined from 19.8% (before) to 5.2% (after), and those who were in the category of “low income” fell from 54.1% (before) to 44.8% (after). This study also indicated that microcredit has positive impact in increasing income of the borrowers, thus reducing the poverty rate amongst them. Norma and Jarita (2011) extended the impact of microcredit on the recipients’ income by analysing yearly income, monthly income and per capita yearly income in Perak and Kelantan. Using the same “before-after” method, this study found that the mean yearly income increased from RM5,362.27 to RM23,841.45, mean monthly income increased from RM446.86 to RM1,986.79 and mean per capita yearly income also increased from RM1,045.35 to RM4,734.44. This study also analysed the factors contributed to the income increment by adopting ordinary least squares analysis (OLS) by examining the respondent’s education level, gender, the amount of loan borrowed and the area of residence as significant factors of income increment.

Another study which also examined income based on “before-after” method was carried out by Hamdan, Othman, and Hussain (2012) in Selangor. This study analysed income differences earned by microcredit recipients from four institutions namely TEKUN, AIM,

Lembaga Zakat Selangor and Yayasan Basmi Kemiskinan Selangor. The result showed that participants from all the institutions stated positive income changes after their involvement in the microcredit programme. However, t-test analysis showed that AIM beneficiaries experienced the most significant income increment compared to other institutions which increased from RM616.22 per month before joining the programme to RM2,038.06 per month after joining the programme. Further analysis was made using multiple regression to seek the determinants of income increment and the result indicated that experience, business classification and total micro loans had positive and significant relationship with business profit. Meanwhile, initial source of capital and training had positive coefficient value but not significant with the business' profit. Rika, Zainalabidin, and Jusri (2015) studied economic impact of AIM microcredit scheme in Selangor and found that all respondents reported positive changes in income after joining the microcredit scheme. This study only noted the total income after joining microcredit and sought to examine factors that contribute to the economic performance by using multiple linear regression. The study revealed that the duration receiving the loans (years), the amount of loan, the number of employees and age were significant in influencing the monthly income of the recipients.

Apart from the 'before-after' method, we found that some studies used quasi-experimental approach which concentrated on income differences between treatment (old AIM members) and control groups (new AIM members). A study by Abdullah, Malarvizhi, Sazali, and Mohammad (2011) adopted this method in examining income differences between new and old AIM members in Kedah, Kelantan and Terengganu. This study analysed income from microenterprise activities related to production, livestock activities, and agricultural activities. The result showed that for all the economic activities stated, the old AIM members earned more than new AIM members. With regard to production activities, new AIM members earned RM631.15 and old AIM members earned RM1,072.45, while for livestock activities, new AIM members earned RM98.33 and old AIM members earned RM150. Besides, new AIM members who were involved in agricultural activities earned RM430 and old AIM members earned RM653.60. Furthermore, the mean monthly income from the microenterprise activities revealed that old AIM members earned RM952.44, which was higher than new AIM member (RM523.12).

Another study that used the same method to analyse the income differences between new and old AIM members was done by Syed et al. (2015) in Selangor and Melaka. This study was based on household income. Two categories of income were used that is less than RM750 and less than RM2,000. The odd ratio of multinomial logistic regression discovered that in

urban area, household income of old AIM members increased by 1.5 times compared to new AIM members for income category of less than RM750 and the income of old AIM members increased by 2.5 times compared to new AIM members under income category of less than RM2,000. Meanwhile in rural area, old AIM members experienced an increased income by 2.3 times compared to new AIM members under group income of less than RM750 while the old AIM members experienced an increased income by 3.27 times compared to new AIM members under the income less than RM2,000. Further analysis was made on the determinants of income and the result found that the household size and business training had positive relationship with income increment for both income category while the age factor for low income category had positive and significant relationship only for income category of less than RM2,000. A study by Abdullah, Sazali, and Abu Bakar (2015) adopted quasi-experimental approach by using structural equation modelling to evaluate the impact of microcredit on household income in Kedah, Kelantan and Terengganu. The result showed that the number of gainfully employed members and the number of sources of income had a positive effect on household income but not statistically significant. Meanwhile the net worth of productive asset was found to be statistically significant and had positive relationship with total income.

Norma (2011) analysed the income of AIM micro-entrepreneurs in Perak and Kelantan based on economic activities related to trading sector, service sector and production sector taken up by them. The result found that rubber traders experienced the highest income earning activity related to trading sector in Kelantan with RM6,000 monthly. Meanwhile in Perak, selling paint products received the highest income activity with RM5,000 monthly under the same sector. With regard to the service sector, house construction and related activities earned the highest income in service sector with RM3,617 in Perak, while in Kelantan, nursery was the highest income activity with RM1,100 monthly under the same sector. Finally, AIM members in Perak who had engaged in production related to construction/building material and cattle breeding activities received the highest average income with RM1,500 monthly, whereas in Kelantan, members working in light manufacturing earned the highest average income of RM1,150.

Despite many impact studies that focused on income assessment was based on average income changes, a study by Fatin, Zainalabidin, and Rika (2018) used income investment ratio to determine the impact of microcredit on the borrower's income. This study found that the value of average income investment ratio was 4.062, which indicated that micro-enterprise activities are successful in generating income of the AIM members. This study also performed multiple regression analysis to examine the contributing factors to income-investment ratio and

found that the number of family workers and hired workers had significant relationship with the income-investment ratio. This signified that the entrepreneurship ventures have expanded by employing hired workers.

Based on the above finding, it is found that participation in AIM microcredit scheme successfully increased the income level of its borrowers. The finding supported other literatures which indicated that microcredit has beneficial economic impact on its borrowers (Adhikary & Das, 2018). Moreover, this study also found that old AIM members earned greater income than new AIM members which indicated that prolong participation in AIM microcredit scheme will likely benefit them more.

4.2 Asset

Besides income, we discovered that some studies concentrated on assets as an indicator to evaluate economic impact of AIM. Asset is determined as a useful indicator to measure impact because their level does not fluctuate greatly as other economic indicators and are not simply based on annual estimate (Hulme, 2000). Abdullah, Joseph, and Mohammad (2012) identified the impact of AIM microcredit scheme on the microenterprise assets owned by its borrowers in Kedah, Kelantan, Perlis and Perak. This study used quasi-experimental approach to measure the impact of microcredit by comparing between the control (new AIM members) and the treatment group (old AIM members). The result revealed that mean microenterprise assets for old AIM members is greater than the new AIM members which was RM16,603.87 and RM10,947.19 respectively. The impact of microcredit on assets has also been studied by Abdullah, Malarvizhi, Sayed, and Sazali (2011). This study also adopted quasi experimental approach by comparing assets between the control (new AIM members) and the treatment group (old AIM members). The study referred to assets as the net worth of household assets. The result showed that the average household assets owned by new AIM members was RM27,494.21 and old AIM members was RM50,358.78 which indicated that old AIM members owned more household assets than new members. Using structural equation modelling, the study revealed that the total amount of loan received by the borrowers had significant linear relationship with the net market value of productive asset.

Another microcredit impact study on assets, was carried out by Abdullah, Sazali, and Malarvizhi (2010) in Kedah, Kelantan and Terengganu. This study examined the market value of microenterprise total assets by also using quasi-experimental approach again by comparing between the new and the old AIM members. The result found that the mean market value of microenterprise assets owned by old AIM members was RM12,533 which was higher than the

RM5,993.70 owned by new AIM member. Norma and Jarita (2011) studied the factors contributing to assets value after participation in AIM microcredit scheme by using ordinary least squares regression. The study identified educational level, marital status, AIM's staff project, source of income, amount of loan from AIM and assets owned before joining AIM as significant factors that determined assets value owned by the recipients.

Based on the above studies related to asset assessment, we found that the participants of AIM microcredit scheme were able to increase their asset ownership after joining the programme. It was also found that prolonged involvement in AIM microcredit scheme tend to increase assets held by them, as it was shown that the old AIM members owned more asset than the new AIM members.

4.3 Economic Vulnerability

We found only one study that focused on economic vulnerability as an indicator to assess economic impact which was carried out by Abdullah, Mohammad, and Malarvizhi (2014). The study adopted economic vulnerability index which examined risk exposure of the beneficiaries. The analysis was performed by comparing between new (control group) and old AIM members (treatment group). The study found that the mean economic vulnerability among old AIM members were significantly lower than the new AIM members. Therefore, we concluded that AIM microcredit scheme is likely to reduce the level of economic vulnerability among the beneficiaries. In addition, it also indicated that prolonged involvement in AIM microcredit scheme is likely to continuously reduced the level of economic vulnerability as old AIM member experienced less economic vulnerability than new AIM members.

4.4 Spending

Another economic indicator used to assess economic impact of AIM is spending (Norma & Jarita, 2011). The study was conducted in Perak and Kelantan. The study focused on the contributing factors of the ratio of spending to total monthly income. The result of the regression analysis found that the amount of loan borrowed and the area of residence significantly contributed to the ratio of monthly spending to income. Many more studies should be made to focus on spending because it reflects the quality of life which shows the ability of the borrowers to spend their money effectively. The poor may spend their money to fulfil their basic necessities and to pay debts. In such cases the income generated from the entrepreneurship activities will not improve their economic status.

Table 1: Studies on economic impact of AIM microcredit scheme

Study	Economic Indicator	Study objective	Analysis method	Finding	Study Area
Norma and Jarita (2011)	1)Income 2)Asset 3)Spending	1)Changes in income and determinants of income 2)Determinants of asset value 3)Determinants of ratio of monthly spending	1)Changes in average income and ordinary least squares regression 2)Ordinary least squares Regression 3)Ordinary least squares regression	1) Yearly income increased from RM5,362.27 (before) to RM23,841.45 (after). Monthly income increased from RM4,46.86 (before) to RM1,986.79 (after). Per capita yearly income increased from RM1,045.35 (before) to RM4,734.44 (after). Education level (sig), gender (sig), amount of loan borrowed (sig), area of residence (sig). 2) Education level (sig), marital status (sig), AIM's staff (sig), source of income (sig), amount of loan borrowed (sig) and assets owned before joining AIM (sig).	Perak Kelantan

					3) Amount of loan borrowed (sig) and the area of residence (sig).	
Rika et al. (2015)	Income	Determinants of income	Multiple linear regression		Duration receiving loans (years) (sig), amount of loan (sig), num. of employee (sig) and age (sig).	Selangor
Abdullah et al. (2015)	Income	Determinants of income	Structural equation model		Num. of gainfully employed members (+), num. of sources of income (+), net worth productive asset (+, sig)	Kedah Kelantan Terengganu
Abdullah et al. (2011)	Income	Income differences between new and old AIM member	Mean difference between new and old AIM members		Old AIM members earned RM952.44 monthly New AIM members earned RM523.12 monthly	Kedah Kelantan Terengganu
Syed et al. (2015)	Income	Changes in income between less than RM750 income category and less than RM2,000 income category, in urban and rural area.	Multinomial regression	logistic	1) Urban area – i. <RM750 - Old AIM members increased income by 1.5 as compared to new AIM members. ii. ≤RM2000 - Old AIM members increased income by	Selangor Melaka

2.5 as compared to new AIM members.

2) Rural area –

i. <RM750 - Old AIM members increased income by 2.3 as compared to new AIM members.

ii. ≤RM2000 - Old AIM members increased income by 3.27 as compared to new AIM members.

Hamdan et al. (2012)	Income	1) Changes in income 2) Determinants of income	1) Monthly income before and after joining AIM 2) Multiple regression	1) Income increased from Selangor RM616.22 (before) to RM2,038.06 (after). 2) Experience (+, sig), business classification (+, sig), total loan borrowed (+, sig), capital source (+) and training (+)
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Norma (2011)	Income	Income differences between various economic activities	differences various	Income after participating in AIM	Perak – highest income was generated from rubber trading (RM6,000), house construction (RM3,617) and construction/building material and cattle breeding for production sector (RM1,500). Kelantan – highest income was generated from rubber trading (RM6,000), children nursery (RM1,100) and light manufacturing (RM1,150).	Perak Kelantan
Fatin et al. (2018)	Income	1)Income investment ratio 2)Determinants of income investment ratio	investment	1) Income investment ratio 2) Multiple regression	1)4.062 – indicated that microcredit was successful in generating income. 2)Family workers (+, sig) and hired workers (+, sig)	Selangor
Mohamed et al. (2012)	Income	Changes in income		Monthly income before and after joining AIM	Income increased from 1,286.77 (before) to 2,703.63(after).	Kedah

Abdullah et al. (2012)	Asset	Microenterprise asset	Mean microenterprise asset between new and old AIM members	Old AIM members owned greater microenterprise asset (RM16,603.87) compared to new AIM members (RM1,0947.19).	Kedah Kelantan Perlis Perak
Abdullah et al. (2011)	Asset	Household asset	Structural equation model	Old AIM members owned greater household asset (50,358.78) compared to new AIM members (27,494.21).	Kedah Kelantan Terengganu
Abdullah et al. (2010)	Asset	Market value of microenterprise asset	Mean differences of market value of microenterprise asset between new and old AIM members	Old AIM members owned greater market value of microenterprise asset (RM12,533) compared to new AIM members (RM5,993.7).	Kedah Kelantan Terengganu
Abdullah et al. (2014)	Economic vulnerability	Level of economic vulnerability after joining AIM	Economic vulnerability index	Mean economic vulnerability among old AIM members was significantly lower than new AIM members.	Kedah Kelantan Terengganu

5.0 CONCLUSION

In this review, we examined four economic indicators used in past literatures to assess the economic impact of AIM which include income, asset, economic vulnerability and spending. The most commonly used indicator was based on evaluating changes in income and many studies adopted the “before and after” method. All selected studies revealed that AIM microcredit has delivered remarkable positive economic impact in terms of increasing income, asset ownership and spending. Furthermore, it showed that the AIM microcredit scheme was able to reduce economic vulnerability among its borrowers. However, these studies did not include all states in Malaysia. As such more studies in other areas should be done to reflect the entire scenarios in Malaysia. We found that factors contributing to economic performance varies according to the studies. However total loans borrowed played a significant role in most of the studies. This showed that the amount of microcredit received by AIM micro-entrepreneur is very important in enhancing their economic status. This finding also indicated that the borrowers were able to spend the loan effectively in their economic activity which led to the increased in their income level.

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