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Conceptual Framework: the Role of Malaysian Microfinance on the Wellbeing of Users' Services from the Perspective of (AIM) and (TEKUN)

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Abstract: Microfinance has shown to be an effective tool for combating poverty, creating jobs and improving the wellbeing of poor. It has also proven to be an engine to poor empowerment especially women through enabling them to manage their businesses and make their decision independently and enhance their self-esteem. Therefore, the number of microfinance intuitions and their clients has witnessed a dramatically growth. Recently, MFIs witnessed a huge transforming from informal and social institutions into commercial institutions and banks. The commercialization of MFIs was accompanied with increasing the interest rate to cover the operational cost of MFIs and allow them to be self-sufficient. However, the social mission of MFIs has been questioned for several reasons and at the heart of those reasons is the trade-off between outreach and sustainability goals. Therefore, this research is intended to propose a conceptual framework in the role of Malaysian MFIs on the beneficiaries' wellbeing. The Amanah Ikthair Malaysia (AIM) and Tabung Ekonomi Kumpulan Usaha Niaga (TEKUN) will represent Malaysian MFIs. In this paper microfinance servers are referred to financial, nonfinancial and social services while the wellbeing is referred to the clients' household, micro and small enterprises performance and empowerment. The mixed method of quantitative and qualitative methods will be used to carry out the objective of this research.

Key words: Microfinance · Wellbeing · Malaysia · AIM and TEKN

INTRODUCTION

Microfinance has gained a universal consensus as an effective tool for poverty alleviation and socioeconomic development. The dynamic and growing of microfinance activities can lead to the achievement of a wide range of development objectives, including: the fulfilment of self-employment, new firms formation, income distribution and well-being improvement. The role of microfinance goes beyond business investment, to include the improvements in the economic wellbeing of households such as, clients' health, nutrition, children education and standard of their life. Moreover, microfinance is also considered as an essential approach to empower poor especially women. It enables them to make their decision independently, improve the quality of their life and dignity and enhance their self-esteem as well as self-efficacy. Therefore, many global development agencies including the United Nation considered microfinance as a crucial vehicle to driving the achievement of the millennium development goals of halving hunger and extreme poverty by 2015.

Collectively, microfinance is known as a provision of a wide range of financial services such as credit, insurance, savings, deposit and payment services to poor and low-income households who are excluded from conventional financial services for lack collateral [1-5]. The underlying logic is that by offering financial services, poor and low income people will be able to participate in the economic market through forming and developing their micro and small enterprises. Consequently, they will be able to improve their households, manage their businesses and make their decisions independently. In contrast, the MFIs will enhance their outreach and consolidate their sustainability through attracting more clients and reciprocating win to win strategy where poor

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borrowers make improve their wellbeing and MFIs make profit. Over the past two decades, the Malaysian policymakers recognized the importance of microfinance and they established many institutions to deliver financial and nonfinancial services to those who live in poverty and deprived from accessing to formal financial services.

Problem Statement: In the past two decades, a surge of growth in the activities of microfinance institutions has been noticed in the developing countries especially in Asian countries. From only 7.6 million poorest families in 1997, Microcredit Summit Campaign reported that an outreach of205,314,502 clients by December 31, 2010 and 137,547,441 of whom were among the poorest [6, 7].

The Malaysian MFIs have also witnessed a remarkable growth in the number of institutions and clients. The birth of Malaysian MFI was in 1987 when Malaysian government decided to replicate Grameen bank model of group-lending and establish Amanah Ikhtiar MalaFysia (AIM) as non-government organization. The main aim of (AIM) was to provide financial services to those who were excluded from accessing to formal financial services for lack collateral. Recently, (AIM) is the largest MFI in Malaysia which services approximately 82 percent with 222,557 of Malaysian poor households [8]. It also was reported to have the highest loan repayment rate in the world which reached 99.2 percent [9]. The (AIM) loan can be characterized as a free interest loan based on Islamic principles, except imposing 10% as operational and management fees with 2% as a compulsory saving [10]. The second microfinance institution is Yayasan Usaha Maju (YUM). It was founded in 1988 as a government institution under the ministry of agriculture. The mission of this institution is to provide financial services to poor and low income people who live in Sabah state [11]. The (YUM) provides loan with free interest except 10-18% as a managerial and operational fees with 2% compulsory saving. Currently, (YUM) services 8,252 borrowers through 20 branches and it has a good repayment rate which scored 90.72 [12]. The third microfinance institution is Economic Fund for National Entrepreneurs Group (TEKUN) which was founded in 1998 as a government institution under the ministry of agriculture. The mission of this institution is to provide financial services to all entrepreneurs with regardless to their economic statue either poor or not. The (TEKUN) offers loan with free interest except 4% as managerial fees and 5% compulsory saving. Currently, (TEKUN) is providing its services from 194 branches to 150,131 clients [13]. The loan repayment rate in the (TEKUN) is 85.0% which considers low compared to the repayment rates in the (AIM) and (YUM).

Recently, microfinance institutions have witnessed a huge transformation from informal institutions into formal institutions and banks which were accelerated by commercializing microfinance services [14, 15]. The sustainability of microfinance institutions was the motivator behind commercializing microfinance services and imposing high interest [16]. However, the implementation processes of transforming MFIs into profitable institutions had been accompanied by a multiple challenges.

First, the trade-off between outreach and sustainability goals is always a big challenge faced by any microfinance institution. However, the majority of MFIs give the first priority to the enhancement of their sustainability through maximizing the profit rather than reaching to the poorest poor [17]. Therefore, doubts have been cast the mission of microfinance and even the Yunus faction worries about ‘‘mission drift,” saying that, as the drive for profitability increases, only the so-called ‘‘less poor” (as opposed to the very poor) will qualify for loans” says [18]. Moreover, financing poorest poor may be unprofitable if not risky business because they lack the opportunity of profitable business or self-employment [2].

Second, the majority of microfinance and the related evolutions still often emanates from Asian where microfinance movement originated. Ironically however, the theory acclaims that microfinance works differently in different contexts and at different circumstances such as the population density, attitudes to debt, group-cohesion, enterprise development, financial literacy, financial service providers and other [19].

Third, the perspective of users' services and the contextual factors are important in assessing the impact and implementing the processes of microfinance intervention. However the literature still lacks to an adequate information about the perspective of users services about the impact and the implementation processes of microfinance intervention [20]. Therefore, the impact of microfinance institutions on poverty reduction and wellbeing improvement is always questioned [21].

Fourth, even though, a large number of microfinance studies in Malaysia emphasised to the important role of microfinance on the users' services' wellbeing; those studies have been criticized by [22] for a several reasons such as:-

First, the majority of those studies have not paid enough attention to the measurements of microfinance input which includes financial services, nonfinancial services and social services.

Second, the majority of Malaysian microfinance studies were focusing on the impact of microfinance on economic performance of the clients such as their household and business income. However, the impact of microfinance on the uneconomical performance of the clients' such as empowerment, health and nutrition were almost excluded.

Finally, the combination of quantitative and qualitative approaches is recommended to conduct microfinance studies for gaining a deep understanding about the phenomenon of study [3]. But, the majority of the Malaysian microfinance studies had been conducted based on either qualitative or quantitative separately [22].

Despite, the criticism on the microfinance viability and doubts on the impact, microfinance is perceived as a crucial tool towards achieving the millennium development goal of halving extreme poverty and hunger by 2015 [23].The pioneers and practitioners of microfinance have demonstrated the power and success of microfinance and accelerated its growth [6, 15]. For example, declared that according to 3,652 microfinance institutions reports in 31 December 2010 the clients of microfinance institutions reached more than 205 million and over than 137 of whom were among the poorest [6].

Regardless of the different and seemingly incompatible conclusions that have been derived from those studies a sober question can be asked "what is the role of microfinance on the clients' wellbeing?

In order to answer these questions and address the outreach and sustainability gaps, this research is aimed to examine the role of microfinance in the borrowers' wellbeing in Malaysian MFIs from the perspective of (AIM) and (TEKUM).

Literature Review: Micro-financing is not a recent development; it goes back to the late of three centuries before when the Irish loan funds emerged in the 1720 [24]. The Irish loan had been designed to help poor people who were living in rural areas and provide them small size of loan with interest for short period and without collateral [25]. In the middle of 18^{th} Irish loan funds had proliferated to over than 300 funds around Ireland which provided small loan to 20% of Irish households annually [26]. Concurrently, the Friedrich Wilhelm Raiffeisen and his supporters in Germany developed the concept of the financial cooperative and in the late of 18^{th} century it expanded rapidly within Germany [24]. In the late of 18^{th} century microfinance had witnessed a huge proliferation in the European, North American countries and also Asian countries such as Indonesia and India [25]. However, the Irish loans couldn't sustain competitive in the market for a long period, because the owners of the commercial banks in Europe countries used their clout to stop its growth by using financial repression which was finally caused to collapse and disappear those loans from the markets in 1950 [25, 26].

In the historical period between 1950s-1970sthe governments in the developing countries and the global donor agencies established state-owned development finance institutions for providing agricultural loan to small and marginalized farms [26]. However, those institutions lost most or all of their capital because their subsidized lending rates have not cover their costs [27].

In 1976 the Grameen bank developed the group lending model which formed the departure point of modern microfinance [28].The group lending model had witnessed a rapid growth between 1976s- 1980s and it had been replicated by many developing countries in the Latin America, Africa and India[14].The main reason behind the success of the group lending in Bangladesh was owed to the joint reliability in which the group members can access to loan services based on social collateral rather than physical, while they are jointly responsible to any default [19].

The Bank Rakyat Indonesia has also shown a huge growth and it achieved a wide outreach which reached a large number of poor and low income people [27]. The mission of microfinance institutions in this period of time was predominately social mission rather than profitable while the provided service of microfinance was described as small size of loan with free interest rate [29]. Moreover, the activities of microfinance institutions were characterised as: self-sustaining, self-expanding and self-perpetuating [14].

Two decades ago, a surge growth of microfinance institutions had been noticed in the developing countries and different models of formal MFIs started to develop especially the South-East Asia and Latin America [27, 29]. The formal system of microfinance institutions started growing especially in the urban areas with less opportunity to serve the poor people, while the informal system spread in the rural areas where the poor people had an opportunity to gain microcredit with cheap price [30]. In the late of 1980 borrowers had shown their willingness to pay interest rates that support the sustainability of microfinance institutions and improve the their outreach [19].

Over the past decade, microfinance received a considerable attention as an effective tool for poverty reduction [23, 31]. Microfinance also drew attention the small and middle sized investors [14]. Moreover, microfinance institutions and their borrowers witnessed a rapid growth in the number of borrowers and the number and size of microfinance institutions which was motivated and subsidized by the donors' and governments [3]. However, microfinance demand was greater than the capacity of microfinance institutions [26].

The borrowers showed their willingness to pay interest rates in order to guarantee sustainable financial services which was the platform of commercializing microfinance institutions [2, 14, 30]. The advocators of microfinance commercialization argued that the commercialization enables many microfinance institutions to increase their lending capacity and improve the quality of their services as well as achieve depth outreach [2, 32]. For example, the commercialization enabled Bank Rakayat Indonesia (BRI) to expand its services to approximately 30 million low-incomes households and borrowers [2].

The commercialization of microfinance takes five development stages which are increasing the cost recovery, achieving operational self-sufficient, achieving financial self-sufficient, utilizing of market-based source of funds and finally operating as a for profit as part of the formal financial system [33]. In addition, the type of microfinance transformation can be from a non-profit entity into a financial institution, establishing a commercial MFI from scratch and finally, involving microfinance services in the traditional banks services [34]. Although, the importance of commercialization to microfinance institutions and the borrowers, the profit orientation with higher interest rates does not enhance the profitability and sustainability of MFIs because the high profit orientation is also combined with higher MFI costs [35, 36]. Moreover, the poorest poor may not be able to use the loan effectively and repay loan principal and interest because they lack the opportunities for profitable self-employment [2]. Therefore, doubts have been cast the mission of microfinance and even the Yunus faction worries about ''mission drift," saying that, as the drive for profitability increases, only the so-called ''less poor" (as opposed to the very poor) will qualify for loans" says [18]. Not only that, microfinance can also be a harmful tool to poor people [37, 38].

Over the past decade, the concept of microfinance has been shifted from microcredit into financial services which include credit saving and other financial services [14, 27]. However, today's, microfinance faces a significant changes such as a widespread concern on how can microfinance build the financial inclusion which helps poor clients to cope with the financial market [38, 39]. In the other word, building the financial literacy and education of the borrowers are important to advance their understanding in how to effectively use the loan and cope with financial market [40]. In addition, enhancing the capacity and ensuring the sustainability of MFIs and providing productive credit to the borrowers all became at the forefront of MFIs priorities [39].

The new technological innovations, diversification of microfinance products, providing productive credit and the asymmetric information between institutions and the poor borrowers form big challenges to many institutions which affect their financial inclusion [40, 41]. In order to overcome those problems the financial literacy and financial education are important to help the borrowers to understand their responsibilities to MFIs and obtain skills and knowledge that enable them to effectively use the loan [39]. Moreover, they help the borrowers to achieve financial capability through enhancing their ability to use the skills and knowledge which ultimately leads to achieve financial inclusion [40]. Therefore, the concept of financial inclusion is shifting solely from the institutional issues such as portfolio growth, number of clients into the institutional responsibility to the borrowers and the ability of the borrowers to choose and use the available services by themselves [39, 40].

The wide evidences have proven that access to financial services enhance the capability of young people to manage and control their finances and plan for their own futures, while the integration between financial and nonfinancial services is needed to experiment and innovate product design and bundled packages of services [39]. In addition, the integration between financial and nonfinancial services support the development of a better-informed and financially savvy generation [42]. The financial services contains the services of savings, credit, insurance, credit cards and payment systems, while the nonfinancial services includes enterprise development services and social services, which focuses on improving the well-being of micro-entrepreneurs [43].

Financial Services: Microcredit has gained increasingly attention from the worldwide countries especially in developing countries as a crucial tool for poverty reduction and micro and small business development [1, 3]. Even the United Nation announced that 2005 is the international year of microcredit [44]. The formal birth of microcredit was in 1976 when the Bangladeshi banker professor Mohamed Yunus introduced credit services in the Carmen Bank [27]. Recently, microcredit became a buzzword among the formal and informal moneylenders which attributes to its social goal of serving poor people and alleviating their poverty, while the main target of other types of moneylender is the profit [2, 4]. The popularity of microcredit is owed to its features and flexibility of accessing to loan services without a physical collateral and the flexibility of loan disbursement and repayment processes [1, 34]. These terms have the power to driving poor especially women to the economic market and enable them to exploit the exits opportunities [45, 46]. Moreover, microcredit has seen as an empowerment tool to poor especially women in many countries such as India, Ethiopia and Yemen which allows them to make their decisions and gain money as well as enhance their self-esteem [47-50]. It also has recognized as a vital tool for improving the wellbeing of poor people in India and Egypt through enabling them to generate income, acquire assets and advance the quality of their life as well as the educational enrolment of their children [51, 52]. In addition, the microcredit product of the Malaysian microfinance plays a central role in supporting the wellbeing of poor people through allowing them to meliorate the expenditure of their households, create jobs and generate income as well as increase the household assets [11, 53, 54]. It also recognized as a vital source for developing and forming micro and small enterprises and generating self-employments to a large number of women [48, 55]. The flexibility and rescheduled loan repayment had been considered by the Grameen II model to secure borrowers of loan default and facilitate the process of getting loan [56]. In addition, the effective impact of microcredit on the poor household and their microenterprises performance dependent on the loan terms which includes repayment flexibility, loan size and number, interest rate and others [3, 20, 57].

Saving services is another financial service which takes two types of compulsory and voluntary saving [58]. The compulsory saving can be either a facilitated savings account kept outside of the MFI or a deposit held by an MFI while voluntary savings is the amount of savings kept by MFI clients which is not required as a condition of an existing to loan [3]. The saving services are important sources to clients' liquidity management through accessibility to cash, rate of return, security and divisibility of savings as well as savings are important to MFIs through reducing the liquidity, reducing the transaction cost of the services and creating market demand [58]. In addition, the flexible savings, loans for education and health, contractual savings, micro-insurance and lines of credit are important needs to poor people [59].

Enterprises Development Services: The financial services are important sources to poor for job creation, new businesses formation and livelihoods improvement [2]. However, financial services alone are not enough to continuously improving the livelihood of the clients and enhancing the sustainability of their micro and small businesses [60]. The development of borrowers' skills through businesses development, financial literacy and others training is important to achieve the sustainability of micro and small enterprises which in turn leads to achieve the sustainability of microfinance institutions [31, 61, 62]. Therefore, the concept of microfinance has shifted from a simple bank to a development tool of human skills that helps poor to effectively use financial sources[3].

Microfinance services through easily accessing to credit, skill training and information of membership are important for successfully driving women to micro entrepreneurship in Bangladesh [63]. The entrepreneurial training that provided by Peruvian village banking program helps poor people to improve their savings, loan repayment, retentions rates and their businesses knowledge [64]. In addition, the integrated between entrepreneurial trainings and microcredit services has been regarded as an effective tool to consolidate micro and small enterprises in the south of Africa as well as in Malaysia [53, 65]. Despite, the importance of integrating financial and nonfinancial services which helps the borrowers' to improve the performance of their micro and small enterprises' as well as their household, it is costly and non-government and government subsidies are needed to cover nonfinancial services [60].

Social Intermediation Services: Generally microfinance institutions always face twofold problem during financing poor borrowers which are the inability of poor to provide physical collateral, while microfinance institutions lack accurate information about them [66]. However, the group lending model has proven its worthiness in bridging the information gap between borrowers and lenders and mitigating the risk of adverse selection [19, 66-68].

The group lending is referred to the individuals without collateral who decide to join into solidarity groups to obtain loans from lenders [19]. The underlying logic of group lending is that by joint liability MFIs could mitigate the moral hazard of the borrowers and adverse selection through peer monitoring and screening functions [69]. In addition, the joint liability loan can bring a high profit to lenders compared with the individual liability contracts and it is also a helpful tool to improve the aggregated performance of the group members [70].

The group lending is a profitable business to both the borrowers as well as the lenders [3]. It allows microfinance institutions to reach the poorest poor, extend their market and reducing the operational cost of monitoring and mitigating the risk of loan default [71]. In contrast, the group lending enables poor to easily access microfinance services ameliorate the households' expenditure, access to market information and enhance the activities of entrepreneurship [72]. The critical factors of group liability success are self-group formation, leader selection, repeat interaction between the group members and enforcement to repay their loan [27, 49].

A Conceptual Framework: In order to understand the role of Malaysian microfinance institutions on their clients' wellbeing a conceptual framework has been developed, which is shown below (Figure 1). This has been developed based on an initial literature review undertaken on the impact of microfinance. The conceptual framework consists of six major components; the microcredit services, saving services, nonfinancial services, social services, clients' and small businesses characteristics and the clients' wellbeing.

First, the financial services are the driving force of the socioeconomic development of poor people and poverty reduction. The financial services of microfinance are generally known as the credit and saving, insurance, payment and repayment services [3]. Loan is a main product of microfinance institutions which refers to the small amount of credit given to poor people at reasonable interest for generates income through self-employment. The loan terms are important determinants to the clients' wellbeing and household improvement and their businesses' performance. For example, increasing the size of the given loan is important for extend the market and the size of micro and small enterprises. The flexibility of loan disbursement which includes the facilities of easy access to services, time responsiveness and providing adequate information about the terms of service is important determinants for improving the clients' wellbeing. Moreover, the flexibility of loan repayment policy which includes loan grace period, repayment period and interest rate all are critical factors for determining the role of microfinance services on clients' wellbeing [2, 3, 73]. Thus, the proposition is:-

Proposition1- Loan has positive relationship with the clients' wellbeing

Second, saving service is another important product of microfinance which takes two forms of mandatory and voluntary savings. The mandatory saving is referred to the value of savings that the clients of microfinance are required to save as a condition of obtaining future loan; while the voluntary savings is referred to the amount of savings kept by MFI clients which is not required as a condition of an existing to loan. Both mandatory and voluntary savings are important for enhancing the capability of poor to cope with the uncertainty shocks and reduce the financial cost of lending and secure a sustainable fund sources [2, 3, 47, 51]. In addition, saving services play a central role in enhancing loan repayment and enabling the borrowers to access into a large size of loan which helps them to consolidate their businesses sustainability and growth [20, 50]. Therefore, proposition is:

H2: Saving has positive relationship with clients' wellbeing

Third, the nonfinancial services such as enterprises development trainings are important factors to effectively use the financial services and advance the clients' wellbeing and their businesses' performance. Nowadays, many microfinance institutions are facing twofold challenge. On one hand the huge transformation and commercialization which result a massive competition in the arena of microfinance market. On the other hand, the social mission of microfinance of reaching and servicing poorest poor is still a big challenge and has not yet fulfilled. In order to cope with those problems, many MFIs started recognizing to the importance of product diversification and quality services improvement as well as human resource development. The entrepreneurial and

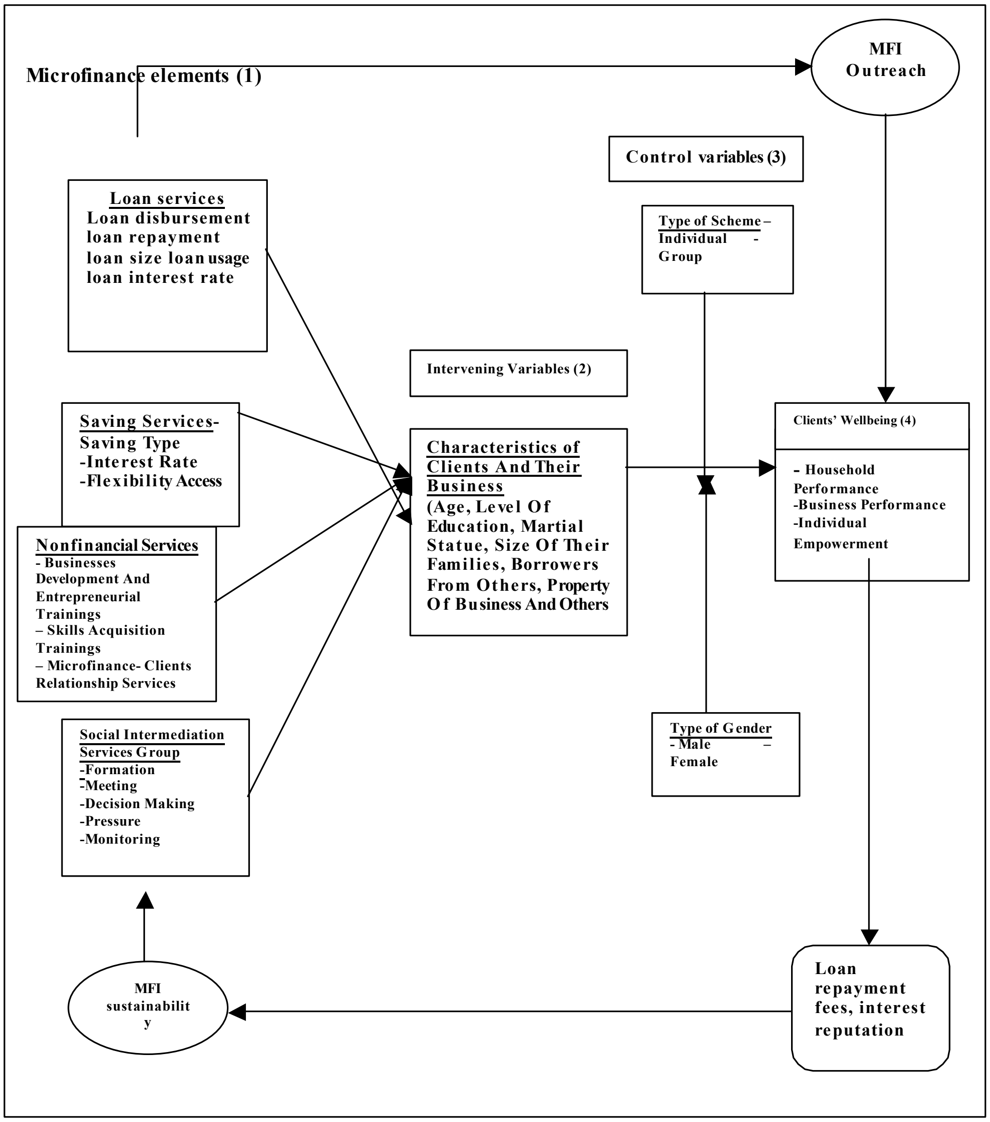

Fig. 1: Proposed a Conceptual Framework for microfinance services in the Malaysian MFIs

business development trainings are important factors to the borrowers which help them to effectively utilize the financial services that support the sustainability of their micro and small business [3, 61]. In addition, the complementary services such as marketing or business trainings are important to enhance the impact of microfinance on the profitability of the borrowers [74].

There are different types of business development and entrepreneurial training. However, the group trainings of business strategy, plan, marketing, finance, project management, time management, leadership, motivation, delegation, communication, negotiation all are important for advancing micro and small enterprises [75]. Therefore, the proposition is:

H3: Enterprises development training has positive impact on the clients' wellbeing

Fourth, social mediation service has been known as an important factor for facilitating the process of accessing to the financial services without collateral through building social capital between the group members. Social intermediation has been defined as a process in which investments are made in the development of both human resources and institutional capital, with the aim of increasing the self-reliance of marginalized groups, preparing them to engage in formal financial intermediation [73]. Group forming is important for both the lenders and the borrowers. The lenders attempt to reduce the cost of microfinance services, mitigate asymmetry information and adverse selection through achieving a wide and deep outreach and transform the responsibility of monitoring and loan repayment to the group members' peer. In contrast, the group members have the power to facilitate the borrowers lending through easily accessing to loan services and extending the size of the required loan as well as sharing the information between group members which guide to improve the overall performance of the group members. Therefore, the proposition is:

H4: Social intermediation services (group formation) have positive impact on the clients' wellbeing

Fifth, the demographic characteristics such as gender, age, level of education, income, marital status and others have the possibility to affect the clients' performance and their micro and small businesses. The level of clients' education and income are important determinants in the Myanmar microfinance [76]. In addition, level of clients' education, income, gender of the head of household, land holding size, number of crops and established new enterprise have positive impact on the clients income, while the age of the head of household have negative impact on the clients income The characteristics of the clients of MFIs such as gender, age, business experience, education, religious, total sales , total household income, distance to the lender office, period of loan approval, the formality of business and loan monitoring influence the rates of loan repayment in the TEKUN National clients in Peninsular Malaysia [77]. Therefore the proposition is:

P5: Socioeconomic and characteristics of the clients and their business have positive impact on the clients' wellbeing

P6: Socioeconomic and characteristics of the clients and their business are mediated the relationship between microfinance services and the clients' wellbeing

Wellbeing Measurements: As illustrated in the literature above, there are many and different methods through which microfinance have been perceived to have impacts, likewise, various impacts that have been evaluated. For example, microfinance has been regarded as an important tool for reducing poverty and improving the households of poor people through enhancing their savings, income and the quality of their life [1, 2, 21]. Microfinance also plays a vital role in poor empowerment especially women through enabling them to make their decisions independently and enhancing their self-efficacy as well as self-esteem [3, 78]. Furthermore, microfinance is considered as a development tool that enables poor people to form their micro and small businesses and get self-employment. Therefore, measuring the impact of microfinance is dependent on different dimensions which can be economical dimensions such as savings, income and profit of clients' household and their micro and small businesses' performance or non-economical such as empowerment, quality of life improvement and social performance [3, 79].

Generally, the majority of the previous impact assessment studies have paid a considerable attention to the economical measurements; however, they have not paid enough attention to the non-economical measurements [67, 79]. Therefore, this research is aimed to bridge the literature gap through examining the impact of microfinance on the clients' wellbeing based on economic, social and empowerment measurements. First, the economic measurements are referred to saving, income, employment, profit of the clients' households and their micro and small enterprises. Second, the social measurements are referred to the quality of borrowers' life, health, educational. Third, the empowerment measurements are referred to the ability of managing businesses and make decisions independently and the ability of participating in the community and enhance self-esteem as well as self efficacy of the borrowers. It does so; through examining the role of microfinance on the clients' household level, micro and small enterprises level and individual and empowerment level as shown in Figure (1).

Methodology: Recently, the impact assessment has received a great consideration from the aid donors' agencies and policy makers as a practical tool for proving the impact and improving the microfinance project [80]. They used this method to gain the needed information that helps them to allocate the budget, make the decisions and change the policies [79]. Therefore, impact assessments became a part of learning processes between and within microfinance projects and between the donors and microfinance projects [81]. However, the impact assessment is not a simple process that can provide accurate information about the real statue of the performance. These difficulties and dilemmas attributed to several reasons such as: -the assessment team who is paid by the agency may have a concern to please the agency, the clients' transparency and honesty about their income, the usage of their loan and others [3]. In order to alleviate the effects of the previous dilemmas the integrated of quantitative and qualitative methods are required in assessing the impact of microfinance [82]. The quantitative approach is dealt mainly with economic indicators such as business turnover, employments and etc, while the qualitative approach is used to understand changes in social relations. There are several methods of impact assessment through quantitative approach and the most common are quasi-experimental, non-experimental and experimental randomized control trait (RCT) [3, 79]. The quasi- experimental approach refers to the evaluations designs in which participants are compared to observably similar, but not randomly identified, groups while the randomized control trait (RCT) refer to experimental designs in which potential clients have been randomly assigned either to treatment or non-treatment groups [83]. The studies that conducted by quasi-experimental or non-randomised techniques are subject to measurements errors because of questionable statistical assumptions and bias selection of target responses [67]. In contrast, the randomization control trait (RCT) has been regarded as a decisive tool for assessing the impact of microfinance compare to quasi-experimental because it can overcome the bias selection [83]. However, both quasi-experimental and experimental (RCT) share similar weaknesses and limitations in which they often report the average impact only [84]. Moreover, the (RCT) has been criticized for several reason such as costly, required long time, the inability to control and unobservable traits such as entrepreneurial skills which has positive impact on loan usage, the findings of (RCT) are hardly generalized and others [85].

In his efforts to overcome the limitations of quasi-experimental approach Mosley [86] suggested that measuring the impact of microfinance by using control group alleviates the bias of quasi-experimental. Therefore, the quasi-experimental approach will be used as a quantitative tool to carry out the objective of this research. In order to overcome the limitations of quasi-experimental, this research is aimed to use survey with baseline to collect the data. In addition, the control group from no borrower groups will be selected randomly to avoid from bias selection and to illustrate the real statue about the impact of microfinance on the borrowers compare to the no borrowers. The regression logistic with chi-esquire and cross-tabulations will be used to constitute and analysis the impact of microfinance on the borrowers and evaluate the performance of non-borrowers in the (AIM) and (AAB) institutions. The semi structure interview will be conducted to deeply explain the impact of microfinance and identify the other dimensions that help or impede the clients' wellbeing. In addition, the semi structure interview will be used to uncover the perspective of microfinance borrowers about the intervention processes of microfinance and how can microfinance institutions enhance their services.

CONCLUSION

The role of microfinance institutions in poverty reduction and wellbeing improvement has attracted the policymakers' attention in the developing countries across the globe. Yet, the clear evidence on the positive impact of microfinance is no exists. What is the role of microfinance on the poor wellbeing? This question is always repeated among the academicians and the policymakers in the government and non-government agencies. Therefore, this research attempts to uncover the role of the Malaysian microfinance institutions on the clients' wellbeing. The intervention of microfinance institutions is consists of three major functions of financial, nonfinancial and social intermediation services which have significant impact on the poor wellbeing which manifested in the clients' household, empowerment and their micro and small enterprises' performance. The Malaysian microfinance institutions are Amanah Ikhtir Malaysia (AIM) and Tabung Ekonomi Kumpulan Usaha Niaga (TEKUN).

The outcomes of the study could provide clear evidence about the impact of microfinance on the poor wellbeing which contributes to the body knowledge of the literature. It also will hopefully provide valuable guidelines, to the policymakers in how to improve the outreach and sustainability microfinance institutions generally and the Malaysian microfinance institutions particularly. The research presented in this paper is a part of an ongoing PhD research at Faculty of Business Management and Technopreneurship in the Universit Teknikal Malaysia Melaka UeTM to develop a framework of the role of microfinance intervention services on the clients' wellbeing in the Malaysian microfinance institutions.

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