

# Microfinance for Microenterprise: A Study on Women “Petty Traders” in Penang, Malaysia

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## Abstract

The purpose of this paper is to examine the factor that constraint women petty traders’ access to microfinance, and the alternative measures initiated to counter these constraints. This paper also addresses the impact of microfinance on poverty alleviation for women petty traders in Malaysia. This paper is based on an aided questionnaire and in depth interviews with women micro entrepreneurs drawn from a convenience sample of 30 petty traders in the market town of Seberang Jaya. There are three main constraints identified in this paper, namely internal, social cultural and policy induced as being the key moderating influences on women petty traders’ ability to access to microfinance. The findings proved that there is significant association between increase in income level and savings which leads to a positive impact on households. It further proved that microfinance activities bring improvement in the standard of living of the participant not only in economic terms but also in social terms. Considering the sample size and research context the generalisation of the findings may need to be applied with caution.

**Keywords:** Women petty traders, poverty alleviation, microfinance

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## 1. INTRODUCTION

In Malaysia, Small Medium Enterprise (SMEs) is divided into three main streams of enterprise which are micro, small and medium enterprise. The definition of each category is based on its size, turnover and activities (Chong 2010). Micro enterprise is defined by the sales turnover of less than RM300, 000 or fewer than five full time employees (NSDC, 2013). Like in any other developing countries, micro enterprises have emerged as the main mean to respond to the growing poverty particularly in generating income to supplement household income. These micro enterprises are mostly run by women are more likely to be home based, given that they are responsible for domestic labour (Thompson, 2009). These types of micro enterprises rather provide a much flexible term of balance between work and family to these women.

Petty trading is a major part of the informal sector activities that employ the majority of people in the developing countries. In Malaysia, this activity is recognised by the society and authorities although at times it is regarded as a social problem since traders normally clutter up streets, create congestion and unhygienic. A common sight in Malaysia’s sprawling urban areas is the widespread proliferation of petty traders, hawking everything from garden produce to imported consumer goods.

Based on the 2011 Census of Establishment and Enterprise, almost 97.3% of business establishments are SME and out of that number, 74.9% are micro enterprises. The census also reveals that most of these micro enterprises, 88% are women owned firms. The micro enterprises were mostly in the manufacturing (89.6%), services (88.4%) and agriculture (70.3%) sectors. The informal economy is a particularly important source of employment for

women (Lloyd-Evans, 2008) and in many Southeast Asian countries hawking represents an important informal micro entrepreneurial activity for women (Bhowmik, 2005). In a review of street trading in Asia, Bhowmik (2005, p. 2264) writes:

*“Women vendor form the lowest rungs amongst street vendors. In most case they take to this trade because of poverty and because the male members in the family do not have jobs”.*

Micro enterprises have shown significant role in the Malaysian economy, particularly in generating better income distribution and employment and also as a platform for small entrepreneurs to enhance their skills before investing in larger enterprises.

## **2. PROBLEM STATEMENT**

Street trading is one of the major occupations of the urban informal sector and petty traders are its main streams. Women petty traders in the urban informal sector help to ensure that goods and services are supplied to cater the demand throughout the year. They have become crucial within the distribution system, catering to the needs of particularly the lower middle class and the poor. No doubt that this sector creates jobs to the jobless and offer fairly good remuneration to those largely unemployed. Nevertheless, this sector receives little attention from the policy makers and there exist serious cultural and funding challenges when it comes to accessing both formal and informal financial institutions.

This paper thus examines the constraint and barriers encountered by women petty traders from the Central Seberang Perai District of Penang State. The measure of constraints assumes “access to microfinance” a proxy. This paper aims to identify and highlights the other measures taken by these petty traders to overcome such constraints. It also attempts to address the impact of microfinance on poverty alleviation among these traders. Understanding these barriers to microfinance access can inform policy adjustments; understanding the measures taken to lessen these constraints and may trigger a consciousness in the minds of observers and prompt the replication of these measures in other contexts.

## **3. RESEARCH QUESTION**

This paper explores the challenges that women petty traders face when accessing microfinance and aims to answer the following questions:

- i. What constrain women petty traders face accessing to microfinance?
- ii. What alternative measures adopted by these women petty traders to overcome such limitation?
- iii. What is the impact of microfinance on poverty alleviation for women petty traders in Malaysia?

## **4. SIGNIFICANCE OF THE STUDY**

In line with the ability of micro financing services to ensure economic development by providing savings and credit to microenterprises, it is the deem obligation of the government to support the development of microfinance institutions (MFI's). This has seen a lot of investment by the government in providing financial support to the microfinance institutions. The information from this study may help the government in determining a better governance of the MFI's in Malaysia. This study also aims to identify the contribution of microfinance in poverty alleviation which would servers as important information to policy makers.

The microfinance institutions are formed with the objective of ensuring that microenterprises have access to financial services. Microfinance institutions aim at ensuring that these enterprises are catered for in terms of provision of financial services. It is therefore necessary for the MFI's to understand the perceptions of this group on the impact of the microfinance services they are offering and the level of awareness of the public on the existence of MFI's and their services. This information may be used by the management of the microfinance institutions in determining areas for improvement so as to ensure their success.

This research has been done in the state of Penang, Malaysia. Considering the benefits attributed to MFI's in economic development and the rapid development of these institutions, impact of microfinance has received attention of researchers and academicians. Therefore a study on the awareness and the impact of microfinance in Penang, with major focus on women petty traders in Malaysia, may therefore attract researchers and academicians who are in need of educating more and providing solutions to lack of access to MFI's services and to understand

the other alternative measures taken by these traders to overcome their financial constrains. The information from the study will also form basis for literature for other researchers and academicians who are willing to carry out studies in the same field in Malaysia.

## 5. LITERATURE REVIEW

### 5.1 Evolution of the microfinance sector in Malaysia

Microfinance has been recognized as one of the most efficient tool in alleviating poverty by the United Nations considering the significant contribution in term of job creation and revenue generation for the government (Norma and Jarita, 2010). This is due to the empirical findings that accentuated the vast potential of microfinance in improving the quality of life of the poor people. Numerous studies in relation to microfinance include Afrane and Sam (2002) and Khandker (2003). These studies found microfinance as a prominent tool of poverty alleviation especially in most of the developing countries among which are Malaysia, Indonesia, Bangladesh, Philippines and others.

The history of microfinance institutions (MFIs) in Malaysia can be traced to 1987 following the establishment of Amanah Ikhtiar Malaysia (AIM). AIM was the first microfinance institution (MFI's) in Malaysia and the largest Grameen Bank replication outside Bangladesh. A microfinance programme was introduced to Malaysia in 1987 as one of the poverty eradication strategies in the country in the country. The aim of (AIM) is to extend loans and other financial services to women who are deprived of formal financial services because of the lack of collateral. The reason of targeting women is owed to the significant role that women play in their household enhancement. AIM covers approximately 82% of Malaysian poor and low income households (Al-Shami et al. 2013). The (AIM) loan is free interest based on Islamic principles, except 10% as operational and management fees with 2% as a compulsory saving. According to AIM annual report 2013, about 346,245 women clients throughout the country benefited from AIM.

AIM was the first microfinance institution established followed by Yayasan Usaha Maju (YUM) and The Fund for National Entrepreneurs Group (TEKUN). AIM and YUM are poverty-oriented institutions that only give microfinance loans to people who live at, or below, the country's poverty line. TEKUN provides microfinance loans to both poor and below average income people. AIM and TEKUN provide microfinance services throughout Malaysia (Peninsular, Sabah and Sarawak). Meanwhile, Yayasan Usaha Maju (YUM) focus on providing microfinance loans to the poor people of Sabah. Each of these microfinance institutions has its own lending systems and has been subsidised by the government since their existence. Since 2006, Malaysian government with the cooperation of Bank Negara have improved the involvement of financial institutions in providing microfinance services to entrepreneurs. Table 1 shows the comprehensive microfinance industry framework in Malaysia.

Table 1: A Comprehensive microfinance industry framework in Malaysia

<b>Non-Bank MFIs</b>	<b>Bank MFIs</b>
Amanah Ikhtiar Malaysia	Agrobank Bhd
Yayasan Usaha Maju	Bank Simpanan Nasional
Koperasi Kredit Rakyat	Bank Rakyat Bhd
Koperasi Kredit Pekarja	Alliance Bank Berhad
Partnerships in Enterprise Malaysia	AMBank Bhd
Tabung Ekonomi Kumpulan Usaha Niaga	CIMB Bank Bhd
Council of Trust to Bumiputera	EONCAP Islamic Bank Bhd
Malaysian Building Society Berhad	Public Bank Bhd
Sabah Credit Corporation	United Overseas Bank Bhd
	Credit Guarantee Corporation Bhd

Source: BNM official website

### 5.2 Microfinance and development

Microfinance is often used interchangeably with 'microfinance' in Malaysia because microfinance products in Malaysia only encompassed micro loans and no other microfinance products. A broader version has evolved with revolutionary approach in financial development with the provision of financial services such as credit, savings,

insurance, money transfer to poor and low income households and their micro enterprises. As such, in Malaysia microfinance encompasses the provision of financial services and management of small amount of money through a range of products and a system of intermediary functions targeted at low income clients (United Nations, 2005). Microfinance is thus a critical dimension of the broad range of financial tools available to the global poor, and its increasing role in development has emanated from a number of key factors (United Nations, 2000). Studies have shown that microfinance plays these broad roles in development:

- It helps very poor households to meet basic needs and it protects against risks;
- It is associated with improvements in household economic welfare; and
- It helps to empower women by supporting women's economic participation and so promotes gender equity.
- It gives significant impact on interrelated issues including women's empowerment and social indicators such as education, housing and health.
- Recognising that microfinance can have a significant impact on interrelated issues including women's empowerment.

### **5.3 Microfinance and poverty reduction in Malaysia**

The logic behind microfinance is to extend financial services, low income people will have the ability to participate in the economic market and exploit entrepreneurial opportunities through starting-up new businesses and extending current business or introducing new activities

Subsequently, they will be able to combat the poverty and satisfy their households' needs independently and consistently. In contrast, microfinance institutions will have the ability to develop their capacity through imposing a small ratio of interest on the given loans. A large size of microfinance studies from various disciplines suggest that microfinance has significant impact on poverty reduction as well as household wellbeing at different levels such as asset acquisition, household nutrition, health, food security, children education, women's empowerment, and social cohesion (Armendariz and Morduch 2005; Roodman and Morduch 2009).

However, recently the impact of microfinance has been questioned and many studies argue that the impact of microfinance is divergent between positive, no impact and even negative impact (Ganlea, Afriyie, and Segbefia 2015). The literature acclaims that the impact of microfinance works differently from one context to others and the impact is dependent on the population density, attitudes to debt, group-cohesion, enterprise development, financial literacy, financial service providers and other (Armendáriz, Aghion, and Morduch 2005).

The Malaysian microfinance plays an important role in socioeconomic development of poor and low income people especially women (Al-mamun et al. 2014). Despite, the significant impact of Malaysian microfinance which was highlighted by several studies, the majority of these studies were conducted in rural areas and used simple statistic tools such as T test, Mann-Whitney which is exposure to several weaknesses such as bias selection and the lack of controlling the effect of demographic characteristics.

### **5.4 Challenges facing the microfinance sector**

One of the important approaches taken by Malaysian government to alleviate poverty is through microfinance, an approach deriving from the New Economic Policy (NEP) which operated from 1971 to 1990. The NEP was directed to reducing poverty and income disparities between ethnic groups, and particularly to improving the position of the Bumiputera, the indigenous people of Malaysia.

AIM, YUM and TEKUN are the three main agencies that is subsidised by Malaysian government to execute its strategies to eradicate poverty. AIM and YUM are poverty-oriented institutions that only give microfinance loans only to people who live at, or below, the country's poverty line. TEKUN provides microfinance loans to both poor and below average income people. AIM and TEKUN provide microfinance services throughout Malaysia (Peninsular, Sabah and Sarawak). Meanwhile, Yayasan Usaha Maju (YUM) focus on providing microfinance loans to the poor people of Sabah. Each of these microfinance institutions has its own lending systems and has been subsidised by the government since their existence.

Although poverty reductions in Malaysia have been reduced and many Bumiputra's entrepreneurs are recipients from microfinance programme, there are still unresolved issues that need to be addressed. Amongst them is the poverty-oriented microfinance institutions such as AIM and YUM do not reach many of the poor in the country

(Mokhtar, 2011). According to Nawai and Bashir (2010), AIM only reached 4% of the total poor in Malaysia. A study by Hamdino, Fadzim and Wan Sabri (2012) also showed that the positive impact of microfinance loans will only occur on the better-off borrowers, who have better financial income prior joining the microfinance programme. This leaves the issue of whether the microfinance borrowers in Malaysia are really poor? Another important issue is that the borrowers also lacks of business knowledge and technical skills related to their business. A study by Mokhtar, 2011 found that most microfinance borrowers in Malaysia lack knowledge on how to manage their business income. Most did not know how to separate their business income, between their business and personal consumption. Many borrowers allocated a large portion of their income for personal consumption and only a minimal amount for their businesses. Many used their businesses to financially support their daily living expenses and made little effort to expand their businesses. This is one of many reasons, why some of their businesses either unsuccessful or stagnant even after continuous microfinance loans.

### **5.5 Difficulties encountered by women entrepreneurs**

There is increasing awareness among policy makers of the important contribution that women entrepreneurs can make to employment and the economic growth of their country. Several studies have shown that women in developing and developed countries encounter serious difficulties when assessing finance especially for start-ups, but also for the expansion of establishment enterprises. Winn (2005) reported that two biggest hurdles (funding and family support) women face in starting and running a company. Gundry et al., (2002) found that lack of access to capital has been a primary obstacle for women entrepreneurs. Helm's (1997) study supported and stated that, financial aspects of venture start-up and management are the biggest obstacles for women. This is including start-up financing and credit, cash flow management in the early operation and financial planning.

Women are normally collecting business funding through family loans, personal savings, credit cards, and home equity loans (Gundry et al., 2002). Van der Merwe (2003) identifies major barriers for women entrepreneurs are, lack of access to financial resources, lack of support, negative prevailing socio-cultural attitudes, gender discrimination, personal difficulties, lack of basic life skills such as self-confidence, self-motivation and communication skills. Other barriers for women entrepreneurs are limited education and vocational training in developing countries in particular (Chandralekha et al, 1995), no collateral and no or a poor credit history, no business track record, lack of legal status (Brown, 1997), family commitments of married women and female entrepreneurs avoiding the male-dominated business sectors (Adams et al, 1999). Family structure is playing another dominant role persisting women from entrepreneurial society. Women in transition economies suffered from traditional perceptions about women's role in society, and these attitudes persist (Erdem, 2004).

Due to social cultural constraints, women often have more difficult time accessing finance than men, forcing them to depend on their savings or that of their relatives and on informal sources of finance. The particular difficulties encountered by women entrepreneurs may be explained by the following:

- i. Small size of the enterprises.
- ii. Lack of collateral.
- iii. Lack of skills.
- iv. Lack of information.
- v. Family obligations.

In addition to these particular difficulties, evidence has shown that there is still insufficient data about women entrepreneurs, (i) their needs, (ii) demands and available financing mechanisms, which is a significant barrier to creating financing programmes adapted to their needs. Based on the literature reviewed above and due to the scarcity of this type of research, the objective is to come up with findings that may be used to make assertions on the constraints and alternative measures these women traders have taken to overcome such limitations.

## **6. RESEARCH APPROACH AND METHOD**

This study utilized qualitative techniques in data generation. The qualitative method allows us to gain valuable insights through the subjective narratives of the respondents, that is, it gave us understanding from participant perspectives. Bryan and Burgess (1999) note that one underlying attribute of qualitative methodology is its strong adherence to viewing events from the viewpoints of the subjects.

In-depth interviews and open-ended questionnaires were used as these are the preferred research instrument for studies of this kind. Davidson et al. (2010) used the same technique based on their belief that interviews guided

conversations designed to obtain rich, detailed information particularly when attempting to access information regarding sensitive area of study. Wellman (2001) described that in-depth interviews are very useful because highly specific data can be obtained in a very short space of time. The interview is also useful in providing a general overview of people's thoughts. The main purpose of the one-on-one, semi-structured interviews was that of findings answers to the main research question of this study.

The interviews were conducted over a reasonable period of time between late January and early September 2015. The intent of the interviews were to obtain personal description of key constraints facing micro enterprises (petty traders in this case), especially those owned and run by women. Issues such as access to finance were the key drivers in the interviews with women between 32 and 54 years of age (the youngest was 32 and the oldest 54 years at the time of data collection).

## **7. SAMPLE SELECTION AND SIZE**

The sample size for this study consisted of women petty traders, including those who may or may not fall under the standard categorisation of SMEs such as street hawkers, road side traders and other non-store traders. In selecting the sample, no particular emphasis was placed on the nature of the businesses these women were engaged in hawking food, drinks, groceries, fruits, vegetables, snacks, clothes and many others. In other words size of the business is rather micro, than sector, was considered to be of significance.

In terms of sample size, a convenience sample of 30 women petty traders from the Seberang Jaya market formed the unit of analysis. Snowball sampling was used and respondents were given the opportunity to tell their stories in their own style and on their own time, as well to recommend others who may have similar experiences to share. These approaches helped elicit important dimensions that may go unnoticed when using other research designs such as self administered questionnaires only.

Out of the 30 women petty traders sampled, 24 are semi-static and 6 belong to the permanently located category. The 24 semi-static petty traders are those, whose stalls are removed usually at the end of the day of the business, these petty traders were mostly operating on the footpath platforms and public streets. Where else, the balance 6 petty traders are operating from fixed locations, located in a temporary structure or in a person's home or backyard in the form of a tent.

Thus, the petty traders in the study belong mainly to the semi-static category whose stalls are usually removed at the end of the business day. The study shows that 78 percent of the petty traders come from the region and 22 percent are migrants from outside the region. The majority of the interviewed traders are married. Most of them either have completed or not completed secondary school. Petty trading units in the study area are mostly owned by single individuals and are largely operated as household units. The work schedule of petty traders is on average 12 hours a day and most work 6 days a week. Petty trading activities need not be considered transitory as most of the respondents have been at their petty trading activities for a considerable amount of time, averaging 9 years and indicating a high degree of occupational stability.

## **8. MICROFINANCE CONDITIONS**

Only 6.7 percent of the petty traders had access to finance from formal banks and 13.3 percent from formal institutions such as AIM, TEKUN and SME bank. However, informal credit arrangements were widespread. The balance 80 percent women traders have generally relied on their own savings, family and friends and informal sources to finance their trading activities as they find it difficult to access credit in the formal sector. These 80 percent women traders are the ones who are lack of information on the credit facilities, financial instruments, network and the borrowing conditions of financial institutions. Some of these women petty traders do not attempt to apply for microfinance due to the official limitations such as, requiring them to register their business and pay high registration fees, file certain statement of accounts and provide information about their activities. These conditions have tended to limit not only their effort to apply for microfinance but also their sources of finance.

Table 2: Sources of finance based on survey

Sources of Finance	Number of respondents	Percentage %
Owner's savings	9	30.0
<b>Assisted by:</b>		
Formal Banks	2	6.7
Microfinance Institutions	4	13.3
Spouse, Relatives and Friends	8	
Money Lenders	7	23.3
Total	30	100

Having identified the generally available sources of finance, this study sought to determine the sources of finance used by petty traders in the study area. As shown in Table 2, only 2 that are about 6.7 percent of the respondents have accessed finance from formal institution. 30 percent of respondents used their own savings, 26.7 percent borrowed from spouses, relatives and friends, 23.3 percent borrowed from money lenders and 13.3 accessed loans from microfinance institutions. Of those who borrowed from microfinance institutions, most did not invest directly in their trading activities instead, some used this money to pay family expenses.

## 9. FINDINGS

The finding of this study identifies a number of factors constraining women micro entrepreneurs from accessing to microfinance for business development. A number of alternative measures have been adopted by these women to cope with these challenges. These constraints and measures are discussed under the following headings: internal limitations, socio-cultural limitations and policy limitations.

### 9.1 Internal limitations

In an attempt to confine these “internal limitations”, it was noted that most of the women made reference to “lack of finance” as a serious problem hindering their business, this is what Mordi et al. (2010) conceptualised as a market based factor. Ironically, very few of these women considered MFIs as a first choice source of finance for the development of their business (Madichie, 2009; Mordi et al., 2010). This study also noted the lack of searching for microfinance from licensed MFIs, as most of these women exhibited a desire for other sources of finance such as borrowing from spouses, friend and family. This raises the question of whether these women have an adequate understanding of the benefits of microfinance and how to proactively seek out these finance sources in order to advance their business.

A number of factors are responsible for this lack of “mental access” to microfinance. Many of the women appeared reluctant about, or at least wary of, growing their business, they are not confident in the riskier steps needed to grow the business or access support from financial institutions because they stand to lose their few existing assets if they are unable to pay the loan. They also fear being harassed by any possible legal battles should they not able to repay their loans.

### 9.2 Socio-cultural limitations

There are number of social role that continue to be attributed to Malaysian women. They are, for example, largely responsible for household tasks and the raising of children (Mordi et al., 2010). These and other acquired roles often suppress them into thinking that business is for men. In situations where these women may wish to venture into certain businesses, the responsibilities associated with their assigned and acquired roles can limit such ambitions. One respondent said that “...no matter how aggressive we are, as expected in business industry, we must always remember our responsibility as wife and a mother to our children”. They tend not to have the time to plan and think of such businesses. Negative attitudes and beliefs about women’s traditional roles have significant impacts on women entrepreneurs, including:

- i. Being physically limited in where and how they can operate their business;
- ii. Not being able to access appropriate resources;

- iii. Being regarded as minors, which limits their ability to own assets, enter into legal contracts and build collateral;
- iv. Being especially vulnerable to harassment from officials and businessmen.

These attitudes deter many women from even considering business ownership as an option and certainly do not encourage them to actively pursue such an option. Indeed, self restraint by women because of anticipated societal and institutional obstacles help to continue and reinforce discriminatory practices against women entrepreneurs.

### 9.3 Policy limitations

No matter how accessible any type of credit might be to poor women entrepreneurs, if the operating environment is not conducive for micro enterprises to flourish, women micro entrepreneurs may be reluctant to access it. Malaysia's new paradigm focuses on a supportive government development strategy to gain self-sufficiency, competitiveness and efficiency of MFIs on the one side, and on an adequate legal infrastructure to govern MFIs and protect small depositors on the other side. The issue of Malaysian MFIs achieving financial self sufficiency may not be appealing since the government is willing to give financial support. The government claimed that the financial support given to microfinance programmes is part of social cost that it needed to bear.

However, the subsidised microfinance programmes do not reach many of the poor in the country. One respondent said that "*...she has no idea on how to apply for microfinance*". Another respondent said that "*... applying for microfinance involves many documentations and it's taxing to prepare them*". Hence, a promotion strategy and encouragement must be implemented by MFIs in order to attract more poor borrowers especially women entrepreneurs. Apart from the weaknesses in the lending systems of the MFIs, the continuous financial assistance from the government could be the reason why MFIs are not concerned about the low repayment rate they receive. Thus, the government needs to revise the subsidy policy in the microfinance sector in Malaysia and the government may look into another option lifting the restrictions on taking deposits, since microfinance institutions in Malaysia are legally forbidden from accepting deposits from borrowers.

Malaysia's policymakers should learn from the Grameen Bank and People's Bank (Bank Perkreditan Rakyat-BPR) practices in collecting savings from borrowers. The safety of the deposits must always be monitored by the Central Bank. Experience with the Self Help Groups (SHGs), a village banking type of microfinance institution in India, showed that when the members' savings in the institution are more than the credits given, the microfinance institution could be profitable without subsidies and donations (Prahalad, 2005). African microfinance institutions also focus on savings as a source of fund for lending (Lafourcade et al., 2005).

### 9.4 Microfinance and poverty alleviation

The aim of micro-finance according to Otero (1999) is not just about providing capital to the poor to combat poverty on an individual level, it also has a role at an institutional level. It seeks to create institutions that deliver financial services to the poor, who are continuously ignored by the formal banking sector. Microfinance is also considered a well-established poverty alleviating program which gives people an opportunity to borrow, save, invest and protect their families through active participation and benefit from the development activities. Kak Bidah one of the respondents who received microfinance from AIM said "*... she has benefited from an increase in household income by participating in AIM microfinance program*". The contribution of microfinance to an increase in household income and financial sustainability has directly contributed to poverty reduction and improved the welfare of participating households.

## 10. CONCLUSION

The rise in the number of petty traders and street vendors in most urban areas in Malaysia are largely due to the lack of employment and low incomes, as well an increase in the number of migrants in the study area. As such, petty trading is taken up as mean of survival by this group of people. The purpose of this paper is to highlight some of the barriers facing women petty traders conducted in Seberang Jaya a locality situated in the Central Seberang Perai District of the mainland of Penang state where many women micro entrepreneurs are seen taking up petty trading as mean of survival. The barriers were confirmed through interviews and are summarised into three broad categories which are internal limitations, socio-cultural limitations and policy limitations.



Internal limitations are those factors that were demonstrated by these women traders are; (i) lack of understanding of microfinance and MFIs, (ii) lack of confidence, (iii) fear of the consequences of default, and (iv) the myth that “bank facilities are meant only for the rich.” These constraints are largely planted and nurtured by the myths surrounding conventional banking practices in the country. In addition the women traders do not have adequate information on where to get loans from and as a result, they did not have funds for boosting their trading ventures.

The second category, socio-cultural limitations, are comprised of factors such as family and cultural expectations, multiple roles in the family and society, spousal influence and traditions embedded in ethnicity. Malaysia is a multi-cultural society and the main ethnic groups are the native Malays as well as large populations of Chinese, and Indians. These ethnicities retain their religions, customs and way of life. Malaysian culture is built around the belief that men are superior to women and women tend to accept this norm. This has become a belief among women and prominent among those who are less educated; this undoubtedly affects the attitude and behaviour of women who are uncertain of micro financing.

Third, policy limitations refer to the unfriendly environment forces that are within the ambit of public policy, such as regulatory and physical infrastructure and unfriendly atmosphere of formal banking institutions. These factors dampen the enthusiasm for women micro entrepreneurs to take up enterprise development and growth via MFIs. These constraints thus make the world of business venturing more risky and costly for women entrepreneurs. Women traders find it's difficult to handle the bureaucratic procedures encountered when trying to apply for financial support from MFIs and banks. On top that, the increasing transportation cost and devaluation of the local currency has made goods much more expensive.

The potential economic benefits of sustainable microfinance in Malaysia are compelling, and its potential effects on the development process cannot be understated. This calls for a holistic approach to the further development of the microfinance sector thereby unleashing its potential for accelerated growth and development.

## **11. RECOMMENDATIONS**

Women have shown that they are strong entrepreneurs, borrowers and change agents through women's small medium enterprises (SME). This paper posits that the lack of access to credit promotes market exclusion and deepens the socioeconomic and political vulnerability of women. One way microfinance assists them to diversify their household income and helps to alleviate their poverty. It also plays a central role in creating jobs for women especially those with low education. This paper has far reaching implications for public policy geared towards controlling and mainstreaming these initiatives for maximum outreach.

Socioeconomic reasons seemed to be the main factors for the rise of petty trading activities in urban areas. Government and policy makers must realise that although the growth of these micro enterprises have resulted largely from the lack of alternative employment opportunities, they are often viable undertakings which make an important contribution to the economic survival especially of the poor. As such, government must recognise that these undertakings need to be supported by better access to institutional finance. MFIs should carry out business analyses of the practical business needs of women traders so as to be able to formulate better and more appropriate modes of repayment. The loans schemes which are packaged with training in financial literacy and money management should be extended to these women traders as this will help them to meet both business and personal needs. These trainings will enhance or boost their confidence to develop their business into small or medium businesses.

On the other hand, microfinance institutions (MFI's) must achieve the operational and financial sustainability. This needs to be attained by integrating the institutions which practice microfinance within the broader financial system, as part of a financial deepening process. They include the need to have good governance within MFIs serving constituencies of the poor and to avoid the politicisation of financial service delivery. It also should include the need to achieve good governance at the system level, by instituting appropriate policy regimes and forging effective systems of regulation and supervision for microfinance service providers. Hence, it is highly recommended that the government modify the recent design of the Malaysian microfinance programme to make it more effective in alleviating poverty and more sustainable in the future. In a similar vein, this study suggests that microfinance has the ability to contribute significantly to the achievement of new economic policy (NEP) and new economic model (NEM) that guides the achievement of Malaysia 2020 vision to become a fully developed nation. The eradication of most of these societal constraints should be seen by all stakeholders, both society and government as a step towards lifting Malaysian women up from bottom of the pyramid. Future research should

focus on the role of MFIs on micro enterprise development specifically on women petty traders located in urban of Malaysia.

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