

**RURAL DEVELOPMENT AND POVERTY ALLEVIATION IN PENINSULAR
MALAYSIA - THE EMERGENCE OF AN ALTERNATIVE APPROACH :
THE AMANAH IKHTIAR PROGRAMME**

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**A Thesis submitted to the University of Sheffield for the
Degree of Doctor of Philosophy**

Department of Town and Regional Planning

April 1995

Volume 2

Volume 2

CHAPTER 9 : THE ECONOMIC EFFECTS OF THE IKHTIAR PROGRAMME

9.1 INTRODUCTION

The Ikhtiar Programme has been the centerpiece of the poverty alleviation measures implemented by the Ikhtiar Organization. It seeks to provide assistance by means of credit to rural poor families for taking up income-generating activities so that they can improve their economic condition. The success of the Ikhtiar Programme thus depends on its effectiveness in raising the income of its members and ultimately on improving the quality of life of the poor. The aim of this chapter is to assess to what extent these objectives have been achieved.

This chapter is divided into two main parts. The first part deals with changes in the household income (Section One) and second part deals with changes in the quality of life (Section Two). In relation to this, the purpose of this chapter is to test the credibility of the research hypotheses that had been formulated in the First Chapter. The discussion will concentrate mostly on (a) comparing the programme participants with non-participants (control group), (b) making comparisons between the programme participants themselves based on the cycles of Ikhtiar loans and types of activities pursued with Ikhtiar loans and (c) analysis of the variables that were responsible for influencing Ikhtiar-financed project activities income. For the purpose of the analysis, frequency tables, T-tests (namely the paired samples T-tests and independent samples T-tests), analysis of variance (ANOVA) and the multiple regression analysis will be used.

9.2 SECTION ONE (A) : CHANGES IN HOUSEHOLD INCOMES [1]

This and the following sections set out to test the first main hypothesis (as stated in Chapter 1) which will be repeated here as follows:

HYPOTHESIS ONE

Credit granted to the Ikhtiar Programme participants in the study area has been effective in increasing participants' income as well as reducing the incidence of poverty among them. The programme participants are generally better off than they were before and compared with the control group, they are also generally better off. However, by comparing between the programme participants themselves, there is a significant difference in the level of household income based on (i) *the cycles of Ikhtiar loans* and (ii) *types of activities* they pursued with Ikhtiar loans [2].

The above *hypothesis* which consists of *six sub-hypotheses* (as listed in i to vi below), will be tested in two stages:

Stage 1 includes the testing of four sub-hypotheses, which compares change between the programme participants and the control group and

Stage 2 includes the testing of two further sub-hypotheses, which is solely between the programme participants themselves based on the *cycles of loans* and *types of activities* pursued with Ikhtiar loans.

The six *sub-hypotheses* to be tested are as follows:

- (i) The household income of the programme participants has increased as a result of utilization of credit (loans).
- (ii) The household income of the programme participants is relatively higher than that of the local population (control group) who has not participated.
- (iii) The incidence of poverty of the programme participants has also been substantially reduced (as a result of the increase in the household income).
- (iv) The reduction in the incidence of poverty among the non-participants (control group), on the other hand, has only been marginal.
- (v) There are significant differences in the household incomes between the programme participants themselves whereby:
 - (a) the level of income is higher among the participants in the second cycle of loans than those in the first cycle of loans.

- (b) the level of income is higher among the participants in non-agricultural activities than in agricultural activities.
- (vi) The contribution of income from Ikhtiar-financed project activity (Ikhtiar sources) towards the participants' total household income (i.e. earnings from Ikhtiar and non-Ikhtiar sources) is significant.

SECTION ONE (A) : BETWEEN THE PROGRAMME PARTICIPANTS AND THE CONTROL GROUP

As mentioned in Chapter 6, the terms "Before" and "After" situations are referred to the periods of "1989" and "1992" respectively. These two periods are commonly applicable to both the Ikhtiar members and the control group. However, the terms "Before" and "After" are widely used throughout this study (while "1989" and "1992" will also be mentioned).

9.2.1 CHANGES IN THE HOUSEHOLD INCOMES : PROGRAMME PARTICIPANTS VERSUS THE NON-PARTICIPANTS (CONTROL GROUP)

In this sub-section, the first and second sub-hypotheses as stated above will be tested.

In order to determine whether there is an improvement in the economic conditions of the programme participants, data on household income prior to and after the granting and utilising the Ikhtiar loans was compared using a paired samples T-test for each group. The result of the test is shown in Table 40. A similar test was also carried out on the control group using a paired samples T-test and the result is shown in Table 41.

The results show that the household income for the "after" situation (as shown in Tables 40 and 41) among both groups, i.e. the control group and the participants, are statistically significant at the 0.0001 significance level, when compared to their household incomes for the "before" situation. These tests suggest that both groups have experienced an increase in their household income. However, the increase in the household income by the two groups did not account of potential inflationary change. The changes of household incomes, taking into consideration the inflationary impact between the periods of 1989 and 1992, will be taken up later by means of Tables 44 and 45. First we need to consider two situations here, i.e. the "Before" and "After":

Table 40 : Paired Samples T-Test of the "After" Situation Household Monthly Income and Household Monthly Income for the "Before" Situation : The Programme Participants

Variable	Number of Cases	Mean Income	Standard Deviation	Standard Error
"Before"	254	M\$165.24	54.669	3.43025
"After"	254	M\$317.65	83.991	5.27006
Difference in Mean	Standard Error	t-value	Degree of Freedom	PR>T.
M\$152.413	5.99756	25.41	253	0.0001

Table 41 : Paired Samples T-Test of the "After" Situation Household Monthly Income and Household Monthly Income for the "Before" Situation : The Control Group.

Variables	Number of Cases	Mean Income	Standard Deviation	Standard Error
"Before"	265	M\$158.98	21.312	1.30920
"After"	265	M\$181.44	21.232	1.30427
Difference in Mean	Standard Error	t-value	Degree of Freedom	PR>T.
M\$22.460	0.71994	31.20	264	0.0001

1. THE "BEFORE" SITUATION (1989)

The results (Tables 40 and 41) show that average household incomes of both the sample participants and control group for the "before" situation were almost similar, standing at M\$165.00 (for the Ikhtiar member households) and M\$158.00 (for the control group households) respectively. This shows that they were from the same group, i.e. the hard-core poverty group. However, it is interesting to know whether there is any significant difference in the household income for the "before" situation between these two groups under study. In order to determine this aspect, an independent samples T-test was carried out and the result is shown in Table 42.

The results as indicated in Table 42, show that the income difference between the Ikhtiar members and the control group is not statistically significant at the 0.05 significance level. This suggests that there is no difference in the household incomes between the Ikhtiar member households and the control group households for the before (1989) situations. On average, both groups had household monthly incomes in the region of M\$162.00 for the "before" situation (i.e. derived from the total household income of the sample population divided by sample size of the two sample households).

The above analysis therefore suggests that the economic situations of the sample households (i.e. programme participants and the control group) were quite similar, prior to the emergence of the Ikhtiar Programme. The income levels of these two groups were also quite similar to those found by the SERU and UKM (1990) joint study, involving 10,475 households in 146 villages in 10 districts in Peninsular Malaysia ranging from M\$111 to M\$219 for the period of 1989/90 [3]. However, it is the present income that we are more interested in and to which we turn next.

2. THE "AFTER" SITUATION (1992)

It has also been the purpose of this study to analyze the income situation after loans were granted to see if there is any significant difference between the two groups under study. In order to determine the difference between the two groups, an independent samples t-test of the present household incomes was carried out. The result is shown in Table 43.

Table 42 : Independent Samples T-Test of the Household Monthly Incomes Between the Programme Participants and Control Group : The "Before" Situation.

	N	Mean Income	Standard Deviation	Standard Error
1. Participants	254	M\$158.98	54.66	3.430
2. Control Group	265	M\$165.24	21.31	1.309

Separate Variance Estimate			
t-value		Degree of Freedom	P>T
1.7058		325.5	0.0890

Table 43 : Independent Samples T-Test of the Household Monthly Incomes Between the Programme Participants and Control Group: The "After" Situation

	N	Mean Income	Standard Deviation	Standard Error
1. Participants	254	M\$317.65	83.99	5.270
2. Control Group	265	M\$181.44	21.23	1.304

Separate Variance Estimate			
t-value		Degree of Freedom	P>T
25.0901		283.9	0.0001

The result of the test shows that the income difference between the participants and the control group is statistically significant at the 0.0001 significance level. This suggests that the income of the participants (around M\$317.00) is higher than that of the control group (around M\$181.00). In the first instance, we can thus conclude that the programme participants are economically better off than they were before and also better off than the control group, having a higher income. At this juncture the above result tends to validate the first and second sub-hypotheses that the household income of the programme participants has increased and was relatively higher than that of the control group. However, this analysis did not take into consideration the inflationary impact between the two periods of time. Although this would not affect the comparison between the two groups since both are affected by this possible inflation, it is important in making "before" and "after" comparisons. As such a further analysis is needed, based on **Tables 40 and 41**.

We have seen in **Tables 40 (programme participants) and 41 (control group)**, that both group of households have experienced an increase in their household incomes. However, this analysis, as mentioned, did not take the inflationary impact into consideration. Thus it is necessary that all the household incomes for the "before" (1989) situation were corrected for inflation using a consumer price index to bring it to the same money terms as the "after" (1992) situation (see footnote 4 for the inflation rate in Malaysia). A separate paired sample t-tests was then carried out based on **Tables 40 and 41** for each group of households (with the inflated value of the household incomes) and the results of these two tests are shown in **Tables 44 (programme participants) and 45 (the control group)**.

The results of the t-test between the "adjusted" 1989 and 1992 household incomes of the programme participants as, indicated in **Table 44**, show that the significance level remains at 0.0001. This further confirms that in real terms the households of the programme participants have increased.

The results for the control group is shown in **Table 45**. As indicated, the significance level is 0.0020 (but not at the 0.0001 significance level as obtained earlier in **Table 41**) and nevertheless the result suggests that the household income of the control group had also increased. However, in reality the increments in the household income from 1989 to 1992 were only marginal, i.e. by M\$2.44 (1.31 percent). On the other hand, the increment in the household income for the programme participants was M\$131.00 (70 percent) which was relatively higher than the control group.

Table 44 : Paired Samples T-Test of the "After" Situation Household Monthly Income and Adjusted Household Monthly Income for the "Before" Situation : The Programme Participants

	N	Mean Income	Standard Deviation	Standard Error		
"Before" (Adjusted)	254	M\$185.23	63.274	3.97017		
"After"	254	M\$317.65	88.991	5.27006		
Difference in Mean Income						
		Standard Error	t-value	Degree of Freedom		
				P>RT.		
		M\$132.42	6.2285	21.16	253	0.0001

Table 45 : Paired Samples T-Test of the "After" Situation Household Monthly Income and Adjusted Household Monthly Income for the "Before" Situation : The Control Group

	N	Mean Income	Standard Deviation	Standard Error		
"Before"	265	M\$177.00	23.665	1.51527		
"After"	265	M\$181.44	21.232	1.30427		
Difference in Mean Income						
		Standard Error	t-value	Degree of Freedom		
				PR>T.		
		M\$2.44	0.7825	3.13	264	0.0020

The above results therefore validate the first and second sub-hypotheses that the household income of the programme participants has increased and was relatively higher than that of the control group, with and without inflationary impact. With these results (based on Tables 44 and 45), we can therefore conclude with confidence that the programme participants are economically better off than they were before and also better off than the control group, having a higher income. Thus the hypothesis is true and could be accepted.

In order to substantiate the above result, it is also necessary to ask the respondents what they thought of their present standard of living conditions (i.e. the "after" situation) as compared to their previous one (i.e. "before" situation). The concept of 'standard of living' here is simply used to mean the comfort of their life as they see it which indicates a certain degree of satisfaction or dissatisfaction with their present standard of living, compared to their previous ("before") situation. Although this is a highly subjective opinion by those affected, Ahmad (1983) argued that the "declared satisfaction" or "non-satisfaction" about one's own living conditions cannot be totally ignored. The perceptions of these two groups are shown in Table 46.

Table 46 : The Perception of the Very Poor Households on Their "After" Situation Living Conditions : Ikhtiar Members and Control Group.

	Ikhtiar Members		Control Group	
	N	Percent	N	Percent
1. Better Off	215	84.7	33	12.5
2. No Difference	15	5.9	81	30.5
3. Worse Off	14	5.5	134	50.5
4. Don't Know	10	3.9	17	6.4
Total	254	100	265	100

Source: Field Data

Thus, when respondents were asked about their perceptions of their present ("after" situation) living conditions, 84.7 percent of the participants felt that they were

economically better off than they were before. On the other hand, only 12.5 percent of the control group thought that they are better off. An interesting observation is the fact that some respondents (mostly the control group) revealed that despite an increase in household income, it was quite marginal. From the above analysis it can be concluded that the increase in income has been accompanied by an improvement in the perceived standard of living, among the Ikhtiar members.

9.2.2 INCOME DISTRIBUTION AND THE ESTABLISHMENT OF POVERTY

In this sub-section, the third and fourth sub-hypotheses as stated above will be tested.

In the establishment of the poverty groups among households two poverty lines income (PLI) will be used:

1. M\$250.00 and Below (per month, per household) - Ikhtiar Hard-core PLI [5].
2. M\$375.00 and Below (per month, per household) - National PLI [6].

The per capita poverty lines are as follows:

1. M\$50.00 and Below (per month, per household) - Ikhtiar Hard-core PLI.
2. M\$75.00 and Below (per month, per household) - National PLI.

In relation to the above PLIs, three categories of poverty groups can be defined:

(A) Overall Family Income	(B) Per Capita
1. M\$250 and Below = Very Poor. (Ikhtiar's definition)	1. M\$50.00 and Below = Very Poor. (Ikhtiar's definition)
2. M\$251 - M\$375 = Poor.	2. M\$51 - M\$75 = Poor.
3. M\$376 and above = Not Poor (National Definition)	3. M\$76 and above = Not Poor. (National Definition)

9.2.2.1 DISTRIBUTION OF INCOME BETWEEN THE PARTICIPANTS AND CONTROL GROUP

A deeper idea of income changes between the two groups can be gained by comparing the distribution of the income of the two groups at two time-points as shown in Table 47.

Table 47 : Distribution of Household Income Per Month : "Before" and "After" Situations, Programme Participants Versus the Control Group (Percent)

Income (M\$)	Participants				Control Group			
	Before (1989)		After (1992)		Before (1989)		After (1992)	
	N	%	N	%	N	%	N	%
250 and below	254	100	45	17.7	265	100	264	99.6
251 - 375	-	-	145	59.9	-	-	1	0.4
376 and above	--	--	57	22.4	--	--	--	--
Total (N)	254	100	254	100	265	100	265	100
Average Income	M\$165.00		M\$317.00		M\$158.00		M\$181.00	

Source : Field Data

The percentage of households with incomes of less than M\$250 had declined from 100 percent ("before") to 17.7 percent ("after"). This suggests that the percentage of households among the programme participants earning more than M\$250.00 has increased quite tremendously. On the other hand, the households in the control group fared less well with only 0.4 percent (1 case) who managed to earn an income above M\$250.00.

Thus not only the 82.3 percent (i.e. 59.9% + 22.4%) of the programme participants have managed to earn as much as M\$251.00, there is also a sizeable number of households who managed to earn more than M\$375.00 per month. These patterns seem to suggest the favorable position of the programme participants in terms of income compared to the control group. Having seen the above pattern, our next task is to determine the incidence of poverty among the two groups.

9.2.2.2 THE "PROGRESS" OF HOUSEHOLDS : FROM THE "VERY POOR" TO "POOR" AND "NOT POOR" (OUT OF POVERTY) CATEGORIES

As indicated in Table 47, only 1 case (0.4 percent) from the control group has managed to cross the M\$250 Ikhtiar hard-core PLI. On the other hand, a big proportion, or 59.9 percent of the programme participants have moved up from being "very poor" to the "poor" category, leaving around 17.7 percent (as mentioned above) in the "very poor" (i.e. the Ikhtiar hard-core PLI) category, which is indeed some significant achievement.

By taking the household poverty line of above M\$375.00 per month, 22.4 percent of the participants have crossed this line. However this figure drops to 16.5 percent when per capita household income is considered (See Table 48). This had arisen because, household sizes for both the Ikhtiar and control groups are relatively big (See Table 34 in Chapter 8). For instance, 68.5 percent of the programme participants and 59.6 percent of the control group have a household of more than 6 persons respectively.

Thus by comparing the two groups we can conclude that the majority of the Ikhtiar member households had managed to cross the Ikhtiar hard-core poverty line of M\$250.00 by a significant margin, i.e. 82.3 percent, leaving only 17.7 percent of members in the "very poor" category. Out of 82.3 percent of the members, a further 22.4 percent of the households have managed to cross the national poverty line (M\$375.00) or out of the poverty threshold altogether. On the other hand, 99.6 percent of the households in the control group still remain in the "very poor" category and in only one case has a household been able to cross the Ikhtiar hard-core PLI.

Table 48 : Per Capita Household Income By Group : Participants Versus the Control Group - "Before" and "After" Situations (Percent)

Income (M\$)	Participants				Control Group			
	Before (1989)		After (1992)		Before (1989)		After (1992)	
	n	%	n	%	n	%	n	%
\$50 and below	241	94.9	136	53.5	265	100	264	99.6
\$51 - \$75	9	3.5	76	30.0			1	0.4
\$76 and above	4	1.6	42	16.5				
Total	254	100	254	100	265	100	265	100
Average (M\$)	29.00		55.00		28.00		31.00	

Source: Field Data

Looking back at the Ikhtiar members, it has been shown that (i) based on the Ikhtiar hard-core PLI - hard-core poverty has been reduced from 100 percent to only 17.7 percent after utilization of loans and (ii) based on the National PLI - poverty has been reduced from 100 percent to 77.6 percent (i.e. 100% - 22.4%). This has been quite remarkable and can be regarded as a "good start" indeed. Obviously it would be unrealistic to expect a major portion of the very poor household to rise above the national PLI in so short a period. We can regard this achievement as quite modest but Ikhtiar's role in changing the mind-set of the incurable pessimists has to be recognized. The Ikhtiar Organization has at least set in motion the process of giving some rays of hope for the very poor in rising above the poverty threshold.

From the above discussion we have seen that the incidence of poverty has been reduced by quite a substantial margin among the programme participants and there has only been a marginal improvement within the control group. The above finding suggests that the third and fourth sub-hypotheses of Hypothesis One are therefore valid and can be accepted.

**SECTION ONE (B) : HOUSEHOLD INCOMES : COMPARISONS
BETWEEN THE PROGRAMME PARTICIPANTS
THEMSELVES**

**9.3 VARIATION IN HOUSEHOLD INCOMES BETWEEN THE
PROGRAMME PARTICIPANTS THEMSELVES**

**9.3.1 HOUSEHOLD INCOMES : VARIATION AMONG THE
PROGRAMME PARTICIPANTS**

This section will test the fifth sub-hypothesis as stated above and the main statistical tool employed is the independent samples T-Test.

However, first and foremost it is interesting to observe the general patterns of the household incomes based on 4 groups of Ikhtiar participants. Recall from the discussion in Chapter 8, there were 4 groups of the Ikhtiar members within the context of the *cycles of loans* and the *types of activities* pursued with Ikhtiar loans (see subsection 8.3.1 in Chapter 8 for the breakdowns of the 4 groups).

Thus based on the above 4 groups and for the sake of simplicity:

- 1) The *1st group* is referred to as *First Agricultural Activity Group*.
- 2) The *2nd group* is referred to as *First Non-Agricultural Activity Group*.
- 3) The *3rd group* is referred to as *Second Agricultural Activity Group*.
- 4) The *4th group* is referred to as *Second Non-Agricultural Activity Group*.

In discussing the aspect of the household incomes among the 4 groups of Ikhtiar members, we will be using the statistical tool of the ANOVA as revealed through Table 49 (a), (b) and (c).

In general when we are comparing two means, we compute a two-sample t-statistic and its P-value to assess the statistical significance of the difference in the sample means, For comparing several means, the situation is quite similar. An F statistic and its value are used. In this study the Analysis of Variance is a statistical method that is

used for comparing the means of 4 groups. In this connection, Moore and McCabe (1989) have suggested the following steps:

1. The ANOVA F test gives an answer to the general question: are the differences among observed groups means significant? The P value will tell us whether the group means are different, but it does not tell us specifically which means differ from each other (see Table 49a).
2. Since we need to know which pairs of means differ, a multiple comparisons methods will be used in addressing this question and are used only after rejecting the ANOVA H_0 (see Table 49b). This will be done by means of a Duncan test (as shown in Tables 49b and 49c) (Foster, 1993).

Based on the above suggestion by Moore and McCabe (and Foster), the result of this study based on the four groups as shown in Table 49 (a), (b) and (c), is discussed next.

The result in Table 49a shows that the F value is statistically significant at the 0.0001 significance level, which suggests that there are differences between the household incomes in the four groups. Thus not all groups have equal monthly household incomes. While the H_0 is rejected, through the P value, as indicated in Table 49a, it does not tell us specifically which means differ from each other. As such multiple comparison is thus being resorted to (see Table 49b) along with the (option) confidence interval for differences (see Table 49c). The results are discussed below:

1. The levels of income among the participants in the *Second Non-Agricultural Activity Group* is significantly higher than that of the (i) *Second Agricultural Activity Group* (ii) *First Agricultural Activity Group* and (iii) *First Non-Agricultural Activity Group*.
2. The level of income among the participants in the *Second Agricultural Activity Group* is also relatively higher than that of the (i) *First Agricultural Activity Group* and (ii) *First Non-Agricultural Activity Group*. However the difference between the level of income in the *Second Agricultural Activity Group* over that of the *First Non-Agricultural Activity Group* is not significant, which means that the difference is marginal and in reality the difference in mean income is only M\$7.60 in favour of the *Second Agricultural Activity Group*. It has also been found that the difference in the total income is also significantly higher in the *Second Agricultural Activity Group* over that of the *First Agricultural Activity Group*.

Table 49 (a) : Analysis of Variance For the Household Monthly Income of the Programme Participants, The "After" Situation

General Linear Model Procedure

Dependent Variable : Household Monthly Income

Source	DF	Sum of Squares	Mean Square	F Value	PR>F	R Square	C.V
Model	3	378998.98631731	126332.99543190	22.47	0.0001	0.212349	23.6065
Error	250	1405790.2144701	5623.16085788	Root MSE	Household Income "after"		
Corrected Total	251	1784789.20078741		74.98773805	M\$317.65748031		

Source	DF	Type I SS	F Value	PR>F	DF	Type III SS	F Value	PR>F
Particular	3	378998.9863173	22.47	0.0001	3	378998.9863173	22.47	0.0001

Table 49(b) : Multiple Comparisons Output For the Household Monthly Incomes Between the Programme Participants, The "After" Situation

General Linear Model Procedure

Duncan's Multiple Range Test For Variable : Household Monthly Income
 Note : This test controls the type I comparisonwise error rate, not the experimentwise error rate.

Alpha = 0.05 DF = 250 MSE = 5263.16

Warning: Cell sizes are not equal.
 Harmonic means of cell sizes = 31.161.

Number of Means	2	3	4
Critical Range	37.7365	39.6822	40.9343

Means with the same letter are not statistically different

Duncan	Grouping	Mean	N	Particular
	A	M\$434.87	15	Second/Non-Agricultural.
	B	M\$345.79	24	Second/Agricultural.
	B	M\$338.15	79	First/Non-Agricultural.
	C	M\$287.86	136	First/Agricultural.

Table 49(c) : Multiple Comparisons Output For Confidence Limits For Differences in the Household Monthly Income : The After Situation.

General Linear Model Procedure

T-Tests (LSD) For Variable: Household Monthly Income

Note : This Test Controls the Type I Comparisonwise Before Rate,
Not the Experimentwise Error Rate

Alpha = 0.05 Confidence = 0.95 DF = 250 MSE = 5623.16
Critical Value of T = 1.96950

Comparisons Significant at the 0.05 level are Indicated By "****"

Particular	Lower Confidence Limit	Difference Between Means	Upper Confidence Limit	
2nd Non-Agric -> 2nd Agric	40.465	89.075	137.865	***
2nd Non-Agric -> 1st Non-Agric	55.119	96.715	138.311	***
2nd Non-Agric -> 1ST Agric	106.826	147.006	187.187	***
2nd Agric -> 2nd Non-Agric	-137.685	-89.075	40.465	***
2nd Agric -> 1st Non-Agric	-26.783	7.640	42.062	***
2nd Agric -> 1st Agric	25.233	57.931	90.630	***
1st Non-Agric -> 2nd Non-Agric	-138.311	96.715	55.119	***
1st Non-Agric -> 2nd Agric	-42.062	-7.640	26.783	***
1st Non-Agric -> 1st Agric	29.400	50.292	71.184	***
1st Agric -> 2nd Non-Agric	-187.187	-147.006	-106.826	***
1st Agric -> 2nd Agric	-90.630	-57.931	-25.233	***
1st Agric -> 1st Non-Agric	-71.184	-50.292	-29.400	***

Having observed the overall pattern of the differences, our next task is to test the fifth sub-hypothesis in this section and these are discussed as follows:

1. GROUP INVOLVED IN THE TESTING OF THE FIFTH SUB-HYPOTHESIS

There are four groups of programme participants based on the above discussion. In testing the fifth sub-hypothesis, we will first consider the following three points:

POINT 1: The above four groups of the programme participants within the context of the *cycles of Ikhtiar loans* and the *types of activities* pursued by members are as mentioned above in sub-section 9.3.1 (i.e. the groups as listed in sub-section 8.3.1 in Chapter 8).

POINT 2: It needs to be mentioned here that by further arranging the above mentioned four groups according to the *cycles of Ikhtiar loans* and *types of activities* pursued with Ikhtiar loans, which will be used in the testing of the *sub-hypothesis*, we finally come down to the following two main groups based on the *cycles of Ikhtiar loans* and *types of activities* :

A. Based on the *cycles of Ikhtiar loans*, there are two major groups:

(1) **First Cycle Loan Group** consisting of both the:

(a) Agricultural Activity Group (136 participants) and

(b) Non-Agricultural Activity Group (79 participants).

The total is 215 (136 + 79) participants which makes up the First Cycle Loan Group. This arrangement will constitute the **FIRST GROUP** for the sake of simplicity.

(2) **Second Cycle Loan Group** consisting of both the:

(a) Agricultural Activity Group (24 participants) and

(b) Non-Agricultural Activity Group (15 participants).

The total is 39 (24 + 15) participants which makes up the Second Cycle Loan Group. This arrangement will be referred to as the **SECOND GROUP**.

B. Based on the *types of activities* there are two major groups:

(3) **Agricultural Activity Group** consisting of both the:

(a) **First Cycle Loan Group of the First Agricultural Activity Group (136 participants)** and

(b) **Second Cycle Loan Group of the Second Agricultural Activity Group (24 participants).**

The total is 160 (136 + 24) participants which makes up the Agricultural Activity Group. This arrangement will be referred to as the **THIRD GROUP**.

(4) **Non-Agricultural Activity Group** consisting of both the:

(a) **First Cycle Loan Group of First Non-Agricultural Activity Group (79 participants)** and

(b) **Second Cycle Loan Group of the Second non-agricultural activity group (15 participants).**

The total is 94 (79 + 15) participants which makes up the Non-Agricultural Activity group. This arrangement will be referred to as the **FOURTH GROUP**.

POINT 3: In relation to these four groups based on the cycles of Ikhtiar loans and types of activities, the following groups based on the above definitions will be used in the testing of fourth (a) and (b) sub-hypotheses as follows:

(i) **FIRST GROUP** (i.e. the First Cycle Loan Group) and **SECOND GROUP** (i.e. the Second Cycle Loan Group) are used for testing the fourth (a) sub-hypothesis, based on the cycles of Ikhtiar loans.

(ii) **THIRD GROUP** (i.e. the Agricultural Activity Group) and **FOURTH GROUP** (i.e. the Non-Agricultural Activity Group) are used for testing the fourth (b) sub-hypothesis, based on the types of activities.

2. TESTING OF FIFTH(a) SUB-HYPOTHESIS ON THE CYCLES OF LOANS - FIRST GROUP (i.e. THE FIRST TIME-BORROWERS) VERSUS SECOND GROUP (i.e. THE SECOND-TIME BORROWERS)

From discussion based on Table 49 (a), (b) and (c) above, we have seen that the Second cycle of loan group (both the agricultural and non-agricultural activity groups) have relatively higher incomes than those of the First cycle loan group (both the agricultural and the non-agricultural activity groups). In order to test the sub-hypothesis, whether the difference in the level of income between **FIRST GROUP** and the **SECOND GROUP** is significant, an independent samples T-test was carried out and the result is shown in Table 50.

The result from Table 50 shows that there is a significant difference in the level of income between these two groups at the 0.0005 significance level, suggesting that the very poor rural households who were in the second cycle of loans (**FIRST GROUP**) have higher level of income (approximately M\$380.00) than those in the first cycle of loans (**SECOND GROUP**) (approximately M\$306.00). This finding seems to suggest that the more times the participants borrow from the Ikhtiar Organization, the more likely it is for the participants to earn higher incomes. Thus this finding seems to validate the fifth(a) sub-hypothesis that the level of income is higher among the participants in the second cycle of loans than those in the first cycle of loans. The hypothesis was therefore found to be true and could be accepted.

On average (as shown in Table 36 in Chapter 8) the second cycle of loans group borrowed an average of M\$945.00 per loans (from the maximum second loan of M\$1000) and M\$465 for first cycle of loans group (from the maximum first loan of M\$500.00).

3. TESTING OF FIFTH(b) SUB-HYPOTHESIS ON THE TYPES OF ACTIVITIES - THIRD GROUP (i.e. THE AGRICULTURAL ACTIVITY GROUP) VERSUS FOURTH GROUP (i.e. THE NON-AGRICULTURAL ACTIVITIES GROUP)

Similarly in order to test the sub-hypothesis concerning whether there is any significant difference in the level of income between the agricultural and the non-agricultural activities, an independent samples T-test was carried out and the result is shown in Table 51.

Table 50: Independent Samples T-Test of Household Monthly Income Between the First-Time Borrowers (FIRST GROUP) and Second-Time Borrowers (SECOND GROUP) : The "After" Situation.

	N	Mean Income	Standard Deviation	Standard Error
1. First-Time Borrowers (FIRST GROUP)	215	M\$306.33	70.852	4.8320
2. Second-Time Borrowers (SECOND GROUP)	39	M\$380.05	118.224	18.9310
Seperate Variance Estimate				
t-value	Degree of Freedom		P>T	
3.7727	43.1		0.0005	

Table 51 : Independent Sample T-Test of Household Monthly Income Between the Agricultural Activity (THIRD GROUP) and Non-Agricultural Activity (FOURTH GROUP) : The "After" Situation.

	N	Mean Income	Standard Deviation	Standard Error
1. Agricultural Activity (THIRD GROUP)	160	M\$296.55	69.22	5.472
2. Non-Agricultural Activity (FOURTH GROUP)	94	M\$353.58	94.48	9.745
Seperate Variance Estimate				
t-value	Degree of Freedom		P>T	
5.1029	152.1		0.0001	

The result of the test shows that the income difference between the two groups is statistically significant at the 0.0001 significance level. Thus we can conclude that the participants with the non-agricultural activities earned a much higher income (approximately M\$353.00) than those in agricultural activities (approximately M\$296.00). This finding also seems to validate the **fifth(b) sub-hypothesis** that the level of income is higher among the participants who have utilized loans for non-agricultural activity than those in agricultural activity. This sub-hypothesis was therefore found to be true and could be accepted.

Further support for the **fifth(b) sub-hypothesis** is as follows: It is interesting to note that by referring back to **Table 47**, which suggests that 22.4 percent (57 cases) of the participants have risen above the National poverty line income of M\$375.00, a greater percentage of those who have actually crossed this PLI were those from the **FOURTH GROUP (Non-agricultural activity group)** rather than the **THIRD GROUP (Agricultural activity group)** (see **Table 52**). This finding lends further support to the **fifth(b) sub-hypothesis** that the level of household income of those pursuing the non-agricultural activity is significantly higher than those in agricultural activity by virtue of the fact 41.4 percent of the participants in non-agricultural activities have surpassed the national poverty line (out of poverty threshold) compared to only 11.3 percent in the agricultural activities group.

Based on the above findings and discussions, we can make the following observations:

1. There seems to be a positive correlation between the level of income and the number of loan disbursements. Thus participants in the second cycle of loans tend to earn a higher income than those in the first cycle of loans. We can therefore suggest that the more frequently the participants obtain loans, the more likely is their ability to increase their income and hence find their way out of poverty. Barker and Hopkin (1969) also argued that in general the higher the share of loans in total capital, the higher will be the growth of income of households.
2. Such an outcome (as mentioned above) is very encouraging and we are quite optimistic that subsequent loans from the Ikhtiar Organization should provide a good mechanism for poverty alleviation. One loan is rarely enough to lift the majority of the already very poor households above the national poverty line. Nevertheless the Ikhtiar Organization has at least set in motion the process of lifting the participants' household incomes and the findings show that the majority of the participants have managed to rise above the Ikhtiar hard-core poverty line.

**Table 52 : Participants Above the National Poverty Line Income:
Agricultural Versus Non-Agricultural Activities**

Group	(Number)	Percent	(N)
Agricultural Activity			
1. First Agricultural	10	7.4	136
2. Second Agricultural	8	33.3	24
Sub-Total	18	11.3	160
Non-Agricultural Activity			
3. First Non-Agricultural	29	36.7	79
4. Second Non-Agricultural	10	66.7	15
Sub-Total	39	41.4	94
Total	57	22.4	254

Note : (N) is referred to the total of sample.
(Number) is referred to only 57 (22.4%) of the
Ikhtiar members (based on Table 47, discussed
earlier), who had crossed the National Poverty
Line and are included in this table.

Source : Field Data

3. Perhaps Ikhtiar participants who pursued agricultural or non-agricultural activities would have benefited more if only the Ikhtiar Programme could have provided an extension service and other support. Unfortunately, this is not a part of the Ikhtiar package. It has been argued that a credit programme would be more effective if it was complemented by other support services such as technological packages, extension services, marketing and also training of participants (Mosley and Dahal, 1985; Padmanabhan, 1988; Deveraux et al, 1990; Jazairy et al, 1992; Tilakatrana, 1991) [7].

4. There is also a positive correlation between the levels of incomes and the types of activities pursued by the participants. Non-agricultural activity tends to generate a much higher income than agricultural activity. It can therefore be concluded that non-agricultural activity yields a higher return on capital employed when compared to agricultural activity. Thus many families can increase their income by shifting out of agricultural activity into non-agricultural activity. It has been argued (Jazairy et al, 1992) that non-farm employment (non-agricultural) offers a promising alternative of helping the poor, notably for those without adequate access to land and (Lorraine, 1983) has been viewed as a potential solution to rural poverty problem.

5. Informal discussions with the participants also revealed the fact that petty trading activities (such as hawking of agricultural goods) financed by Ikhtiar loans were found to have links with agricultural production activities, notably crop cultivation and livestock rearing, of their counterparts pursuing agricultural activities. The main items traded by Ikhtiar petty traders are vegetables, fruits, slaughtered chickens and others. Agricultural activities therefore can still play a significant role in the context of the above linkages [8], despite generating a much lower income compared to the non-agricultural activities. It has to be accepted that not everyone is capable of pursuing non-agricultural activity. Good marketing support, effective agricultural extension services and other forms of support could enhance those in the agricultural activities [9].

9.3.2 THE TOTAL HOUSEHOLD INCOME : CONTRIBUTION OF THE IKHTIAR-FINANCED PROJECT TOWARDS THE TOTAL HOUSEHOLD INCOME OF THE PROGRAMME PARTICIPANTS

In this section the sixth (final) sub-hypothesis as stated above will be tested.

It has been indicated from Table 47 (as discussed earlier), that the participants' incomes have increased after joining and utilizing the Ikhtiar loans (i.e. from M\$165.00

"before" to M\$317.00 "after"). However, it is not necessary that the Ikhtiar scheme income represents the entire increase in the total household income. The "1992" total household income (M\$317.00) consists of both earnings from Ikhtiar and non-Ikhtiar sources (see Footnote 1). As such we are now in a position to test the **sixth sub-hypothesis**. This is to determine whether the increase in the total household income has been the result of earning from the Ikhtiar-financed project activities (i.e. from Ikhtiar sources) or income from earning of the non-Ikhtiar activities (such as those income earned not related to Ikhtiar-financed project activities).

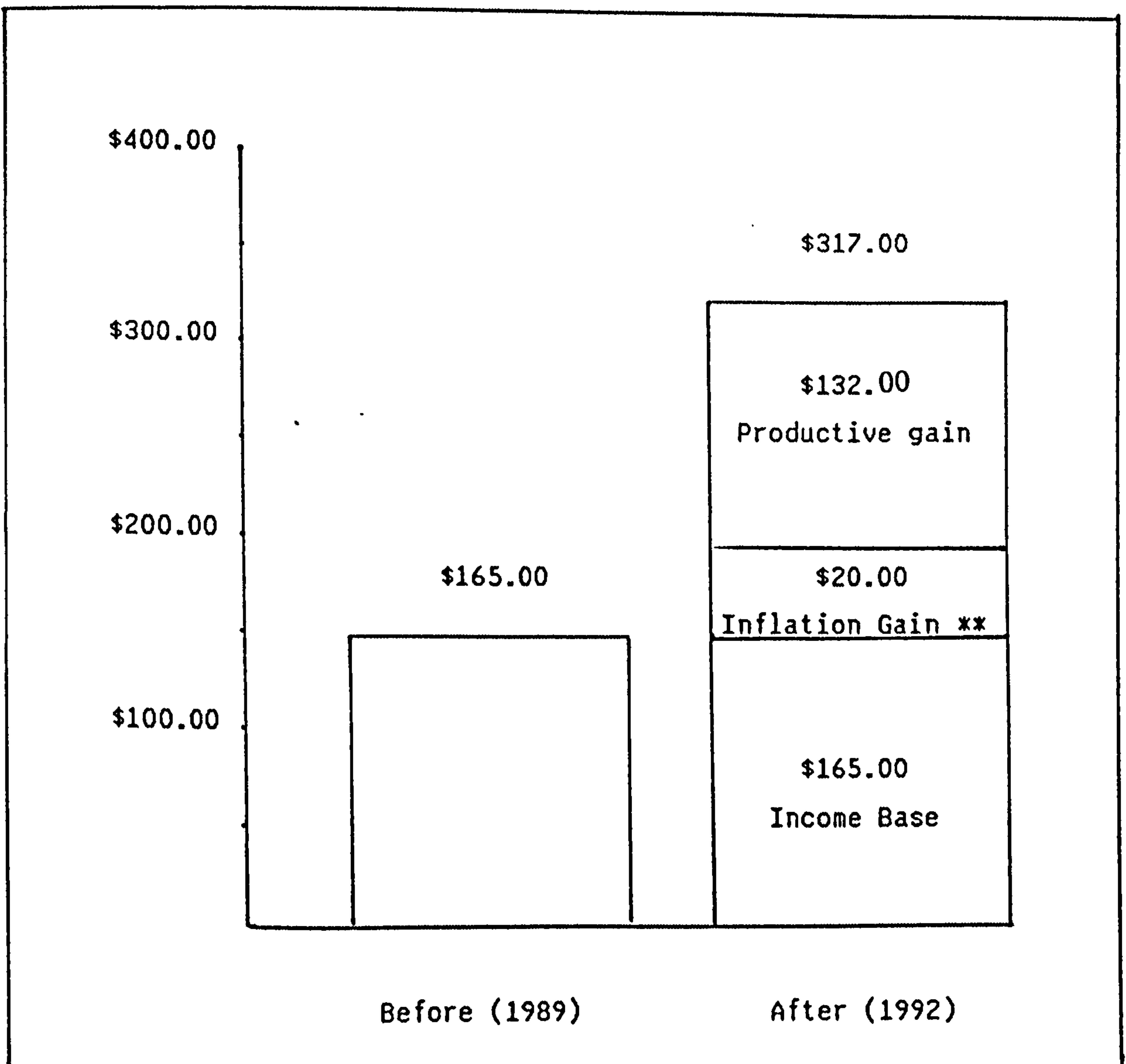
To answer this, it is necessary to compute the actual breakdown of the total household incomes (i.e. the mean of M\$317.00) earned by the sample Ikhtiar member households. Based on **Table 47**, a chart can be constructed to show the Ikhtiar member households monthly incomes for the "before" and "after" situations. This chart is shown in **Figure 13** below. Based on the computation of data of the sample Ikhtiar member households, it was found that from the total average household income of M\$317.00 earned by them for the "after" situation, a certain amount (percentages) was actually derived from both the Ikhtiar and non-Ikhtiar sources. The results of the breakdown of household incomes are shown in **Table 53** and are discussed next.

The results from **Table 53** show that, on average, the contribution from Ikhtiar-financed project activities towards the participants' total income is approximately 56 percent or M\$186.00. On the other hand, the average income generated from the non-Ikhtiar source stood at M\$131.00 (44 percent). These trends suggest that had it not been for the income generated from Ikhtiar sources, the participants might have been worse off economically than they were before. However, discussion with many respondents revealed an interesting result. It has been noted that the households after utilizing the Ikhtiar loans could not pay the same attention to the pre-scheme occupations that they had been doing earlier and therefore had to forgo some of their income from the non-Ikhtiar sources. The above result shows that the contribution of the Ikhtiar loan scheme towards the participants' total household incomes has been significant. The **sixth sub-hypothesis** was therefore found to be true and could be accepted.

The findings of this study seem to support other earlier studies on the effectiveness of the credits (loans) in raising the income of the participants both in Malaysia and other developing country based on similar programmes. SERU's study found that participants' income had increased from M\$198.00 to M\$466.00 after utilization of loans. Ikhtiar's three internal impact studies concluded as follows: first study: income rose from M\$173.00 to M\$328.00; second study: from M\$142.00 to M\$570.00; and

third study: from M\$223.00 to M\$540.00 (see Chapter 5) [10]. Similarly, various studies on the Grameen Bank's participants show income increases of between 58 and 73 percent after loan utilization (see Chapter 3) [11]. Thus it appears from this study and other studies that credit has been effective in improving the economic conditions and reducing the incidence of poverty among the very poor rural households.

Figure 13 : Household Monthly Income of The Programme Participants, "Before" and "After" Situations



** : See Table 44 for the inflationary impact of household income

Source : Field Data

Table 53 : Income Earned From Ikhtiar and Non-Ikhtiar Sources (M\$)

Items	Without Ikhtiar's Intervention		With Ikhtiar's Intervention	
	" Before" (1989)		"After" (1992)	
	Household Monthly Income	Percentage Contribution	Household Monthly Income	Percentage Contribution
(1) Income from Ikhtiar-Financed Activities (Ikhtiar Sources)	N.R	N.R	M\$186.00	56%
(2) Income from Non-Ikhtiar Sources	M\$165.00	100%	M\$131.00	44%
Total Household Incomes	M\$165.00	100%	M\$317.00	100%

Note : (i) The breakdown of Average Income for the "After" situation as in items (1) and (2) are computed from the sample survey of the participant household incomes.

(ii) A good example of a particular member household average monthly income derived from Ikhtiar and non-Ikhtiar sources is highlighted in Footnote 12.

(iii) N.R = Not Related (no intervention has taken place).

Source : Field Data

Having seen the positive contribution of the Ikhtiar-financed project activities towards the total income of participant households, it is equally interesting to see these patterns based on 4 groups discussed in the previous section. This is shown in Table 54 below.

Results from Table 54 clearly show that the contribution from the Ikhtiar-financed project activities towards the total household incomes in all the 4 groups have been very positive, especially in the non-agricultural activities where the contribution has been in the region of 65 to 80 percent. This has again supported the sixth sub-hypothesis on the significant contribution of the Ikhtiar sources of income towards the total household incomes.

It is also interesting to examine why the non-agricultural activities tend to generate relatively higher incomes than the agricultural activities (as shown in Table 54) in the sample households. It has been found through informal discussions that:

1. **Agricultural Activities:** These activities tend to generate a relatively lower incomes than the non-agricultural activities. Participants' incomes in the rubber cultivation, crop cultivation (such as vegetables growing), padi farming and animal husbandry were subjected to:
 - (a) market prices which tend to fluctuates,
 - (b) forces of nature (such as weather),
 - (c) diseases/death of livestock,
 - (d) Number of working days (for instance, the tapping of rubber depends on weather. During the rainy season, the number of working days is reduced and so is the income) and
 - (e) Lack of storage and refrigeration facilities (for instance, vegetable growers who have to harvest their farm produces need to market them immediately). This is also associated with the problem of perishable goods of the agricultural produces. This farm produce was also bought by local buyers or middlemen at a price lower than the market prices.

Table 54 : Contribution of Ikhtiar-Financed Project Activities
(From Ikhtiar Source) Towards the Total Household
Income by Groups.

Group	N	Mean Income (M\$)			Percentage Contribution Towards the Total H'hold Income	
		(1) Earning From Ikhtiar A'vities	(2) Earning From Non-Ikhtiar A'vities	(3) Total H'hold Income (1 + 2)	(4) From Ikhtiar A'vities as in 1	(5) From Non- Ikhtiar A'vities as in 2
First Agric.	136	144.90	142.98	287.86	48.4%	51.6%
First Non- Agric.	79	226.46	111.67	338.15	66.1%	33.9%
Second Agric.	24	178.21	167.58	345.79	47.1%	52.9%
Second Non-Agric.	15	370.27	69.93	434.87	80.7%	19.3%
Total (N)	254	186.72	131.25	317.66	55.7%	44.3%
Agric. A'vities (136 + 24)	160	149.89	146.67	296.55	48.2%	51.8%
Non-Agric. Activities (79 + 15)	94	249.40	105.01	353.59	65.7%	34.3%

Source : Field Data

- 2. Non-Agricultural Activities:** The majority of the participants in the non-agricultural activities were mainly involved the selling of non-agricultural goods such as trading of dry foodstuffs, cloth or garments; opening of provision shops; tailoring; operating mini petrol kiosks and other related activities. The non-agricultural activities, unlike the agricultural activities, tend to generate much higher incomes than the agricultural activities because:
- (a) Price fluctuations are less severe and in general are quite stable compared to agricultural produces,
 - (b) Goods were purchased in bulk from wholesalers at lower prices. These goods were then resold for a certain profit,
 - (c) Goods are also the non-perishable types, such as cloth or garments and dry foodstuffs, which can be kept for a longer period of time,
 - (d) The types of goods to be sold can be adjusted to changes in consumers tastes and preferences, and
 - (e) The problem of diseases and death of "goods" are also not normally associated with the non-agricultural activities.
- 3.** The attractiveness of the higher incomes generated in the non-agricultural activities, however, do not mean that participants have made a wrong choice of income generating projects, as discussed at the group meetings prior to loan disbursements. In general, every participant tends to undertake activities which they personally believed they were capable of doing. They tried to avoid risk by doing something which they were capable of. Their decision was also directly influenced by the existence of their skills and previous experience, whether in agricultural or non-agricultural activities.

Table 55 : Types of Activities With Ikhtiar Loans : Agricultural Versus Non-Agricultural Activities

	Freq. (N)	Household Income (M\$)			Contribution (%) From Ikhtiar (as in 2)
		(1) Total H'hold Income	(2) Income From Ikhtiar	(3) Income From Non Ikhtiar	
AGRICULTURAL	160	296.55	149.89	146.67	48.22
1. Animal Husbandry	43	253.21	36.14	217.12	14.37
2. Padi Cultivation	17	311.29	155.29	155.00	49.69
3. Tree Crop Cul. (rubber)	48	342.67	276.98	66.10	82.85
4. Other Crop	37	284.32	104.54	179.24	37.19
5. Mixed Agric.	15	286.67	173.93	112.73	60.03
NON-AGRIC.	94	353.59	249.40	105.01	68.43
6. Selling/ Distribution of food.	18	378.89	299.72	83.28	76.82
7. Selling of agricultural goods.	14	341.93	218.86	123.07	63.22
8. Selling of Non-Agric. goods.	50	361.72	254.22	107.58	68.13
9. Other Non- Agriculture activities	6	278.17	183.00	95.17	66.63
10. Services	4	283.25	162.50	120.75	54.46
11. Mixed Non- Agriculture	2	371.00	263.00	108.00	70.17
OVERALL TOTAL (160 + 94)	254				

Note : "N" is referred to the total in sample, Source : Field Data

Similarly it is equally interesting to see the variations in terms of the actual activities (i.e. the exact activity within the context of agricultural and non-agricultural activities, see Table 55 above) with respect to contributions from Ikhtiar sources of income from among the agricultural and non-agricultural activities. The results from Table 55 show that:

(i) Income from the non-agricultural activity financed by Ikhtiar loans was generally very much higher than that of the agricultural activity.

(ii) Similarly, contributions from non-agricultural activity towards the household income was also much higher. Selling and distribution of food (non agricultural activity) generated the highest income which stood at around M\$299.00 and accounted for approximately 77 percent of the total household income.

(iii) However in agricultural activity, the tree crop cultivation (rubber) was the highest in terms of income generation which stood at around M\$276.00 and accounted for approximately 83 percent of the total household income. On the other hand, animal husbandry (notably chicken rearing), seemed to generate the lowest incomes both in terms of average income and contribution towards the total income which stood at around M\$36.00 (14.4 percent).

SECTION ONE (C) - MULTIPLE REGRESSION ANALYSIS

9.3.3 DETERMINANTS OF IKHTIAR-FINANCED PROJECT ACTIVITIES INCOMES MULTI-REGRESSION ANALYSIS

Discussion in the preceding section has shown that the increase in income among the programme participants has been significant. Similarly the contribution of the Ikhtiar-financed project activities (Ikhtiar sources of income) towards the participants' total household income has also been significant. In relation to these we are now in a position to analyze the variables that were responsible for influencing the Ikhtiar schemes' income. In order to do this a multiple regression analysis is used, which, as noted by Bryman and Cramer (1991) is currently the most widely used method for conducting multivariate analysis, particularly when more than three variables are involved.

Beaver (1991) has noted that the objective of a multiple regression analysis is to relate a response variable y to a set of predictor variables X_1, X_2, \dots, X_K using a multiple regression model. Ultimately the purpose is to estimate the mean value of y and/or predict a particular value of y for given value of X_1, X_2, \dots, X_K .

The income from the Ikhtiar scheme was taken as the dependent variable along with a set of independent or predictor variables (see Table 56 for the variables).

Table 56 : Relationships Between Variables

Pearson Correlation Coefficients Prob [R] Under HO: RHO = 0 / N = 254							
	Incmiktr	Amtloan	Owncap	Age	Educ	Skill	Activty
Incmiktr	1.00000 0.0000	0.25204 0.0001	0.19463 0.0013	0.04771 0.4490	1.11044 0.0790	0.01114 0.8598	0.38712 0.0001
Amtloan	0.25204 0.00001	1.00000 0.0000	0.17979 0.0040	0.03318 0.5987	0.01598 0.7999	0.04726 0.4534	0.02279 0.7178
Owncap	0.19460 0.0018	0.17979 0.0040	1.00000 0.0000	0.03769 0.5499	0.00151 0.9809	0.14502 0.0208	0.10821 0.1021
Age	0.04771 0.4490	0.03318 0.5987	0.03769 0.5499	1.00000 0.0000	0.25172 0.0001	0.09618 0.1263	0.03596 0.5684
Educ	0.11044 0.0790	0.01598 0.7999	0.00151 0.9809	0.25172 0.0001	1.00000 0.0000	0.02603 0.6797	0.13909 0.0266
Skill	0.01114 0.8598	0.04726 0.4534	0.14502 0.0208	0.09618 0.1263	0.02603 0.6797	1.00000 0.0000	0.14924 0.0173
Activty	0.38712 0.0001	0.02279 0.7178	0.10281 0.1021	0.03596 0.5684	0.13909 0.0266	0.14924 0.0173	1.00000 0.0000

Variable Label

Incmiktr = Income from Ikhtiar activities.
 Amtloan = Amount of loans from Ikhtiar.
 Owncap = Amount of your own capital.
 Age = Age.
 Educ = Level of education.
 Skill = Skill utilized in Ikhtiar activities.
 Activty = Type of activities with Ikhtiar loans.

Table 57 : Multiple Regression Output For Regression Using Several Independent Variables To Predict Dependent Variables (Income)

Dependent Variable : Incmiktr = Income From Ikhtiar-Financed Project Activities (Monthly)							
<u>Analysis of Variance</u>							
Source	DF	Sum of Squares	Mean Square	F value	Prob>F		
Model	6	914145.41	152357.57	12.551	0.0001		
Error	247	2998393.75	12139.24594				
Root MSE		110.1782	R Square	0.2336			
Dep Mean		186.7205	Adjusted				
C.V		59.000705	R-Square	0.2150			
<u>Parameter Estimates</u>							
Variables	DF	Parameter Estimate	Standard	T for H0: P'meter=0	Prob>[T]	Standardized Estimate	Variance Inflation
Intercep	1	24.44822019	68.16888282	0.359	0.7202	0	0
Amtloan	1	0.15288599	0.03985412	3.836	0.0002	0.21805813	1.04141217
Owncap	1	0.48371876	0.21540390	2.246	0.0256	0.12916548	1.06630432
Age	1	-0.84882775	0.88274328	-0.962	0.3372	0.05581021	1.08573531
Educ	1	6.97589612	9.60930517	0.726	0.4686	0.04231598	1.09511506
Skill	1	58.31659129	46.79690070	1.246	0.2139	0.07135878	1.05684595
Activity	1	96.56008644	14.69485156	6.571	0.0001	0.37564305	1.05330178
<u>Variables</u>	<u>DF</u>	<u>Variable label</u>					
Intercept	1	Intercept.					
Amtloan	1	Amount of loan.					
Owncap	1	Amount of participant own capital.					
Age	1	Age.					
Educ	1	Level of education.					
Skill	1	Utilized skill in Ikhtiar activities.					
Activity	1	Type of activities with Ikhtiar loans.					

9.3.3.1 RELATIONSHIPS BETWEEN VARIABLES (see Table 56)

The Pearson correlation relationships between all pairs of variables are shown in Table 56. The results show that the correlation of income with (i) amount of Ikhtiar loans is 0.38 with a P-Value of 0.0001, (ii) types of activities pursued is 0.25 with a P-value of 0.0001, (iii) use of borrowers' own capital is 0.19 with a P-value of 0.0018 and (iv) level of education is 0.1104 with a P-value of 0.0790.

Thus the first two variables, i.e. amount of Ikhtiar loans and types of activities are statistically significant at the 0.0001 level of significance while use of own capital is significant at the 0.0002 level of significance - all indicating a strong relationship. Similarly, the amount of participants own capital used is also significant, but the level of education and utilization of skill in the Ikhtiar activities are of marginal significance, only slightly less than the normal 0.05 level of significance.

In order to explore the relationship between the exploratory variables and our response variable, income, a multiple regression equation was run and the result is shown in Table 57. From the table we reach the following conclusions:

1. The value of R Square is given as 0.23. Thus only 23 percent of the variation in the Ikhtiar scheme income is explained by variation in the independent variables. The important variables that were responsible for influencing the Ikhtiar schemes income is revealed next.
2. The F statistic is 12.55 with a P value of 0.0001 suggesting that the model is "statistically significant" at the 1 in 10,000 level. We can conclude that three of the explanatory variables have a non-zero regression coefficient. Thus the examination of the t statistics and the associated P value for the individual regressions coefficient reveal that, three variables, (i) types of activities carried out, (ii) amount of Ikhtiar loans and (iii) amount of own capital are significant of at least the 0.05 level (or 0.0001, 0.0002 and 0.0256 respectively). However, other explanatory variables are not statistically significant. For instance, it seems that age is not an important factor in explaining the income. This is because majority of the respondents were in the very active age group. Similarly skill is not an important factor in explaining the income. This is because as noted in Chapter 8 that nearly 96 percent of the member households had utilized their various skills (whether in agricultural or non-agricultural activities) in the Ikhtiar-financed project activities. Only 4 percent of the member households had ventured into a "new" area without any previous skills (and experiences) (see discussion in Chapter 8). Types of activities seemed to have positive correlation with

income. As discussed in sub-section 9.3.1, Ikhtiar member households had utilized their Ikhtiar loans in either the agricultural or non-agricultural related activities. Findings also suggest that both types of activities had generated a significant amount of income for the household members. However, the non-agricultural activities tend to generate a higher income when compared to the agricultural activities. From this observation, we can conclude that **Ikhtiar loans or credit along with the types of activities** carried out by the Ikhtiar members are a significant predictor of income.

The above result seems to confirm, along similar lines to the Grameen experience, that *credit to small scale activity is one of the missing link in the development model*. It is only through the provision of credit that participants have been able to increase their total household incomes. The findings of this study, support the earlier analysis by Remenyi (1991) on credit-based income generation programmes in many developing countries (as mentioned in Chapter 3) who concluded that "the key obstacle to poverty alleviation in the Third World is the restrictions imposed by the lack of access to investment finance".

9.3.4 SOME OF THE FACTOR CONTRIBUTING TO THE GROWTH OF INCOME : A GENERAL OBSERVATION

One of the factors behind the growth of income among the Ikhtiar members was the generation of self-employment by those who, prior to joining the Ikhtiar Programme, were unemployed or merely performed the role of housewife. The rate of employment (through self-employment as we have seen in Chapter 8) has increased from 38 percent before joining to 64 percent after joining the programme. Thus, as a new member is added to the labour force, dependency ratios have been reduced and total household income has gone up by the extent of the earnings of the new member.

However, the main driving force in pushing income upward is what is being referred to in this study as "*similar occupation but changing structure*". A good example is the case of a rubber tapper, representing one of the most popular occupations among the rural households in Baling. As mentioned in Chapter 7 rubber alone occupies nearly 77 percent of the agriculture land use in Baling.

Since there are many rubber smallholdings in the district, the very poor rural households who own no land at all or a very small plot, usually earn an income from sharecropping from the rubber land. In general the tapper provides the labour and the landlord (usually wealthy owners) provides fixed capital, rubber land. Under the above arrangement, the sharecropper does all the tapping and income from the sale of

produce must be divided on a 50 - 50 basis. This sort of arrangement as noted by Gibbons and Kasim (1991) has been a very common phenomenon in rural areas throughout the country and also in Baling.

With the emergence of Ikhtiar's credit-related intervention, there was a sudden transformation in the economic position of the participants' households. The participants, being very poor rural households, have become aware of the potential of generating additional income through the lease of rubber smallholdings. Under the lease arrangement, the former sharecropper, after paying the landlord a lump-sum (from the Ikhtiar's loan) now retains all the income from the sale of rubber, for the agreed period of the lease until the expiry date [12]. On the other hand, households in the control group still have to divide the income from rubber with the landowners on equal basis. With bigger loans from the second cycle, the size of rubber land leases has increased and provides an opportunity for earning a much higher income. In some cases participants also resorted to mixed-agriculture activities allocating a certain proportion of the loan towards leasing rubber smallholdings and some for raising livestock (animal husbandry).

Another interesting case is the participant who borrowed M\$1000.00 on a second loan, and who together with her husband, has expanded their small sundry or provision shop. With the newly acquired capital they have been able to stock better quality goods for sale and are thus able to attract more customers [13] who prior to this had to go to the nearby small town in the district to get such goods. Through this revitalization process, their profit margin has increased. Many other examples of the importance of the credit-related intervention, based on the findings of this study can be seen in various agricultural activities (such as selling/distribution of food and selling of agricultural and non-agricultural goods) and non agricultural activities (such as renting of land for cultivation of vegetables and other crops).

It has been noted in *Banking With The Poor* (1992) that what seems to be the main driving force is the existence of relatively free enterprise economics in Malaysia. This has given the borrowers freedom in searching for the best use of their loans. It has also been observed that the general economic improvement of the Grameen participants, apart from intervention of credit, has been actually fueled by the general economic improvement in the wake of the agricultural modernization in Bangladesh (Streefland et al, 1993). This has also been the case of Malaysia through various government rural development programmes in agriculture as we have seen in Chapter 4.

Equally important is the very nature of the Ikhtiar Programme which pay out loan checks within a week of a decision and also provides a high degree of supervision, including weekly meetings and repayments. This is to ensure that the loan is properly utilized for productive purposes so as to generate an income. Unproductive consumption is being effectively eliminated. Another contributory factor has been the fact that the activities undertaken are familiar to members; the skills and technologies are known and relatively simple. In general the kind of activities in which the members' household families usually engage in are the ones which they had all along been doing, albeit at a smaller scale and/or for subsistence consumption, activities such as cattle and chicken rearing, padi and vegetable farming, shopkeeping, petty trading, tailoring and many others.

From the above general discussions, it can be concluded that making loans available to the very poor rural households, provide the capacity of channeling such money into productive uses which has resulted in increases in income and thereby improved their economic positions.

9.3.5 CONCLUSIONS

Based on the above discussion, it can be concluded that the Ikhtiar Programme, through its benevolent loans has been successful in raising the income of the participants, which is now significantly higher than those of the households in the control group that did not participate. In relation to this, an overwhelming proportion (82 percent) of the programme participants have managed to rise above Ikhtiar hard-core poverty line of M\$250.00. From this figure, a further 22 percent have managed to surpass the national poverty line of M\$375.00. On the other hand, 99.6 percent of households in the control group still remain below the Ikhtiar poverty line.

The above results tend to validate the first and second sub-hypotheses of Hypothesis One, that the household income of the participants has increased and that rises in the household income of the control group, on the other hand, has been marginal. Similarly, the third and fourth sub-hypotheses of Hypothesis One has also been found to be true and could be accepted, since the incidence of poverty of the participants has been reduced while improvements among the control group have been marginal. Similarly, the fifth sub-hypothesis of Hypothesis One was also found to be true and can be accepted.

Lastly the **sixth sub-hypothesis of Hypothesis One** was also tested for its validity. The findings suggest that the participants' household incomes resulting from Ikhtiar-financed project activities have been significant as they form a major proportion of the overall household income, about 55 percent (M\$186.00). Similarly, contributions from Ikhtiar-financed project activities both in the agricultural and non-agricultural sectors form a significant proportion of this income, 48 percent and 65 percent respectively. The **sixth sub-hypothesis** was therefore found to be true and can be accepted.

9.4 : SECTION TWO - IMPACT ON THE QUALITY OF LIFE

The immediate benefits arising out of economic interventions are not restricted to increases in incomes, even though these are central to improved status. Other indicators that can also provide a good indication of range of benefits that stem from economic interventions include increases in expenditure on education, health and non-food items, housing and amenities (sanitation, lighting, etc.) and savings (Robinson, 1992) and also household items such as beds and other material possessions such as radios and bicycles (KEDA, 1985; Bhatt, 1991).

In connection with this study, one would like to see whether the increase in income as a result of Ikhtiar economic interventions, through the utilization of its loans (discussed in Section One), had made any wider impact or led to improved living condition or the quality of life among the programme participants. In this study, four main indicators were selected in the household survey for measuring the quality of life namely, (i) housing conditions, (ii) household items, (iii) household expenditures and (iv) savings.

This and the following sections set out to test Hypothesis Two which is directly related to Hypothesis One (as stated in Chapter 1) which will be repeated here as follows:

HYPOTHESIS 2

An increase in income results from the economic ventures (through the utilization of Ikhtiar loans) undertaken by the programme participants in the study area has had a positive impact on their quality of life and also their savings. They are therefore better off than they were before and better off than the control group (non-participants). This hypothesis will be tested by four sub-hypotheses:

- (i) The quality of life among the programme participants has improved and this can be seen in their:
 - (a) housing conditions;
 - (b) household items; and
 - (c) household expenditures.
- (ii) The changes in the quality of life among the control group, on the other hand, has been marginal with respect to their:
 - (a) housing conditions;
 - (b) household items; and
 - (c) household expenditures.
- (iii) A higher level of savings has also been encouraged among the programme participants.
- (iv) The level of savings among the control group, on the other hand, has undergone only marginal change.

The testing of the hypothesis and four sub-hypotheses will be done through the four selected indicators by means of comparison between the programme participants with that of the control groups based on the household surveys. This will be discussed in Section Two (A) and (B). Section Two (A) will test the first and second sub-hypotheses and Section Two (B) will test the third and fourth sub-hypotheses.

SECTION TWO (A)

9.4.1 HOUSING CONDITIONS : TESTING OF SUB-HYPOTHESES ONE (A) AND TWO (B)

The improvement in housing condition is the first indicator that is used to see the impact of the rise in income among the very poor rural households in Baling. As mentioned in Chapter 5, the first stage in determining the eligibility of the target group for joining the Ikhtiar programme is through the crude housing index measure. In general a particular household is considered as "passing the first stage" if the "crude measure" of housing index obtained through Ikhtiar's "M3" household survey is not more than 10 points. In AIM's model, 7 main indicators are used to determine the housing conditions based on "crude measures" that include 7 items (i) size, (ii) number

of stories, (iii) structural conditions, (iv) roofing materials, (v) wall materials, (vi) electricity supply and (vii) piped water supply. For every indicator, a numerical score ranging from 0 to 4 points is given (see Appendix 9 for detail and discussion). Based on this approach, the findings of the study are discussed next.

First we will look at the differences in the housing index scores for the two groups, namely the programme participants and control group:

1. "BEFORE" (1989) AND "AFTER" (1992) SITUATIONS

In order to test the difference between the total housing index score of the "before" and "after" situations for each group, a paired samples t-test was carried out separately for each group.

a) PROGRAMME PARTICIPANTS

The result of the test, as shown in Table 58, suggests that the housing conditions between the two dates has changed significantly. The "after" mean score (9.56 points) is higher than the "before" mean score (7.09 points). Programme participants have therefore experienced an improvement in their housing conditions when compared to their previous situation.

b) CONTROL GROUP [14]

The result of the test, as shown in Table 59, suggests that the housing conditions between the two dates for the control group has also improved significantly. The "after" mean score (7.88 points) is higher than the "before" mean score (7.06 points). Thus, the control group has also experienced an improvement in their housing conditions when compared to their previous situation. However, what is clear at this juncture is that the increase in mean score of the housing conditions for the control group was only by 0.82 points (i.e. 7.88 - 7.06). On the other hand the mean score for the programme participants had increased by 2.47 points (i.e. 9.56 - 7.09) and this will be taken up later .

Table 58 : Paired Samples T-Test of Total Housing Index Score :
Programme Participants, "Before" and "After" Situations

Variable	Number of Cases	Mean	Standard Deviation		
Housing Index (Before)	254	7.09	2.43		
(After)	254	9.56	2.27		
Difference in mean	Standard Error	t-value	Degree of Freedom	PR>T	
2.48	0.18	14.10	253	0.0001	

TABLE 59 : Paired Samples T-Test of Total Housing Index:
Control Group, "Before" and "After" Situations.

Variable	Number of Cases	Mean	Standard Deviation		
Housing Index (Before)	265	7.06	2.54.		
(After)	265	7.88	2.43.		
Difference in mean	Standard Error	t-value	Degree of Freedom	PR>T	
0.82	0.09	8.76	264	0.0001	

Table 60(a): Analysis of Variance for the Housing Index (Total Score) Between the Programme Participants and Control Group, The "Before" Situation (PART ONE)

General Linear Model Procedure

Dependent Variable : Housing Index (Total Score)

Source	DF	Sum of Squares	Mean Square	F Value	PR>F	R Square	C.V
Model	1	0.11680348	0.11680348	0.02	0.8906	0.000037	35.1182
Error	517	3188.24543159	6,16681902	Root MSE		Housing Index Mean	
C'orrected Total	518	3188.36223507		2.48330808		7.07129094	

Source	DF	Type I SS	F Value	PR>F	DF	Type III SS	F Value	PR>F
Partic.	1	0.11680348	0.02	0.8906	1	0.11680348	0.02	0.8906

Table 60(b): Analysis of Variance for the Housing Index (Total Score) Between the Programme Participants and Control Group, The "Before" Situation (PART TWO)

General Linear Model Procedure

Duncan's Multiple Range Test For Variable: The "Before" Situation Total Household Income.

Note: This test controls the type I comparisonwise error rate, not the experimental error rate.

Alpha = 0.005 DF = 517 MSE = 6.16682

Warning: Cell sizes are not equal.
Harmonic mean of cell sizes = 259.383

Number of means 2
Critical range 0.433184

Means with the same letter are not significantly different.

Duncan	Grouping	Mean	N	Particular
	A	7.0866	254	Ikhtiar members
	A	7.0566	265	Control Group

Table 61(a): Analysis of Variance For the Housing Index Difference
(Total Score) Between the Participants and Control
Group, The "After" Situation (PART ONE)

General Linear Model Procedure

Dependent Variable : Housing Index (Total Score)

Source	DF	Sum Of Squares	Mean Square	F Value	PR>F	R Square	C.V	
Model	1	367.67645656	37.67645656	66.26	0.0001	0.113610	27.0651	
Error	517	2868.62797504	5.54860343					
Corrected Total								
	518	3236.30443160		2.35554737		8.70327553		
Source	DF	Type I SS	F Value	PR>F	DF	Type III SS	F Value	PR>F
Partic.	1	367.67645656	66.26	0.0001	1	367.67645656	66.26	0.0001

Table 61(b): Analysis Of Variance for the Housing Index Difference
Between the Participants and Control Group, The
"After" Situation (PART TWO)

General Linear Model Procedure

Duncan's Multiple Range Test For Variable: The "After" Situation
Total Household Income.

Note: This test controls the type I comparisonwise error rate, not
the experimentwise error rate.

Alpha = 0.05 DF = 517 MSE = 5.5486

Warning: Cell sizes are not equal.
Harmonic mean of cell sizes = 259.383

Number of Means 2
Critical Range 0.410897

Means with the same letter are not significantly different.

Duncan	Grouping	Mean	N	Particular
	A	9.5630	254	Ikhtiar Members
	B	7.8792	265	Control Group

c) To prove that the two groups have a similar backgrounds in terms of their housing conditions for the "before" situation, an analysis of variance (ANOVA) was carried out. The result of the test is shown in Tables 60(a) and (b), which suggests that the difference in the housing index scores between the two groups is not statistically significant. This is indicated by the calculated value of 0.8096 level of significant. Thus, the housing conditions for both groups were quite similar with mean scores of 7.09 points (programme participants) and 7.06 points (control group).

2. "AFTER" SITUATION (1992)

However, we are more interested to know whether there is any significant difference in the housing conditions for the two groups based on their housing index score for the "after" situation. This was analyzed by means of analysis of variance (ANOVA). The result of the test is shown in Tables 61(a) and (b), which suggests that the difference in the housing conditions between the programme participants and the control group is highly significant at the 0.0001 significance level. This suggests that the housing conditions of the programme participants are relatively better when compared to the control group. The improvement in the housing conditions among the participants has been shown by means of the higher score in their housing index of 9.56 points, compared to 7.88 points for the control group.

We can conclude that the programme participants have improved their houses in relation to the improvements in the control group. The improvement in the housing conditions of the programme participants has been made possible through their relatively higher incomes compared to their counterparts. Ikhtiar economic intervention has, therefore, made a positive contribution towards the improvement of the participant housing conditions. (Caution is needed here as it would be unrealistic to expect the programme participants to undergoing a major improvement in their housing condition in a relatively so short period of time and this will be taken up later).

It is also necessary to elaborate further on the overall housing index score between the two groups, which is made possible through direct comparison by means of Table 62. Based on Table 62, the results show that 41.8 percent of the participants have obtained more than 10 points in the "after" situation compared to only 9.5 percent prior to joining the programme. At the same time, participants obtaining less than 10 points have been reduced from 90.5 percent (before) (i.e. 26.4% + 64.1%) of the total sample to 58.2 percent (i.e. 54.7% + 3.5%) (after).

Table 62: Crude Measure of Housing Index (Total Score): Between Participants and the Control Group: "Before" and "After" Situations

Score/ Point	Participants				Control Group			
	Before		After		Before		After	
	N	%	N	%	N	%	N	%
Below 5	67	26.4	9	3.5	83	31.3	46	17.3
6 - 10	163	64.1	139	54.7	159	60.0	182	68.7
11 - 15	24	9.5	104	41.0	23	8.7	37	14.0
16 - 20	-	-	2	0.8	-	-	-	-
Above 20	-	-	-	-	-	-	-	-
	254	100	254	100	265	100	265	100

Source : Field Data

In direct comparison, only 14 percent of the respondents in the control group have obtained more than 10 points (after) compared to 8.7 percent in the "before" situation. However, households in the control group obtaining less than 10 points have been reduced by a small margin of 5.3 percent, i.e. from 91.3 percent (before) to 86 percent (after). On the other hand, among the Ikhtiar members the reduction has been higher (32.3 percent), i.e. from 90.5 percent (before) to 58.2 percent (after), which is indeed a significant reduction.

It is also interesting to note the overall housing conditions of the participants and the control group based on 8 indicators as shown in Table 63. As mentioned earlier, it would be rather unrealistic to expect the programme participants to undergoing a major improvement in their overall housing conditions with respect to every single item listed in Table 63, in a relatively short period of time. Informal discussion with the sample households suggested the increase in household income has been spent only on certain improvements of their houses notably the installation of the basic amenities, i.e. piped water supply and electricity and also the replacement of roofing materials. By looking at all the indicators (size, stories, structural conditions, toilet, wall, roofing

materials, electricity, piped water supply and toilet) in Table 63, the differences in percentages seem to be more in the favour of the programme participants rather than the control group. We will revealed some of these indicators, notably electricity, piped water supply and roofing materials.

Table 63 : Housing Conditions Based On 7 Indicators : Participants and Control Group, "Before" and "After" Situations (Percent)

Items	Participants		Control Group	
	(Before)	(After)	(Before)	(After)
1. Size:**				
Big	3.2	6.9	-	-
Medium	48.8	56.2	45.7	50.4
Small	48.0	36.9	54.3	49.6
2. Storey:				
1	99.2	98.4	99.6	99.6
2	0.8	1.6	0.4	0.4
3. Structural:**				
Firm	2.3	9.9	-	-
Average	80.7	80.7	72.4	72.4
Below Average	17.0	9.4	27.6	27.6
4. Roofing Material:				
Asbestos	-	-	-	-
Zinc	59.1	91.3	77.2	82.3
Attap	40.9	8.7	22.8	17.7
5. Wall:				
Brick	5.1	8.3	2.8	2.8
Wooden	80.3	86.2	86.2	88.6
Wooden/Attap	0.8	0.8	-	-
Attap	13.8	4.7	11.0	8.6
6. Electricity:				
Available	48.4	76.8	55.1	66.1
Shared	-	-	-	-
Not Available	51.6	23.2	44.9	33.9
7. Piped Water Supply:				
Available	35.8	56.3	25.6	35.0
Shared	-	-	-	-
Not Available	64.2	43.7	74.4	65.0
8. Toilet:				
Pour and Flush	33.8	48.4	49.6	54.3
Pit Latrine	58.7	51.2	37.8	37.4
None	7.5	0.4	12.6	8.3
9. House-Ownership:				
Own	93.7	93.7	94.1	94.1
Rent	6.3	6.3	2.4	2.4
Other	-	-	3.5	3.5

Note : AIM's Housing Index "Crude Measure", score/point is based on items 1 to 7. ** For definitions of size and structural conditions (firm, average and below average), see Appendix 9.

With respect to electricity and piped water supply, the situations for the "before" and "after" are as follows:

i) Member households with electricity have increased by 28 percent, i.e. from 48.4 percent (before) to 76.4 percent (after) [15]. In the case of piped water supply, the percentage increase is 20.5 percent, i.e. from 35.8 percent (before) to 56.3 percent (after).

ii) On the other hand, the control group could only manage an increase of 11 percent for electricity (from 55.1 "before" to 66.1 percent "after") and 9.4 percent for piped water supply (from 25.6 "before" to 35.0 percent "after"). It needs to be emphasized here that piped water supply and electricity in the present day have become a necessity rather than a luxury. With affluence, people can afford to install these very basic items. With respect to the replacement of their roofing (from attap to more long lasting zinc sheets) and wall materials (from attap to wooden or brick), the situations for the "before" and "after" are as follows:

iii) Member households who had replaced their roofing materials, from attap to zinc, increase by 32.2 percent, i.e. from 59.1 percent (before) to 91.3 percent (after). On the other hand, the control group could only manage a marginal increase of 5.3 percent, i.e. from 77 percent (before) to 82.3 percent (after) on similar item.

iv) In the case wall materials, it had been shown from Table 63 that 13.8 percent of the member households with attap wall for the "before" situation had been reduced to 4.7 percent for the "after" situation (a reduction of 9.1 percent). Attap wall had either been replaced with brick or wooden wall. On the other hand, the control group could only manage a marginal reduction of 2.4 percent, i.e. from 11.0 percent (before) to 8.6 percent (after) on similar item.

From the above general observation, the programme participants are relatively better off in terms of their housing conditions when compared to the control group. This outcome has been the result of the positive increase in participants' household income made possible by Ikhtiar economic intervention. This finding seems to validate sub-hypothesis one(a) and sub-hypothesis two(a) and therefore can be accepted as true.

Table 64 : Possession of Household Items Between the Programme Participants and Control Group : The "Before" and "After" Situations

Particular	Programme Participants					Control Group				
	Before		After		Percent Increase	Before		After		Percent Increase
	N	Percent	N	Percent		N	Percent	N	Percent	
1. Car	0	0	1	0.39	0.39	0	0	0	0	N.C
2. Motorcycle	50	19.6	57	22.4	2.80	43	16.2	45	16.9	0.7
3. Bicycle	60	23.6	68	26.7	3.10	23	8.6	26	9.8	1.2
4. Television	45	17.7	51	20.0	2.30	52	19.6	52	19.6	N.C
5. Radio	58	22.8	63	24.8	2.0	80	30.1	81	30.5	0.4
6. Sew. Machine	5	1.96	9	3.54	2.7	8	3.01	9	3.05	0.4
7. Fridge	3	1.18	7	3.14	2.3	3	1.1	3	1.1	N.C
8. Gas Stove	0	0	11	4.30	4.3	2	0.75	4	1.5	0.75
9. Kerosene Stove	121	47.6	142	55.9	8.3	111	41.8	116	43.7	1.97
10. Electric Iron	2	0.78	7	3.14	2.72	6	2.26	6	2.26	N.C
11. Rice Cooker	8	3.14	12	4.70	1.56	2	0.75	2	0.75	N.C
12. Lounge Set	0	0	2	0.78	0.78	1	0.39	1	0.39	N.C
13. Dining Set	0	0	0	0	N.C	0	0	0	0	N.C
14. Bed	67	26.3	81	31.8	5.5	75	28.3	104	39.2	10.9
15. Cupboard	65	25.5	127	50.0	24.5	93	35.0	132	49.8	14.8

Note : N.C = No Change

9.4.2 HOUSEHOLD ITEMS : TESTING OF SUB-HYPOTHESES ONE(B) AND TWO(B)

Another indicator of living standards or quality of life is the use of the items in the household. The range of household items was included in the household survey as an index of wealth (see Table 64 above).

Table 64 summarizes the information of the household items owned by the participants and control group for the "before" and "after" situations. By comparing the two groups on every item, it became clear that the percentage increase for every item is relatively higher among the programme participants. The percentage increases for cupboards (24.5 percent) and kerosene stoves (8.3 percent) were higher among the Ikhtiar members compared to the control group, where the figures for similar items stood at 14.8 percent and 0.7 percent respectively. The only exception was beds, where the percentage increase was higher among the control group, 10.9 percent compared to only 5 percent among the programme participants [16].

However, Table 64 also shows that for 11 items (cars, motorcycles, bicycles, televisions, transistor radios, sewing machines, fridges, gas stoves, irons, lounge sets) the percentage increase among the Ikhtiar member household was rather small, ranging from only 0.4 percent (only 1 car was added) to 4.3 percent for gas stoves. However, it is also interesting to note that for this single case of an Ikhtiar member (from a very poor rural household) who acquired a car (used car), which can be regarded as quite an achievement for her family. A car is normally regarded as an index of wealth (especially in the Malaysian's rural sector) or item that is affordable only by the better off household.

On the other hand, the control group, based on similar items, could only manage an increase in percentage terms on only 4 of the 11 items, ranging from an even lower percentage, i.e. 0.7 percent (motorcycles) to 1.9 percent (kerosene stove). However there seems to be no significant changes in the possession of the other 7 household items (car, television, fridge, iron, rice cooker, lounge set and dining set) for the "before" and "after" situations.

Informal discussions with respondents from both groups suggested that most of the income had gone to savings, ploughing profits back into activities, household expenditures (such as children's education and food) and to a certain extent towards the upgrading/improvement of their houses (such as installing electricity, piped water supply and other minor repairs/works). As a results of these, few among the Ikhtiar

members and the control group felt they could afford to acquire the household items as listed in **Table 64**. This therefore explains why the increase in percentage for most of the items listed in **Table 64** among the Ikhtiar members was below 5 percent and as low as 0.39 percent, but the percentage increase (from "before" to "after" situations) in the acquisition of the household items had occurred in all the 11 household items. On the other hand, among the control group, the percentage increase in the acquisition of the household items was rather marginal, i.e. below 2 percent and had occurred in only 4 out of the 11 items as listed in **Table 64**.

The above analysis also suggests that it would be unrealistic to expect a higher increase in the acquisition of the household items as priority (as mentioned) seems to be given towards savings, ploughing profit back into activities, household expenditures and to a certain extent towards the upgrading of their houses rather than acquisition of luxury items. Most respondents also noted that only when "extra" income became available, would they use it to buy some of the household items such as those as listed in **Table 64**. In this sense, we can argue that rural households, notably the Ikhtiar members, were quite rational in making decisions in relation to their increases in income.

Furthermore, items such as gas stoves, cars, motorcycles, bicycles and fridges were used generally in connection with their Ikhtiar activities. For instance, a motorcycle (usually bought second-hand) was widely used for selling of agricultural or non-agricultural goods, traveling from one village to another and gas stoves were used by participants in the hawking of food.

From the above findings we can conclude that there is a significant difference between the two groups in terms of possession of household items. Statistics in **Table 64** imply that with the higher incomes enjoyed by the Ikhtiar members, the percentage increase of the household items possessed for the "after" situation had increased only slightly over the "before" situation, but was nevertheless relatively higher than that of the control group. This seems to suggest that the member households are relatively better off. As such **sub-hypothesis one(b)** and **sub-hypothesis two(b)** were found to be true and can be accepted.

9.4.3 HOUSEHOLD CONSUMPTION EXPENDITURE [17] : TESTING OF SUB-HYPOTHESES ONE(C) AND TWO(C)

Improvement in the quality of life of the programme participants is also suggested by comparisons of expenditures on food and non-food items with that of control group. The household expenditure pattern in this study was only limited to comparisons

between the programme participants and the control group for the "after" situation (1992) and no attempt has been made for the collection of data on the "before" situation (1989) household expenditure data. The household's monthly expenditure on food was collected based on a one month period, preceding the actual household survey [18]. The expenditure patterns for the non-food items like clothing/apparel, rent/energy, transportation, health and medical expenses, education and other expenditures collected in this study were based on 1 year period, preceding the period of the household survey [19]. The structure of the expenditure between the two groups is shown in **Table 65** and is examined next.

The expenditure on food for the member households was around 6 percent higher than that of the control group. It is also interesting to note that even though the average expenditure on food for the Ikhtiar members, which stood at around M\$116.00, was higher than M\$103.00 for the control group, the former accounted for around 53 percent of the total expenditure, while the latter was 60 percent. This is closely related to Engel's law which stated that the poorer the family, the greater is the total expenditure for food. This observation suggests that the control group tends to spend a bigger proportion on food while the member households spent a lesser proportion, indicating the higher income status relatively.

The findings of this study seem support some earlier findings both in Malaysia and other developing countries. In the Malaysian context, Ahmad (1983) noted that on average the poor rural households spend around 60 to 69 percent of their cash income on food. Similarly Mohamed (1982) noted that the better off rural households spend around 56 percent of their cash income on food. It has also been noted that (Tee, 1986) poor households spent a significantly greater proportion of their income (64 percent) on food than better-off households (48 percent). In the Philippines, Ardales and David's (1986) findings show that the poor rural households spend more than 60 percent on food and in Bangladesh, Rahman and Hossain (1988) noted that around 60 percent went to food alone. It has been argued (Miller et al, 1982, cited in Tee, 1986) that as poor families receive an increase in income, they usually devote a big fraction of that increase to additional food expenditure. This percentage increment declines as total income increases. [For the definition of poor rural households, see Footnote 20].

Table 65: Monthly Household Expenditure - Between the Participants and the Control Group

	Participants	Control Group	Percent Difference Between P'pants and Control Group
	Mean (M\$)	Mean (M\$)	
1. Food	116.39	103.54	5.9
2. Cigarette/ Tobacco	7.82	4.92	22.7
3. Apparel/ Footwear	8.81	6.65	13.9
4. Rent/Energy	6.02	4.90	10.3
5. Transportation	30.04	17.56	26.2
6. Furniture	5.69	3.42	24.9
7. Health/ Medical	5.54	3.49	22.7
8. Educational	24.94	17.40	17.8
9. Recreational/ Sport E'ment	1.43	1.18	9.6
10. Services and Other Items	5.78	4.29	14.8
11. Other Expenditure	6.46	2.53	43.7
12. Total Ex'ture	218.92	169.88	12.1
13. Per Capita Expenditure	37.37	29.02	12.6

Note: Participants = 254 cases and Control Group = 265 cases.

Source : Field Data

It is also interesting to note that with an increase in income, the sample member households have been able to a certain extent to allocate some amount of cash income into acquiring furniture and Table 65 shows that the household expenditure on furniture for Ikhtiar members (M\$5.54) was around 24 percent higher than in the control group (M\$3.49). As Allen (cited in Chong, 1981) has noted "as income increases, the proportion of the budget devoted to luxuries increases" The expenditure on this item (furniture) can be regarded as an index of wealth. Similarly this is also related to Engel's law which implies that the greater the income the more will be spend on conspicuous consumption. However the findings show that the expenditure allocated to furniture accounted for only 2.6 percent of the total expenditure for the participants and 2 percent for the control group, which was rather a small amount. This seems to suggest that priority was given to other expenditures, rather than the acquisition of a "luxury item" which will be examined next.

The household expenditure on education for members was 17 percent higher than for the control group. Similarly expenditures on apparel/footwear, transportation and health and medical expenses were 13.9 percent, 26 percent and 22.7 percent higher than that of the control group. By looking at the total expenditure on items that can be regarded as essential, such as food, apparel/footwear, transport, education and health, they accounted for around 86 percent of participants' income and 89 percent of the income of the control group. Thus, the poor rural households (both the member households and the control group) cash incomes were therefore spend only on the essential items. In general, by comparing the two groups with respect to every item listed in Table 65, the percentage differences for every items seem to be in the favour of the programme participants.

Table 66 : The Overall Total Household Expenditure (Monthly) Between the Programme Participants and the Control Group :
Independent Samples T-Test

	N	Mean Expenditure	Standard Deviation	Standard Error
1. Participants	254	218.92	30.09	1.888
2. Control Group	265	169.88	16.59	1.019
Unequal Variance Estimate				
	T-value	Degree of Freedom	P>T	
	22.8560	390.2	0.0001	

The findings, as revealed by **Table 65**, can be further substantiated by comparing the overall monthly expenditure for the two groups by means of independent sample T-Tests. This is to test whether the differences in the household expenditure between the two groups is statistically significant or not. The results are shown in **Table 66**.

The result of the test shows that the income difference between the programme participants and the control group is highly significant at the 0.0001 significance level. Thus, the household expenditure was significantly higher for the member households when compared to the control group. This suggests that the higher income generated by the member households has resulted in a relatively higher household expenditure among them, which stood at M\$218.00 and only MS169.00 among the control group. Thus the Ikhtiar Organization's emphasis on improvement in the quality of life of its members through the social development programme (based on the 16 decisions, as shown in **Appendix 4**) seems to be supported by the action on the part of its members. From the above discussion we can conclude that the quality of life among the programme participants has improved and can be seen in their household expenditure which is relatively higher than that of the control group. This finding tends to validate **sub-hypothesis one(c)** and **sub-hypothesis two(c)** and therefore could be accepted as true.

SECTION TWO (B)

9.4.4 SAVINGS : TESTING OF SUB-HYPOTHESES THREE AND FOUR

From the survey conducted, it was interesting to find that the improvement in living standards and incomes of the participants have also promoted the habit of savings among the member households. This will be discussed based on **Table 67** below.

The findings show (see **Table 67**) that 70.9 percent of the participants have savings after joining the Ikhtiar Programme, compared to only 2.4 percent prior to joining the programme. On the other hand, only 12.1 percent of the respondents in the control group had savings at the "after" situation, compared to 3.1 percent in the "before" situation.

Table 67 : Savings Among the Respondents : Programme Participants Versus the Control Group, "Before" and "After" Situations

Savings	Participants				Control Group			
	Before		After		Before		After	
	(N)	%	(N)	%	(N)	%	(N)	%
No	248	97.6	74	29.1	257	96.9	233	87.9
Yes	6	2.4	180	70.9	8	3.1	32	12.1
Total	254	100%	254	100%	265	100%	265	100%

Table 67 shows that the attitude towards savings, especially amongst the member households, has been very positive, as the likelihood for them to save is approximately 59 percent higher than that of the control group, no doubt a reflection of the higher income among the member households which enables them to set aside some cash for savings. The main reasons given for the increase in savings were as follows:

1. Constant encouragement from Ikhtiar staff. This is also in line with item number 6 of the "16 Social Development Programme" (as shown in Appendix 4, discussed in Chapter 5), i.e. "we should minimize our expenditure".
2. The control group has also managed to set aside some income for savings and the main reasons given (through informal discussions) was due to encouragement from Ikhtiar members.

It will be equally interesting to elaborate further on the monthly savings pattern among the two groups, which will be discussed next.

9.4.4.1 MONTHLY SAVINGS PATTERNS : "BEFORE" AND "AFTER" (see Table 68)

In terms of monthly savings, **Table 68** shows that only 12.1 percent of respondents in the control group have savings as much as M\$10.00 and no one in the sample had more in the "after" situation. On the other hand, 51.6 percent of the member households have saving of up to M\$10 and 19.3 percent (15% + 3.5% + 8%) had more in that period. However, by comparing the two groups, the member households

have "extra" savings, i.e. the "compulsory weekly saving" in Ikhtiar's group funds owned by all the 254 members.

Table 68, shows that around 29.1 percent (74 cases) of the Ikhtiar members have no personal saving after joining the programme, but they still have some savings in the form of "group savings fund". The importance of "public" weekly saving as noted by Burkey (1993: 185) is that it "provides an enormous stimulus to the individual members to make their saving efforts. The fact that the total savings grow weekly by an amount many times larger than the individual contribution provides a strong incentive to continue the process".

Table 68 : Average Monthly Savings Among the Respondents : Participants and the Control Group, "Before" and "After" Situations

Items	Participants				Control Group			
	Before (1989)		After (1992)		Before (1989)		After (1992)	
	(N)	%	(N)	%	(N)	%	(N)	%
No Savings	248	97.6	74	29.1	257	97.0	233	87.9
With Savings	6	2.4	180	70.9	8	3.0	32	12.1
M\$10.00 and below	6	2.4	131	51.6	8	3.0	32	12.1
M\$11.00 - M\$20.00			38	15.0				
M\$21.00 - M\$30.00			9	3.5				
M\$31.00 - and above			2	0.8				
Total	254	100	254	100	265	100	265	100

Source: Field Data

9.4.4.2 TYPES OF SAVINGS (see Table 69)

Type of savings here does not include the "compulsory weekly saving". The most popular types of savings are shown below in Table 69. Prior to joining the programme, the sample member households did not keep their savings in formal institutions. It was only after joining the Ikhtiar Programme that they have opened an account with some formal banking institution, most frequently the National Saving Bank. This was made possible by Ikhtiar's intervention. This has been confirmed by many respondents through informal discussions. Thus approaches to the formal banking sector by the member households is a very recent and an encouraging phenomenon. The most popular savings institutions have been the "National Unit Trust Scheme" (ASB) [21] and the National Saving Bank.

Table 69 : Types of Savings Among Participants and the Control Group : The "After" Situation.

Types of Savings	Participants		Control Group	
	(N)	Percent	(N)	Percent
1. National Unit Trust Scheme [ASB]	82	45.5	24	60.0
2. National Saving Bank	136	75.5	12	30.0
3. Other means of savings	25	13.8	8	20.0

N refers to the number of respondents with savings.
 N = 180 (Programme Participants) and 40 (Control Group).
 Some respondents have two types of savings. Therefore N will not add up to 180 or 40.

From the above analysis, it can be concluded that the Ikhtiar Programme has (i) inculcated the habit of saving amongst member households, (ii) introduced members to formal banking institutions and (iii) positively introduced the innovative "weekly savings" through the group fund. The increase in the number of Ikhtiar members with savings is encouraging. This number has increased from 2.4 percent (before the Programme) to 70.9 percent (as indicated earlier in Table 67) since participants have joined the programme. On the other hand, the level of savings among the control

group has been very limited. The above findings seem to validate sub-hypotheses three and four respectively and therefore can be accepted as true.

9.4.4.3 BORROWING HABITS (see Tables 70, 71a, 71b, 72 and 73)

The respondents were also asked (1) Whether they have any knowledge about the interest free loans offered with the government's backing of the Bank Pertanian Malaysia (Agricultural Bank) and (2) If they knew about these loans, whether they had ever applied for them. The results are shown in Table 70 (question 1) and Tables 71a and 71b (question 2). Similarly they were also asked (3) whether they had ever borrowed from the other formal banking institutions. The results are shown in Table 72.

1. Borrowing from the Bank Pertanian (See Table 70, 71a and 71b)

Table 70 below shows that only 21.6 percent (58 respondents) of the Ikhtiar members and 7.5 percent of the control group (20 respondents) have knowledge about the interest free loans from the Bank Pertanian. On the other hand, the majority of the respondents from both groups, i.e. 78 percent (196 respondents) of the Ikhtiar members and 92 percent (245 respondents) of the control group were not aware about the interest free loans from the Bank Pertanian.

Table 70 : Knowledge about the Interest Free Loans
From the Bank Pertanian (Percent)

	Participants		Control Group	
	(N)	Percent	(N)	Percent
Yes	58	21.8	20	7.5
No	196	78.4	245	92.5
Total	254	100	265	100

In relation to Table 70, Table 71a and 71b summarize only responses of respondents (from both groups) who have the knowledge about the interest free loans from Bank Pertanian. From Table 71a as shown below, it is clear that both the Ikhtiar members

and the control group have never had any access to loans (i.e. never applied) from the Bank Pertanian (despite having the knowledge about the interest free loans).

Table 71(A) : Knowledge of Interest Free Loans and History of Applications (Percent)

	Participants		Control Group	
	(N)	Percent	(N)	Percent
Have Applied For the Loans	0	0	0	0
Never Apply For the Loans	58	100	20	100
Total	58	100	20	100

Note: Only those respondents answering "Yes" in Table 70, are included in this Table

The main reasons given by the 58 Ikhtiar members and 20 respondents in the control group for not having access to the interest free loans of the Bank Pertanian are shown in Table 71b. One of the main factors that seems to be a stumbling block for the rural poor households from having access to government loans is the requirement of guarantor.

Table 71(B) : Reason For not Borrowing From Bank Pertanian Among the Participants and Control Group

	Participants		Control Group	
	(N)	Percent	(N)	Percent
1. Guarantor requirement	42	72.4	15	75
2. Tight procedures	5	8.6	3	15
3. Bank far away in the city	8	13.8	1	5
4. Not confident in getting loans	3	5.2	1	5
Total (N)	58	100	20	100

Note : This Table is only applicable to the same respondents as in Table 71A.

2. Borrowing From Other Formal Banking Institutions (see Table 72)

Table 72, on the other hand, summarizes responses from all the respondents in both groups, whether they had ever applied for loans from other formal institutions. The results from Table 72 clearly shows that 100 percent of the member households from both groups have never had access to loans from other formal banking institutions. Being shut off from formal banking institutions, most of the respondents have resorted to the non-formal institutions and this is discussed with the aid of Table 73.

Table 72 : Applied For Loans From Other Formal Banking Institutions, Participants and the Control Group (Percent)

	Participants		Control Group	
	(N)	Percent	(N)	Percent
Yes	0	0	0	0
No	254	100	265	100
Total	254	100	265	100

Source :Field Data

3. Borrowing From the Non-Formal Sources (see Table 73)

Table 73 shows that relatives were the most popular source of non-formal borrowing. In general, the money was borrowed mainly for unproductive consumption purposes and loans ranged from around M\$50.00 to M\$150.00. An interesting observation from the Table 73 shows that member households stopped borrowing from non-formal sources after joining the Ikhtiar Programme, as they have found the Ikhtiar loan scheme more attractive. This trend seems to suggest that the Ikhtiar loan scheme has replaced non-formal sources of borrowing and therefore, to a certain extent, has reduced the role of the non-formal sources [22] of lending among the rural households in the study area.

Table 73 : Borrowing From Informal Institutions By the Respondents: "Before" and "After"

	Participants				Control Group			
	Before (1989)		After (1992)		Before (1989)		After (1992)	
	(N)	%	(N)	%	(N)	%	(N)	%
1. Did not borrow from informal institutions	215	84.7	0	0	199	75.1	207	78.1
2. Borrowed from informal institutions	39	15.3	0	0	66	24.9	58	21.9
a) Local Shopowners	10	3.9	0	0	7	2.6	7	2.6
b) Local Landlords	7	2.7	0	0	14	5.4	14	5.4
c) Relatives	22	8.7	0	0	45	16.9	37	13.9
d) Pawnshops	-	-	-	-	-	-	-	-
Sub-Total	39	15.3	0	0	66	24.9	58	21.9
Overall Total	254	100	0	0	265	100	265	100

Source : Field Data

9.4.5 CONCLUSIONS

Significant changes in the quality of life of the members' households have been observed. These include improvements in their housing conditions, possession of new household items (such as gas cookers, bicycles, motorcycles, etc.), improvement in household expenditures, and also increases in the level of savings. These positive changes are unlikely to have been realized had it not been for the increase in income which resulted from the utilization of the Ikhtiar loans. On the other hand, changes in the quality of life among the control group along four similar variables has been marginal.

Findings in this study tend to validate the first, second, third and fourth sub-hypotheses of Hypothesis Two. Had it not been for the 'catalyst' in the form of Ikhtiar loans that

have led to increases in household incomes of the participants, their quality of life would have been expected to be more or less similar to that of the control group.

9.5 FINDINGS OF THE ANALYSIS

From the above discussions which are divided into two sections, i.e. (i) the effectiveness of the Ikhtiar Programme on increasing member household incomes and (ii) on the quality of life of the member households, the major findings of the analysis in this chapter are as follows:

The Ikhtiar Programme so far has been successful in increasing the income of its member households and helping them to graduate from being "very poor" to "poor" (less poor) and also to "non-poor", i.e. out of poverty. Even though the performance of its members in crossing the national poverty line of M\$375.00 could be regarded as modest (around 22 percent of the sample households), it was nevertheless very encouraging and a sign of a "good beginning". It would be unrealistic to expect a major portion of the households who were, after all, very poor, to totally come out of poverty in so short a period. They have at least graduated from the "hard-core poor" to "poor" (less poor) category. However, Ikhtiar's role in changing the mind-set of the incurable pessimist has to be recognized. With subsequent loans (since most of the participants are still on the first loan) from Ikhtiar, it is likely that many more members will be able to cross the national poverty line.

Similarly the quality of life shown through several development indicators of improved housing conditions, possession of household items, household expenditures and in the level of savings have also been significantly higher than that of the control group. It should also be noted that programme participants were quite rational in making decisions in relation to their increases in income, where priorities were given towards savings, household expenditures and housing improvements. With respect to household expenditure, priority was given to items such as such food, apparel/footwear, education, health and transport. Member households have also been able to set aside some cash for savings on their own account, apart from the compulsory weekly savings in the Ikhtiar Group Fund. In the area of housing improvement, priority was given to basic amenities, namely in installing piped water supplies and electricity.

It has been argued that in the poor rural households, even a small increase in income is enough to create some spin-off effects. On this, Farbman (1981: 35) argued that:

"The difference in earning a dollar a day can be regarded as dramatic where, for instance, children may be sent to school, the sick can see a doctor, the housing can be upgraded and something even set aside for saving".

Similarly Remenyi (1991: 106) added that:

"When one is living at the marginal of survival, earning around US\$1.00 a day, an increase in earning capacity of 50 cents a day represents substantial improvement in cash flow and the capacity to act on the range of economic choices available for investment, saving and consumption".

From the above discussion we can safely conclude that the Ikhtiar Programme has brought about positive changes in the life of the rural households who were once very poor households and has made them less poor and, in some cases, brought them out of poverty. The prospect of further economic improvement has been laid down for these very poor rural households of Baling. Thus, the Ikhtiar Programme provides some rays of hope for these very poor rural households in their battle against poverty.

FOOTNOTES

1. In general the very poor rural households in the districts of Baling, based on the samples of 519 households (both the Ikhtiar participants and the control group), received their incomes from various sources. However the main sources of income are from their main occupations, cash income from part-time occupations and cash income from transfers. The latter mainly take the form of remittances from children and spouses working outside, pensions, land rents and monetary assistance from the Welfare Department. Thus, the income received for these two groups, as mentioned above, is defined in this study as the *Non-Ikhtiar Sources of Income*. On the other hand, with the emergence of the Ikhtiar Programme through the provision of loans, the Ikhtiar member households also have an additional sources of income, i.e. income derived specifically from Ikhtiar project activities. Thus, income derived from Ikhtiar-financed project activities is defined as the *Ikhtiar Sources of Income*. Based on the above explanation, we can therefore make the following breakdown:

- | | | |
|-------------------------|---|---|
| 1. Control Group | = | Income only from <i>Non-Ikhtiar sources</i> . |
| 2. Ikhtiar Participants | = | Income from (i) <i>Non-Ikhtiar Sources</i>
(ii) <i>Ikhtiar Sources</i> |

For the programme participants, their total household income is derived from both the Ikhtiar and non-Ikhtiar sources.

2. "Groups" among the Ikhtiar members themselves, involved in the testing of *Sub-hypothesis v of Hypothesis One* are highlighted in sub-section 9.3.1.
3. A joint study by SERU (Socio-Economic Research Unit in the Prime Minister's Department) and UKM (National University of Malaysia in Kuala Lumpur)(1990: 84) on the profile of the very poor found that the average income levels of the very poor or poorest of the poor in ten selected districts were as follows:

District	State	Level of Incomes (M\$) of the Poorest of the Rural Households.
1. Perlis	Perlis	157.00
2. Padang Terap (Baling's neighboring district)	Kedah	161.00
3. Pendang (Baling's neighboring district)	Kedah	141.00
4. Kerian	Perak	156.00
5. Kuala Pilah	N. Sembilan	111.00
6. Hulu Terengganu	Terengganu	162.00
7. Besut	Terengganu	180.00
8. Kemaman	Terengganu	212.00
9. Kota Bahru	Kelantan	219.00
10. Bachok	Kelantan	172.00

Note: This study was carried out in the 1989/90 period and was entitled "Socio-Economic Profile of the Citizen: Poverty" which focussed on three groups of households, namely the poorest of the poor, the poor and the non-poor based on the above 10 districts, involving 10,745 households in 146 villages. In relation to this study only the findings on the poorest of the poor category are highlighted above. The above study is not a study of the Ikhtiar Programme.

Source: SERU, 1990a "Kajian Sosioekonomi Rakyat: Kemiskinan - Semenanjung Malaysia (10 daerah).

4. Inflation is taken to mean an increase in the general level of prices based on the Consumer Price Index (CPI). The inflation rates in Malaysia from 1970 to 1993 (Jusoh, 1989; Yahya, 1991; Kementerian Kewangan Malaysia, 1992; Malaysian Digest 1993) are as follows:

Year	Inflation rate (%)	Year	Inflation rate (%)
1970	1.9	1982	5.8
1971	1.6	1983	3.7
1972	3.2	1984	3.9
1973	10.5	1985	0.3
1974	2.5	1986	0.6
1975	2.6	1987	0.8
1976	2.6	1988	2.5
1977	4.8	1989	2.8
1978	4.9	1990	3.1
1979	3.6	1991	4.4
1980	6.6	1992	4.6
1981	9.7	1993	3.8

The inflation rate in the Malaysian context can be regarded as among the lowest when compared to other developing countries (such as Argentina = 174 %; Ecuador = 32.5 %; Mexico = 159 %; Zaire = 106 %; Turkey = 55 %; Peru = 114.5 % and Ghana = 34.2 % - all the values for each country is based on 1987 situation) (Jazairy et al, 1992). Malaysian's Government has made a positive contribution with its anti-inflationary measures to keep price increases at the lowest possible level and it includes (i) frequent enforcement and price checks including a compulsory price-tagging exercise of all essential retail items since June 1993 which has contributed to the moderation in price pressure and (ii) setting up a price information centre to give consumers up-to-date information on prices of goods. Government has stated its intention of aiming to achieve a zero inflation rate (Jusoh, 1990; Asian Development Outlook, 1993; New Straits Times - August 1992, December 1993, August 1994; Malaysian Digest, 1993). Recently the Malaysian Government has abolished the import duties on more than 2600 food items (New Straits Times, 1994). This development seems to suggest the seriousness of the government in reducing and controlling inflation in this country.

5. As mentioned in Chapter 5, to be eligible for joining the Ikhtiar Programme, rural households need to have a monthly income of not more than 2/3 of the official government poverty line income (M\$350.00 based on 1986/87 poverty line) or M\$250.00 per month or a M\$50.00 per capita monthly income when the Ikhtiar Programme made its debut in Malaysia during those periods. In 1992/93 period, the national PLI has increased to M\$375.00, but the Ikhtiar Organization has stuck to the original hard-core poverty line of M\$250.00 in the selection of participants and all official matters. It has been noted by the Ikhtiar official that the hard-core poverty line of M\$250.00 will be adjusted in the near future. As a result of this, this study has used the hard-core poverty line of M\$250.00 for both 1989 and 1992 periods.
6. The M\$375.00 National Poverty Line is similar to the Poverty line used by Ikhtiar's In-House Impact Evaluation Study 3. However their final analysis of the Impact Study 3 has yet to be made available. For a detailed discussion on the poverty line income in the Malaysian context, see Chapter 4.
7. These issues of supporting services/extension services and other related issues are taken up again in Chapters 10 and 12.
8. On the basis of evidence in Africa, it has been tentatively suggested that a dollar increase in agricultural income may generate an additional 50 cents in non-farm goods and services by the rural non-farm entrepreneurs (Jazairy et al, 1992). Thus there is some form of linkage between the farm and non-farm sectors. Due to time and financial constraints such linkages (multipliers) in Baling were not studied in this study.
9. As in footnote 7 the issue of supporting services is taken up again in detail in Chapter 10 and Chapter 12.
10. It is interesting to investigate why the household incomes in this study were lower than household incomes obtained in the Ikhtiar's internal and SERU's studies. Findings seem to suggest that the possible explanation could perhaps be:
 - (a) Impact studies 1 and 2 were conducted only in the districts of Northwest Selangor and Seberang Perai (in Penang). Seberang Perai is very near to the city of Georgetown in Penang and the industrial area of Mak-Mandin in Perai. Similarly, Northwest Selangor is very near to the capital city of Kuala Lumpur and the industrial area of Klang valley, Selangor. On this, Ikhtiar official has noted (Kasim, 1990) that the existence of income generating opportunities in Penang for instance are much higher compared to Baling.
 - (b) Impact study 3 as mentioned in Chapter 5 was only a preliminary analysis. However this study had a sample borrowers who had utilized the maximum loans i.e. the maximum loan of M\$2000.00 in the ILS 1 and included borrowers in the first to the sixth cycle of loans. As noted in sub-section 9.3.1, there seems to be a positive correlation between the level of income and the number of loans disbursements. Borrowers in Baling as the present study indicates only involved borrowers in their first (M\$500.00) and second (M\$1000.00) cycles of loans.

(c) SERU's study, while included a very small sample of borrowers in the districts of Baling and Sik in Kedah (as mentioned in Chapter 5), tends to focus sample borrowers in the district of Seberang Perai in Penang and Northwest Selangor, as nearly 92 percent of the sample households of their study were from these two districts and also included borrowers in the third and subsequent cycles of loans. Perhaps the earlier explanation of the Ikhtiar official regarding the existence of income generating activities opportunities which are much higher in the richer district than in Baling could also be applied here.

11. In addition, other studies on the credit-based income generation programmes among the very poor households in other developing countries, have shown that it was associated with an increase of its participants' incomes are (a) BRAC (Bangladesh Rural Advancement Committee): average impact on income increased in the range of 25 percent (rice milling) to 250 percent (small trading), (b) MBM (Bridge to Progress) in Bali, Indonesia: average increase in income of borrowers exceed 30 percent, (c) CCDB (Christian Commission for Development in Bangladesh): average increase in income of borrowers exceeds 25 percent, (d) PBSP (Philippines Business for Social Progress): average increase in income exceed by 33 percent, (e) World Vision in India: average increase in income by more than 160 percent (Remenyi, 1991) and (f) MYRADA (Mysore Settlement and Development Agency) in India: increased in income ranged from 30 percent to 50 percent and in some cases 100 percent within 1 to 2 years (Banking with Poor, 1992).

12. A good example to illustrate this is the case of first time borrower who had leased rubber land with an Ikhtiar loan. After paying a lump-sum of M\$450, she and her husband now "own" the land for the agreed leasing period. During the household survey, she provided to the author the following written record of their net income derived from the tapping of rubber for a period of 12 months (an extract from her own hand-writing):

October	1991	= M \$98.00 (rainy season)
November	1991	= M\$167.00 (still some rainy season)
December	1991	= M\$295.00
January	1992	= M\$338.00
February	1992	= M\$257.00
March	1992	= M\$249.00
April	1992	= M\$157.00 (some rain)
May	1992	= M\$188.00 (some rain)
June	1992	= M\$245.00
July	1992	= M\$199.00
August	1992	= M\$188.00
September	1992	= M\$218.00

Their other source of Non-Ikhtiar income on average per month was around M\$85.00. Therefore in general their average monthly income was:

1. Ikhtiar sources = M\$2599 divided by 12 months is equal to M\$216.58 per month.

2. Non-Ikhtiar sources = M\$85.00 per month.
3. Overall total (1 + 2) = M301.66 per month.

However if this household had remained in sharecropping, their income of M\$216.58 "would have been reduced by half".

13. The better quality goods that have attracted more customers who, as a result, do not have to travel to the nearby town, include:
 1. "Western" type food, like jam and peanut butter;
 2. Cigarettes, well known brands such as Dunhill and Rothman;
 3. Condensed milk, well known brands such as Dutch Baby and F and N;
 4. Toilet soap, well known brands such as Lux and Palmolive.
 5. Toothpaste, well known brands such as Colgate, Close-Up and Darlie;
 6. Varieties of "instant" noodles, notably "Maggi" brand;
 7. Chocolate and biscuits, and.
 8. Other daily needs, such as rice, sugar, flour and cooking oil.
14. The method of collecting data for the housing conditions of the control group for the "before" situation is given in Footnotes 14 and 15 in Chapter 6.
15. It needs to be mentioned here that the increase in percentage for every item as listed in Table 63 (i.e. items 1 to 9) was based on the increase of percentage that had taken place for every individual item between the two periods of time. We will take one example here as an illustration - electricity. For instance in 1989 only 48.4 percent of the Ikhtiar households have an electricity in their houses. In 1992, an additional 28 percent of the sample households have installed electricity in their houses. Thus in 1992, 76.4 percent (i.e. 48.4 percent + 28 percent) of the member households have electricity in their houses. Other item as listed in Table 63 was computed similarly based on this particular example. Some household members may have changes in more than 1 item of their housing conditions as listed in Table 63.
16. It needs to be stressed here that items such as radios beds, cupboards and gas stoves which are gaining in popularity among the poor rural households in Baling, are items that are quite cheap and affordable, costing less than M\$100 (below 25 pounds). Most of these items were bought on an instalment basis, payable over a period of 1 to 2 years. Items such as irons, for instance are much cheaper, costing less than M\$50.00 (below 13 Pounds for the cheaper brand name).
17. The questionnaire design for the collection of the household expenditure data based on food and non-food items in this study benefits from the inclusion of standard items used in the Household Income Survey (HIS) by the Malaysian Government's Department of Statistics. These are as follows:

The Food Items: The broad categories of food items include rice, bread and other cereal, meat fish, milk, oil and fat, fruit and vegetable, sugar, coffee, tea, cocoa and other foods.

The Non-Food Items: Includes beverages and tobacco, medical care and expenses, education, recreation and entertainment, clothing and footwear, furniture and household equipment, rent, fuel, transport and communication and miscellaneous and services.

18. As mentioned in the text, the household's monthly expenditure on food was collected based on a one month period, preceeding the household survey. The figures obtained have been multiplied by 12 to get expenditures for the year. While recognizing that the information may suffer from seasonal variations on food expenditures, informal discussions with the respondents and the opportunity of staying in the village during the survey period suggests that expenditure patterns on food were quite uniform throughout the year (12 months) under study. This method was also used by Hossain (1988) in his study on Grameen Bank, but he had collected the expenditure data on food for the week preceding the household survey, and the figures have been multiplied by 52 to get expenditures for the year.
19. This method is also similar to Hossain's (1988) analysis of the expenditures on the non-food items was based on a one year period (similar study as noted in footnote 18). Ardales and David (1986), in a study on poverty in the Philippines, used a similar approach to Hossain and the author's methods. Ardales and David, in their study had asked the respondents to give estimates of their expenses for their children's education and medical care of their household members for a period of 1 year.
20. In general the poor rural households are defined as comprising those who earn insufficient income to pay for a minimum nutritional and non-food requirement in order to sustain a decent standard of living. The three cases were Malaysia: Ahmad (1982) and Mohamed (1983) who define the poor household as those households earning a monthly incomes of below M\$250.00 and M\$255.00 respectively (based on poverty line income for the 1981 and 1982 period respectively), The Philippines: Ardales and David define the poor household as those earnings per capita are below P83.33 (Pesos) per month (based on 1983 poverty line income) and Bangladesh: The poor households were those earning a per capita income of TK291.00 per month (based on 1984/85 poverty line income).
21. The ASN, or the "National Unit Trust Scheme", is run with the backing of government which encourages poor people, especially the rural population, to take the opportunity to participate in the share market. Syed Salem and Othman (1992) noted that in a period of 10 years (since it was launched in 1981), the ASN scheme has mobilized more than M\$10,000 million from 2.5 million Bumiputra. A substantial number of its unit-holders (80 percent) are those from the lower income groups like farmers, fishermen, Felda settlers and manual workers.
22. The source of informal loans was not investigated in detail by the author.

CHAPTER 10 : ON REACHING POOR HOUSEHOLDS AND PERCEPTION OF MEMBERS TOWARDS THE IKHTIAR PROGRAMME

10.1 INTRODUCTION

This chapter deals with the analysis of the Ikhtiar Programme from two aspects, namely (i) on reaching the target group as stated in Objective number 4 and (ii) the perception of the programme participants towards the Ikhtiar Programme as stated in Objective number 5. As such this chapter is divide into two sections. Section One deals with aspect (i) and section Two with aspect (ii).

10.2 SECTION ONE : ON REACHING THE TARGET GROUP IN THE STUDY AREA

As mentioned in Chapter 5, the Ikhtiar Programme was established with the sole purpose of assisting very rural households to lift themselves out of poverty, primarily by means of its benevolent loans to be used for financing income-generating activities. Thus, the Ikhtiar Programme is targeted at the very poor rural households for the improvement of their socio-economic conditions.

However, there is a general feeling that under existing socio-economic conditions, it is difficult to reach the poor with resources for development. As we have seen in Chapters 2, 3 and 4, the general experience for most developing countries and Malaysia, was that the poor have received very little or no benefits from government-sponsored rural credit programmes or other rural development programmes. In relation to this it is important to examine, whether and to what extent the Ikhtiar Programme has been effective in reaching the target group in the study area, Baling.

It is the purpose of this section to test the third hypothesis that "The Ikhtiar Programme, or the Amanah Ikhtiar rural credit-cum poverty alleviation programme, has been effective in reaching very poor rural households (its target group) because the programme is designed exclusively for the very poor and implemented through a specially designed delivery system"

The hypothesis will be tested by two sub-hypotheses:

- (i) The Ikhtiar Programme has reached its target group, consisting of the eligible poor rural households in the study area.
- (ii) The non-eligible rural households have been effectively excluded from the Ikhtiar Programme in the study area.

10.2.1 ON BECOMING IKHTIAR PARTICIPANTS

The very nature of the Ikhtiar Programme suggests that there must be an effective way of identifying the very poor rural households in an accurate manner. In the case of Bangladesh, this is not difficult, as maybe 80 percent of rural households are very poor and the poorest among them are the 50 to 60 percent of the rural households who have no land at all. In such a situation, a rigorous means test is not really necessary. Grameen's workers have only to check the land holdings, occupation and assets of household members to determine poverty.

However in Malaysia, where there are more opportunities for earning income, the task of identifying the eligible households is more complex. As a result a rigorous means test is required. This is merely to prevent leakage to non-poor households and to enable the programme to start at the bottom with the poorest of the poor. As such, in the Ikhtiar Programme, a specially designed mechanism of checking has been instituted to screen the poor ranging from a housing index, a means test and interview (see Chapter 5 for detail on Ikhtiar's specially designed delivery system and their approach in identifying poor rural households).

In general, a particular household is regarded as meeting AIM's "first requirement" when their housing index score obtained by a particular rural household is less than 10 points (see Chapter 9). Another basic requirement (which is in fact the main factor) is that household income be less than M\$250.00 per month or per capita income of less than M\$50.00.

10.2.2 RESULT OF THE FINDINGS

10.2.2.1 THE PROGRAMME PARTICIPANTS

254 respondents were interviewed in the household survey and this study needs to know whether these members' households (selected by the Ikhtiar Organization) were eligible and rightly selected to join the programme. This will be done by analyzing their housing index scores and household incomes for the "before" situation, i.e. prior to joining the programme.

1. Crude Housing Index (see Table 74)

Based on the crude housing index measure, 90.5 percent of the members' households have obtained 10 points and below. On average their score was 7.09 points (as shown in Table 74). Statistics from Table 74, thus suggest that 9.5 percent of the members have scores of slightly above 10 points and were accepted into the programme after making an appeal to Ikhtiar Organization. The majority of sample members were deemed eligible and met the requirement.

Table 74 : Crude Housing Index Score : Ikhtiar Member Households Prior to Joining the Ikhtiar Programme

Score (Point)	Frequency (N)	Percent
1	2	0.8
2	2	0.8
3	17	6.7
4	19	7.5
5	27	10.6
6	31	12.2
7	56	22.0
8	17	6.7
9	44	17.3
10	15	5.9
11	18	7.1
12	4	1.6
13	2	0.8
Total	254	100

2. Household Income (see Tables 75 and 76)

Based on the cut-off point of M\$250.00 income per month obtained by a particular household, survey findings show that 100 percent of the 254 sample members have met AIM's income requirement (see Table 75). By looking at the per capita income (see Table 76), it is seen that 5 percent of the households had per capita incomes of above M\$50.00 per month. By using both the household and the per capita income, it suggests that majority of sample members were eligible. Ikhtiar has thus been effective in the selection of only the eligible households in joining their programme.

3. Land Ownership (see Table 77)

It is also necessary for us to see the status of the member households in terms of their land-ownership. Table 77 shows that 68.1 percent are landless and 31.9 percent owned some land. However, the size of land for those who owned was below 0.5 hectare which is well below the national average of 2 hectares and also below the economical size of 4 hectares and above [1]. The "before" and "after" situations of land ownership do not show any difference. This obviously had nothing to do with the Ikhtiar Programme intervention, because had the borrowers' position been different, such as having more land, they may not have qualified to join the programme. This again shows that not only the member households have low housing index and low income prior to joining the programme, they were also land poor. At this juncture the third hypothesis seems to be valid but it is interesting to elaborate further and also to consider the control group.

Further analysis shows that by November 1993 (as mentioned in Chapter 7), Baling 1 had a total of 1428 Ikhtiar members. AIM's target is for every branch to have at least 2000 members. As such AIM has (by November 1993) covered around 71.4 percent of its target in Baling 1. Such achievement in terms of membership is very encouraging and was in fact the highest in terms of number of members, based on all the 34 Ikhtiar branches currently in operation. Based on this observation, there is the possibility of the 2000 target being exceeded in the near future in the study area. Thus for a new programme to reach the 24,834 very poor rural households throughout the country and 1428 in Baling 1, providing them with an opportunity to improve their economic conditions, can be regarded as a significant achievement.

**Table 75 : Ikhtiar Member Households' Income Per Month
Prior to Joining the Ikhtiar Programme
(Percent)**

(M\$)	Frequency (N)	Percent
250 and Below	254	100
251 - 375	—	—
376 and Above	—	—
Total	254	100
Average Income = M\$165.00		

Source : Field Data

**Table 76 : Ikhtiar Member Households' Per Capita Income
(Monthly) Prior to Joining the Ikhtiar Programme
(Percent)**

(M\$)	Frequency (N)	Percent
50.00 and Below	241	94.9
51.00 - 75.00	9	3.5
76.00 and above	4	1.6
Total	254	100
Average Per Capita Income = M\$29.00		

Source : Field Data

Table 77 : Land Ownership Among the Ikhtiar Member Households, "Before" and "After" Situations

Size (Hectare)	Before		After	
	Frequency (N)	Percent	Frequency (N)	Percent
Landless	173	68.1	173	68.1
0.01 - 0.24	69	27.2	69	27.2
0.25 - 0.49	12	4.7	12	4.7
0.5 and Above				

Source : Field Data

10.2.2.2 THE CONTROL GROUP

Next we turn to see to what extent the control group (Ikhtiar's potential or future member households, which we have seen in Chapter 8) has been approached and encouraged to join the Ikhtiar Programme. In relation to this, several related questions need to be asked:

1. Whether they have been approached by Ikhtiar staff explaining and encouraging them to join the programme?
2. How they come to know about the Ikhtiar Programme?
3. Whether they are interested in joining the programme?
4. What is their main reason for being interested in joining?

In relation to these, the general background of the housing index score, household income and ownership of land, will also be noted by means of Tables 78, 79 80 and 81.

All the 265 sample respondents of the control group were asked whether they had been approached by Ikhtiar staff, explaining the concept of the Ikhtiar Programme and encouraging them to join. The findings show that all the 265 respondents have been approached by Ikhtiar staff.

They were also asked how they came to know about the Ikhtiar Programme in the first place and the results are shown below:

- | | |
|--------------------------|---------------|
| 1. Through Ikhtiar staff | = 171 (64.5%) |
| 2. Through friends | = 79 (29.8%) |
| 3 Through the mass media | = 15 (5.7%) |

The above results suggest that Ikhtiar staff have been instrumental in promoting the new concept of Ikhtiar in Baling 1 among the potential members-to-be. More importantly, all the 265 respondents have been approached and encouraged by Ikhtiar staff to join the programme.

The respondents in the control group were also asked whether they were interested in joining the Ikhtiar Programme. The findings show that 76.2 percent (202 respondents) were interested in joining, while 23.8 percent (63 respondents) were not keen. Of the 202 respondents (76.2 percent) who indicated their interest in becoming Ikhtiar members, the breakdowns are as follows:

- | | |
|--|---------------|
| 1. Will be joining the programme in the very near future | = 104 (51.5%) |
| 2. Still observing the programme | = 77 (38.1%) |
| 3. Undecided (wait and see) | = 21 (10.4%) |

On the other hand, 63 respondents (23.8 percent) who were not keen in joining Ikhtiar Programme gave the following reasons:

- | | |
|--|--------------|
| 1. Hope to get assistance from the government's PPRT programme | = 8 (12.7%) |
| 2. Do not like AIM's rules and procedures | = 9 (14.3%) |
| 3. Do not want to borrow any money | = 18 (28.6%) |
| 4. Do not have any activities to carry out with Ikhtiar loans | = 11 (17.5%) |
| 5. Not confident of repaying loans | = 17 (26.9%) |

With this brief background of the control group we will turn to analyze whether the 265 sample respondents have met AIM's basic requirements by reviewing their housing index, household income and land ownership.

1. Crude Housing Index (see Table 78)

The "before" situation for the housing index score, as indicated in Table 78 shows that 91.3 percent of the control group had obtained a score of 10 points and below. The figure went down to 86.4 percent for the "after" situation. Thus 13.6 percent of the potential members would have to make an appeal if they were interested in becoming Ikhtiar members. However, Ikhtiar also reviews their household incomes.

2. Household Income (see Tables 79 and 80)

Table 79 shows that all the respondents (100 percent) in the control group have a monthly household income of less than M\$250.00 for the "before" and 99.6 percent for the "after" situations. On the other hand, 100 percent of the respondents, as shown in Table 80 had a per capita income of M\$50.00 and below for the two periods. Looking back at the Ikhtiar members (as discussed earlier, in sub-section 10.2.2.1), there were also some members who had obtained a housing index score of slightly more than 10 points, but, were still eligible to become Ikhtiar members by virtue of having low household incomes and passing the interview sessions.

Table 78 : Crude Housing Index Score : Control Group For the "Before" and "After" Situations

Score (Point)	Before		After	
	Frequency	Percent	Frequency	Percent
1	9	3.4	7	2.6
2	1	0.4	1	0.4
3	15	5.7	12	4.5
4	18	6.8	7	2.6
5	40	15.1	19	7.2
6	13	4.9	16	6.0
7	53	20.0	41	15.5
8	10	3.8	10	3.8
9	70	26.4	101	38.1
10	13	4.9	14	5.3
11	23	8.7	36	13.6
12	-	-	-	-
Mean Point	7.06		7.88	

Source : Field Data

Table 79 : Control Group Households Income Per Month : "Before" and "After" Situations

Income (M\$)	Before		After	
	Frequency (N)	Percent	Frequency (N)	Percent
250 and Below	265	100	264	99.6
251 - 375	---	---	1	0.4
376 and Above	---	---	---	---
Average Income		M\$158.00		M\$181.00

Source : Field Data

Table 80 : Control Group : Per Capita Income (Monthly) For the "Before" and "After" Situations

Income (M\$)	Before		After	
	Frequency (N)	Percent	Frequency (N)	Percent
Below 50.00	265	100	264	99.6
37.00 - 50.00	---	---	1	0.4
51.00 and Above	---	---	---	---
Average Income	M\$28.00		M\$31.00	

Source : Field Data

Table 81 : Land Ownership Among the Control Group : "Before" and "After" Situations

Size (Hectare)	Before		After	
	Frequency (N)	Percent	Frequency (N)	Percent
Landless	147	55.5	147	55.5
0.01 - 0.24	102	38.5	102	38.5
0.25 - 0.49	16	6.0	16	6.0
0.50 and Above	---	---	---	---

Source : Field Data

However, "preliminary" eligibility of having a low housing index and low incomes are not a good guarantee of becoming Ikhtiar members. This is because "eligible" households have to be interviewed before being accepted officially into the Ikhtiar Programme.

3. Land Ownership (see Table 81)

Land ownership information is summarized in Table 81. The result suggests that 55.5 percent of the households in the control group are completely landless. Of the 44.5 percent of the households who owned some land, the size is small (below 0.5 hectare). Thus apart from having low income and poor housing conditions, the control group is also land poor.

10.2.3 The Validity of the Hypothesis and Sub-hypotheses

From the above observations, it has been shown that the 254 member households who are the existing members of the Ikhtiar Programme were those who were eligible and rightly selected, by virtue of meeting AIM's basic requirement of low housing index and low income. In addition they were also landless and own uneconomical amounts of land. Similarly, the 265 respondents in the control group who are the potential members of the Ikhtiar Programme also shared a similar economic condition with Ikhtiar members.

However, households in the control group who are deemed eligible, have to be thoroughly screened and interviewed if they are interested in becoming Ikhtiar members. Thus there is no chance of membership being extended to non-deserving households.

Based on the above findings, we can therefore conclude that the Ikhtiar Programme has succeeded in reaching the right target group, i.e. the 254 genuine poor rural households based on their eligibility criteria. It has effectively eliminated the non-poor from becoming members. At the same time Ikhtiar has also been instrumental in pushing its programme aggressively to many more poor rural households in the study area as suggested through the sample of the 265 respondents in the control group, who have been approached and encouraged to join the programme. Thus the third hypothesis along with sub-hypotheses one and two were found to be valid and therefore can be accepted.

Some of the factors that have contributed to the effectiveness of the Ikhtiar approach in reaching the "right" target group (as described in detail in Chapter 5) were:

- i) Through the approach of sending the Branch Manager alone in first instance to study the situation in Baling before opening the branch. The crude housing index measure and household income and other related information of households were also thoroughly studied. All the very poor rural households that are deemed eligible are also subjected to an interview session by the senior members before being accepted. Thus the filtering process is used to weed out the unwanted elements, i.e. the non-eligible households. The Ikhtiar Organization does not want its programme to be seized by the better off rural households.
- ii) The formation of the group and centre concept along with the compulsory weekly meeting also act as a natural filter as it helps to keep out the economically better off. Group formation in general provides an opportunity for the Branch Manager to verify further the household and income information of each household from the other members and this may even weed out undesirable elements or "unqualified" persons. The selection process is therefore closely monitored. As rightly argued by Jazairy et al (1992: 350):

"NGOs can help to reach the poor communities, but unless there is close monitoring, opportunities may still be seized by local elites who are in a better position to take advantage, thus capturing or co-opting some of the benefits intended for the poor".

From the above observation, it is important to note that in reaching the target group in any poverty programme, defining the poor alone is not enough, unless they are properly identified, which as Bhatt (1991: 32) puts it:

"Defining the poor is important but at the actual operational level, to identify the person who fulfills the criteria and include that person and nobody else is equally important. Most large government programmes like IRDP in India have failed in this. The non-poor somehow smuggle themselves in".

We can therefore conclude that the Ikhtiar Programme has succeeded in reaching its target group and also has been instrumental in persuading many more rural households to become members.

10.3 ON RECEIVING GOVERNMENT ASSISTANCE

In the poverty alleviation programme executed by the government, a variety of approaches to assistance have been given and the main ones are listed in **Table 82**. This information was based on the household survey of the 519 respondents (265 in control group and 254 in the programme group).

Based on the information given in **Table 82**, it has shown that the majority of the very poor rural households children of school age have received assistance from the government under the free school textbook scheme, amounting to 78.9 percent for the control group families and 66.2 percent for Ikhtiar member households. Another element of assistance was the toilet and piped water scheme where the figure benefiting stood at 24.2 percent of the control group households and 19.3 percent of the Ikhtiar members.

For other forms of assistance, the percentage benefiting was below 15 percent. These figures show that government assistance that has reached the very poor rural household in the District of Baling 1 were rather minimal. Thus the filtering down process of government assistance was not widespread enough since the benefits did not reach a bigger spectrum of the target group. This finding seems to support an earlier finding by SERU and UKM (1990) joint study in two neighboring districts of Baling, i.e. District of Pendang and Padang Terap, which noted that government assistance (quite similar to the list in **Table 82**) has only reached a very tiny portion of the very poor rural households in the two districts. On the other hand, the assistance was also being received by the non-poor even though it was from the outset being targeted only at the "very poor" and "poor" households.

Similarly, a study by Sail (1992), in the State of Selangor, Malaysia, shows that smallholders did not receive any specific extension services. Dixon (1990) and Nafzinger (1990) also noted that experiences in many developing countries show that government assistance in the form of extension programmes have not been successful in reaching the poorest households.

Table 82: Respondents That Received Government Assistance

	Participant		Control Group			
	(NUMBER)	Percent	(N)	(NUMBER)	Percent	(N)
1. Social Welfare	3	4.0	75	5	4.3	115
2. Toilet/Piped Water Scheme	49	19.3	254	64	24.2	265
3. Mother/Child Milk Scheme	11	8.2	135	17	11.7	145
4. Small Business Programme	0	0	254	0	0	265
5. Livestock Project	2	0.8	254	7	2.6	265
6. Fertiliser Scheme	25	14.8	168	19	10.6	178
7. Rubber Replanting Grant	6	9.2	65	9	11.1	81
8. Agricultural Extension Services	31	12.2	254	23	8.7	265
9. Housing Renovation Programme	9	3.5	254	17	6.4	265
10. School's Text Book Scheme	137	66.2	207	176	78.9	223

Notes: "N" is referred to the total of sample, i.e. those who are eligible for each type of the assistance (as in items 1 -10) and are included in this Table.

"NUMBER" refers to the number of respondents from "N" who had received the assistance (as in items 1 - 10).

It needs to be mentioned that, for instance, in the "school textbook scheme", assistance is applicable only to respondents with children of school age. Respondents without children of school age are therefore not included in this Table. Similarly rubber replanting grants are applicable only to those with rubber land. Some respondents may receive more than one type of assistance.

From the above analysis we can conclude that the Ikhtiar member households as well as the control group belong to the very poor rural household category, but were not major beneficiaries of government assistance or programmes. The Ikhtiar Programme, despite being a "newcomer" in the area of poverty alleviation, has been effective and has successfully accomplished its mission of reaching only its target group, giving them the opportunity to improve their economic position.

10.4 SECTION TWO : PERCEPTION AND ATTITUDES OF IKHTIAR MEMBERS TOWARDS THE IKHTIAR PROGRAMME.

10.4.1 INTRODUCTION

This section explores the perceptions of the 254 Ikhtiar members included in the household survey towards the Ikhtiar Programme in which they have been participating. This section will highlight the following aspects of members' perceptions on (i) the Ikhtiar Programme, (ii) Ikhtiar's concept of group/centre formation, group responsibility and close supervision, (iii) Ikhtiar's ruling on loan utilization, (iv) the working relationships between Ikhtiar participants and the staff and (v) whether Ikhtiar-financed project activities are sustainable without further loans.

In addition, two other aspects relating to the above perceptions will also be discussed and these are (vi) problems faced by Ikhtiar members and (vii) members' suggestions towards the overall improvement of the Ikhtiar Programme in future [2].

10.4.2 THE MEASURING INSTRUMENT

This section will explore the opinions of the members regarding certain issues relating to the Ikhtiar Programme. These opinions were solicited in the survey through the use of questions incorporating a three-stage continuum scale. Certain open-ended questions were included so respondents could be free to state their opinions. Answers based on the three-stage continuum scale limits participants responses where extremity and intensity towards certain issues exist. The main reason for using this approach follows the suggestion by Mohamed (1982) that it is difficult for rural inhabitants to express intensity of opinion towards certain issues. This was found to be true in this case study. Nicol (1991) noted that respondents may even answer without using the

scale as intended; they could even fail to see the scale as a range of attitudes along a single dimension. He further added that it is advisable to explore attitudes through in-depth case studies as well as structured interviews plus informal discussions. These suggestions were kept in mind when dealing with the Ikhtiar members in the household survey.

10.4.2.1 PERCEPTION OF MEMBERS TOWARDS THE IKHTIAR PROGRAMME

Table 83 and **Table 84** summarize the information on the perception of Ikhtiar members towards the programme. **Table 83** shows that 100 percent of the participants have a positive or favorable perceptions towards the Ikhtiar Programme. **Table 84** provides a summary of the main reasons why the Ikhtiar Programme has been regarded as good by its members

44.5 percent of the respondents thought that AIM was very keen in helping the poor towards a better life. In relation to this, 31.5 percent thought that AIM had been providing loans to the needy with a suitable rules and procedures, which made them feel that this was something which was hard to accept in the first instance. Many of the respondents argued that they have virtually been excluded from the institutional credit sources. This was due to the fact that they do not have the assets to provide as collateral against which the loan could be granted. Ikhtiar has reversed this by providing loans to very poor households without any collateral. 11 percent of the respondents thought that Ikhtiar had made it easy for them through a simple system of weekly repayments. 8.3 percent were happy that Ikhtiar had also provided school loans. 2.8 percent of the respondents thought that getting loans from Ikhtiar was easy compared to other financial institutions. Meanwhile 1.9 percent were looking forward to applying for housing loans in the near future.

10.4.2.2 PERCEPTION OF THE MEMBERS TOWARDS IKHTIAR'S CONCEPTS OF GROUP/CENTRE UNION, RESPONSIBILITY AND SUPERVISION

In an attempt to assess what the respondents thoughts on the Ikhtiar concepts of group/centre union, group responsibility and supervision, this study tried to extract the respondents perceptions on 3 counts, based primarily on whether items as listed in

Table 85 posed any problems to them. Questions were in the form of statements. Each respondent was required to state whether they "agreed", "disagreed" or were "undecided". The responses are summarized in **Table 85**.

From information provided in **Table 85**, an average of 93 percent of the Ikhtiar members have positive or favorable perceptions towards the items listed in **Table 85** (i.e. items 1 (92%), 2 (89%), 3 (95%) and 4 (96%)). This suggests that the concepts, as listed, did not pose any problem to the members.

The concept of group/centre union and also group responsibility in replacing collateral requirements, along with close supervision of members by Ikhtiar staff in pursuing their income-generating activities have actually made a great contribution. Since loans are only to be used for income generation purposes, malpractices or misuse of loans have been totally eliminated through close supervision by Ikhtiar staff and close "policing" by members over each other. The result (as described in Chapter 9) was the increase in income and improvement in the quality of life of the participants. The concept of group membership which encourages peer interest seems to work and this was shown by the fact that the repayment rate has been very impressive - around 99 percent (see Chapter 5 for the macro-level and Chapter 7 for the micro-level repayment achievements).

Table 83 : Perception of Ikhtiar Members Towards the Ikhtiar Programme.

Perception	Frequency	Percentage
1. Very Good	159	62.0
2. Good	95	38.0
3. No Good	---	---
	254	100

Source : Field Data

Table 84 : Reasons For Saying Ikhtiar Programme is Very Good or Good

Codes	Reasons	Frequency (N)	Percent
1.	AIM is very keen to help the very poor rural households towards a better life.	113	44.5
2.	AIM provides loans with suitable rules and procedures.	80	31.5
3.	The repayment of loans is very easy.	28	11.0
4.	AIM provides school loans for the members school-aged children.	21	8.3
5.	Easy to get loans.	7	2.8
6.	Housing improvement loan is also available.	5	1.9
		254	100

Source: Field Data

Note : This Table is based on an 'open-ended' question. (See question 40 of Questionnaire in Appendix 6a). Similar answers given by respondents are grouped into codes 1 to 6.

Table 85 : Perception of Ikhtiar Members Towards the Concept of Group/Centre Union, Responsibility and Supervision (Percent)

Statement	Perceptions		
	"Agreed"	"Disagreed"	"Undecided"
1. "Close supervision of 5 person per group does not raise any problem".	92%	6%	2%
2. "Combining the group into centre does not raise any problem".	89%	8%	3%
3. "Group responsibility as a way of policing each member while pursuing Ikhtiar loans does not raise any problem".	95%	5%	-
4. "Close supervision by Ikhtiar staff over participants income generating activities does not raise any problem".	96%	3%	1%

Source : Field Data

10.4.2.3 PERCEPTION OF MEMBERS TOWARDS IKHTIAR'S BASIC RULES OF LOAN UTILIZATION

This section discusses the perception of the Ikhtiar members on some of the basic rules related directly to the utilization of Ikhtiar loans. Respondents were asked to state whether such rules were "acceptable", "not acceptable" or whether they were "undecided". The responses are summarized in **Table 86 (see below)**. More than 70 percent of the Ikhtiar members have positive or favorable perceptions of Ikhtiar's basic rules on loan utilization. Detailed analysis shows that:

1. Most members (99 percent) accepted that the compulsory weekly saving of M\$1.00 has been very innovative and has reinforced the habit of saving among them. Similarly, the majority of the members (93 percent) accepted the rules that they make a 5 percent contribution from their loan into the group fund.
2. The rule that loans are to be utilized within 7 days after disbursement on any income generating activity has been accepted (94 percent). This was because the types of activities to be financed by Ikhtiar loans have been thoroughly discussed and approved in the group/centre meeting prior to receiving them.
3. By looking at the rules under items 1, 2, 7 and 8 as listed in **Table 86**, the percentage of the respondents who thought that these rules were not acceptable stood at 25, 21, 11 and 29 percent respectively. These members suggested that such rules could create problems if the Ikhtiar Organization did not amend them. These problems will be discussed in **sub-section 10.4.3.6**.

From the above analysis, we can conclude that on the whole the majority of the member households have positive or favorable perceptions of the rules related to loan utilization.

10.4.2.4 THE WORKING RELATIONSHIP BETWEEN THE PARTICIPANTS AND IKHTIAR STAFF

Of equal interest is the working relationships between the participants and the Ikhtiar staff. This study tried to extract the participants perceptions on 6 counts. Questions were in the form of statements. Every respondent needed to state whether they "agreed", "disagreed" or were "undecided" on the veracity of every statement. The responses are summarized in **Table 87**.

Table 86 : Perception of Members Towards Ikhtiar's Basic Rules on Loan Utilization (Percent)

Items	Acceptable	Not Acceptable	Undecided
A. The "Weekly" rules:			
1. Weekly meeting	73	25	2
2. Weekly repayment	78	21	1
3. Weekly saving of M\$1.00	99	—	1
B. Other Rules			
4. 5% of the loan to be contributed to group fund	93	4	3
5. Members must bear project cost of M\$25.00 (1st loan), M\$50.00 (2nd loan) and M\$75.00 (3rd and subsequent loans)	91	7	2
6. Loans are to be utilized within 7 days of disbursement	94	2	4
7. Loans are to be given in turn	86	11	3
8. If borrower fail to repay, other members denied a loan.	67	29	4

Source : Field Data

Table 87 : Perception of the Members Towards the Working Relationships Between the Staff and Participants (Percent)

Statements	Perceptions		
	"Agreed"	"Disagreed"	"Undecided"
1. "AIM staff are friendly and get along very well with participants"	93	5	2
2. "AIM staff understand problems faced by the participants"	89	10	1
3. "AIM staff accepts participants' ideas"	91	8	1
4. "AIM staff are very dedicated to their jobs"	90	7	3
5. "AIM staff are a good source of advice"	95	5	-
6. "AIM staff are not difficult to meet"	88	12	-

Source : Field Data

Analysis based on **Table 87** shows that an average of 91 percent of (based on items 1 to 6 as listed) the participants have positive or favorable perceptions regarding their working relationships with Ikhtiar staff.

In general the working relationships were clearly visible through the weekly centre meetings and the supervision by Ikhtiar staff of its members' activities. The staff also visited the members' projects from time to time. Through informal discussions, most members agreed that Ikhtiar staff are friendly, listen to their problems, accept their ideas, are very dedicated to their jobs and act as a good source of advice when required. Most important, it is easy to meet staff in the office (when necessary) without making a prior appointment. The closeness of this relationship was because each staff member has a small group/centre under his/her responsibility.

From the above analysis, it was clear that besides the provision of credit to the very poor rural households, an equally important factor is the "human factor" in the form of Ikhtiar staff who are dedicated and committed to their jobs. This has made members have faith in the organization that is specially created for them in the war against poverty. The project personnel therefore can be regarded as a catalyst in pushing the participants so as to be successful in their projects. As Remenyi (1991: 122) puts it:

"If programme participants perceive project personnel as more concerned with what personal gain they can get out of programme, a similar attitude will be mimicked by borrowers. Corruption breeds corruption, but honesty and integrity encourage the like in return"

10.4.2.5 THE SUSTAINABILITY OF THE IKHTIAR-FINANCED PROJECT ACTIVITIES

It is important to know whether Ikhtiar members are confident that their activities financed by Ikhtiar loans are sustainable without further or subsequent loans from the organization. The responses are summarized in **Table 88**.

Table 88 shows that 100 percent of the first-time borrowers were not confident that their Ikhtiar projects of various income-generating activities could be sustained without getting a further loan. This suggests that a subsequent loan is needed as one loan is rarely enough to lift households out of poverty, since most of the members belong to the very poor group prior to joining the Ikhtiar Programme. The first loan therefore can be regarded as a stepping stone towards a better prospect in follow-up loans.

Table 88 : Perception of the Sustainability of Ikhtiar Projects

	1st Timer		2nd Timer		All Borrowers	
	Freq. (N)	%	Freq. (N)	%	Freq. (N)	%
1. Confident	-	-	5	12.8	5	2.0
2. Not Confident	215	100	34	87.2	249	98.0
Total (N)	215	100	39	100	254	100

Source : Field Data

On the other hand only 12.8 percent of second-time borrowers were optimistic that their income generating activities could be sustained without resorting to further Ikhtiar loans in future. However, through informal discussion they did not rule out the possibility of applying for the third loan if circumstances arise. On the other hand 87.2 percent of the second-time borrowers were pessimistic that without further loans, their projects would not be sustainable.

From the above analysis, we can conclude that Ikhtiar loans are an important source of capital as well as a catalyst in providing the opportunity for improving their economic situation. In general one loan may increase the household income, but is rarely enough to lift the member households comfortably over the poverty line. (The question of whether the Ikhtiar Programme will become financially viable is discussed in detail in Chapter 11. On the other hand the question of whether the Ikhtiar scheme itself will be sustainable is however beyond the scope of this study, as it is too early to reach any conclusions).

10.4.2.6 PROBLEMS FACED BY IKHTIAR MEMBERS

This section will discuss some of the problems faced by the Ikhtiar members in connection with their participation in the Ikhtiar Programme, based on their own perception as well as on the author's observations. These problems are discussed below:

10.4.2.6.1 .IKHTIAR LOANS : WEEKLY PAYMENT, STAGGERED DISBURSEMENT AND ARREARS PROBLEMS

Some members felt that the loan repayment period was too short. This has most often been the case with the agricultural activities, such as vegetable growing and animal husbandry. Increases in income are not necessarily instantaneous as these types of activities involve the purchase of young animals or seed which have to be nurtured for some months before they can be sold. As a result most of them have to rely on non-Ikhtiar sources of income to meet the weekly repayments.

However, the impressive repayment performance of around 99 percent in Baling 1, suggests that this rule (while still posed as a problem to some members) seems to be followed obediently [3]. Even though group funds can be used to repay the loan of any member in time of trouble, [4] members have complained that it could not be made available instantly.

Members have accepted the ruling of staggered disbursement of loans (i.e. waiting in turn to get loan). However, what they seem to complain about is the problem of "late loans" (not getting them when expected). There were several cases of loans being received 7 to 8 weeks later than scheduled. As a result (based on one particular example), the land-owner rented land to another farmer as they could not afford to wait for the Ikhtiar member. This has forced the member to find an alternative and caused delay in her project. In general members get loans three weeks after submitting the application form to Ikhtiar staff [5].

In the Ikhtiar Programme, it has been a ruling that when a borrower fails to make weekly payments, every member is denied a loan. In relation to this, some members suggested that this ruling was not acceptable as this was unfair to those who had been making repayments on loans consistently. However, evidence suggests that this has not yet been a major problem, as official records suggest an impressive rate of payment.

10.4.2.6.2 ON LEAVING THE IKHTIAR PROGRAMME

As of October 1992, official data in the Baling 1 branch shows that a total of 107 members have left the organization [6]. Interest here is on why they have left. From the 25 ex-members that were interviewed, the responses are summarized in **Table 89**.

Table 89 : Main Reason for Leaving the Ikhtiar Organization by the Ex-members

Reason	Frequency (N)	Percent
1. Project not doing well	10	40.0
2. Left for another job	7	28.0
3. Could not keep up with weekly payments	3	12.0
4. Could not attend the weekly meetings	2	8.0
5. Problem of "late loan"	2	8.0
6. Problem with Ikhtiar staff	1	4.0
Total	25	100

Source: Field Data

Based on **Table 89**, it can be concluded that the main reason for the ex-member leaving the organization was mainly because of poor performance in their Ikhtiar activities (40 percent) and also due to other job opportunities (28 percent) [7]. Other respondents had left because they could not keep up with loan repayments (12 percent), could not attend the weekly meetings (8 percent), problems with "late loans" (8 percent) and because of misunderstandings with Ikhtiar staff (4 percent).

The above analysis suggests that the majority of the members who had left the Ikhtiar Programme did so either because of the poor performance of project and for other job opportunities.

10.4.2.6.3 TRAINING AND TECHNICAL ASSISTANCE NOT PROVIDED BY THE IKHTIAR ORGANIZATION

It is generally thought that the Ikhtiar Organization still holds the opinion that the poor's "survival knowledge and skills" will generate profitable activities and thus they continue with a credit-only approach.

Ikhtiar does not provide training or technical assistance for the participants. The Ikhtiar Organization depends on other government agencies to lend a helping hand. Various extension services are also provided by government agencies but they are not governed by Ikhtiar rulings. As indicated above, in **Table 82**, 87.8 percent of the member households had not received the extension services. Perhaps Ikhtiar should go for a credit-plus package and provide training and technical assistance. An "in-house" division of "advice and training service" and "technical assistance service" are therefore necessary in the Ikhtiar Organization itself. These issues have to be addressed in the light of an expanding membership.

However, this is not possible at present since Ikhtiar is heavily subsidized and not financially viable [8]. AIM is essentially still in the expansion mode due to large start up/fixed costs like staffing and other infrastructure requirements (such as computer hardware). As such it would be unrealistic to expect AIM to go for a credit plus package

Perhaps needs for assistance could be passed on to other agencies in a more serious and committed way, given the desire of the Malaysian government to give priority to the hard-core poverty group under the current Sixth Malaysia Plan. It has been noted by several writers in Chapter 9 that a credit programme would be more effective if it was complemented by other support services such as good infrastructure, extension

services, marketing and training of participants. Even the Ikhtiar Organization has noted that coordination between relevant government agencies is important as credit alone is not sufficient for some of the Ikhtiar members. They need extension services, training and expert supervision in addition to credit (Kasim and Gibbons, 1990) [9]. It is therefore hoped that an integrated government-Ikhtiar approach will materialize in future.

However, it will be more meaningful if government can step in and help the Ikhtiar Organization in establishing the "Training" and "Technical Assistance" divisions within the framework of the Ikhtiar Organization.

10.5 CONCLUSIONS

On the basis of the evidence advanced in the analysis, Section One of this chapter, we can conclude that the membership of the Ikhtiar Programme consists overwhelmingly of members who satisfy the eligibility criteria. Similarly, the control group, based on the sample of 265 respondents, has also been approached and are being encouraged to become Ikhtiar members. However, their final acceptance into the programme could only be determined through an interview session. The seriousness and the whole process of the "screening exercise" that have been carried out by Ikhtiar staff, appear to have effectively eliminated the chances of non-eligible persons enrolling as members. Since the Ikhtiar Programme has been effective in reaching the eligible poor rural households and has effectively eliminated the non-poor from its domain, the third hypothesis along with the two sub-hypotheses were therefore found to be true and can be accepted.

The analysis in Section Two of this chapter suggests that majority of Ikhtiar members have favorable or positive perceptions towards the Ikhtiar Programme: it was being perceived as a very good programme. The group/centre concept and also the basic rules on loan utilization were acceptable. Ikhtiar staff has also regarded as committed and dedicated .

Through the provision of loans, the very poor households are capable of channeling the loans to productive use, through various income generating activities. The result has been increases in income and improvement in their economic position (based on findings in Chapter 9). As rightly suggested by Yunus (1982), the findings confirm that

credit is one of the critical missing link in the development model. The important role of credit has been summed up by Remenyi (1991: 71) as follows:

"That a key obstacle to poverty alleviation in the Third World is the restrictions imposed by the lack of access to investment finance"

Making loans effectively delivered to the deserving groups can also be regarded as a measure of the Ikhtiar Programme success since the very poor households included in the households survey were not the main beneficiaries of the government rural development programme and also they had no access to institutional credit. With this we can conclude that the Ikhtiar Programme is a programme that has provided some rays of hope for the very poor household in their battle against chronic poverty.

FOOTNOTES

1. For the discussion on the size of land in Malaysia, see Chapter 4.
2. The suggestions by the participants towards the improvement of the Ikhtiar Programme are discussed in Chapter 12 under "Recommendations".
3. Most of the participants seem to have a greater sense of loyalty to their fellow group/centre members. As one of the participants argued "It is very shameful to let your fellow members down and deny them their right to loans. We have to make sure that the loan is paid when the time is up".
4. The group fund is a source of borrowing by any member of the group for emergency small credit needs (including consumption), subject to the unanimous approval of the other four members of the group.
5. According to Ikhtiar staff in Baling, some of the "late loans" arise because they have to thoroughly scrutinize the loan applications by considering the following factors before approval:
 - (a) The type of activity to be undertaken by the member.
 - (b) Review of the member's records in terms of their attendance at the weekly meetings.
 - (c) The repayment record for those who are applying for subsequent loans.
 - (d) Whether there are any arrears in a particular group centre to which the member belongs.
6. The breakdown of the Ikhtiar members leaving the organization in Baling 1 are as follows:

(1) 1990	- 24
(2) 1991	- 38
(3) 1992 (as of October)	- 45
Total	- 107

It was only possible to interview 25 ex-Ikhtiar members. They were not included in the household survey because they failed to meet the criteria:

- (a) they did not borrow while still being a member.
- (b) they did not complete their loan cycle (most of them were on the first loan).

As a result most of these discussions were informal, with emphasis on the main reasons for leaving the Ikhtiar Programme. The 25 respondents could only be met in their houses after a second or third visit. It was quite difficult to trace them. However they were very co-operative in providing the information. We had managed to trace the ex-members with the help of Ikhtiar staff and Ikhtiar members, whom we had interviewed.

7. Most of the ex-members have since left for factory jobs, mostly in Sungai Petani industrial area, one of the major industrial areas in the state of Kedah and are being paid more.
8. As mentioned in Chapter 5, the issue of financial viability of the Ikhtiar Organization is discussed in Chapter 11 under the "Limitations of the Ikhtiar Programme"
9. AIM envisages that the various government technical agencies, such as veterinary, agriculture, fisheries, marketing and others, can give extension and training to upgrade the existing skills and facilitate the marketing of AIM borrowers.

CHAPTER 11 : LESSONS TO BE LEARNED FOR THE PLANNING AND IMPLEMENTATION OF BROAD-BASED AND POVERTY-FOCUSSED RURAL DEVELOPMENT PROGRAMMES

11.1 INTRODUCTION

This chapter focuses on the question of lessons that may be learned from the experience of the Amanah Ikhtiar Rural Credit-Cum Poverty Focussed Programme for the planning and implementation of broad-based and poverty-focussed rural development efforts.

11.2 ACHIEVEMENTS, LIMITATIONS AND LESSONS LEARNED

11.2.1 ACHIEVEMENTS AND LIMITATIONS

The central discussion of this chapter are the lessons that may be learnt from the experience of the Ikhtiar Programme. However we will first highlight briefly the achievements and the limitations of the Ikhtiar Programme based on analyses of previous chapters.

11.2.1.1 ACHIEVEMENTS IN GENERAL [1]

The success of the Ikhtiar Programme can be attributed to several achievements: Ikhtiar has managed to reach its target group effectively and has in a way stimulated their active participation in the programme for their own betterment. The programme has had a positive and beneficial effect in terms of raising the incomes and the quality of life of the participants.

Ikhtiar has also adopted some innovative procedures and regulations that suit the needs of the very poor. What is also interesting is the ability of the Ikhtiar Programme in facilitating the organization of its members into groups/centres basis, which also serves as the main vehicle for participation in the programme's activities.

At the macro level, Ikhtiar has made a rapid expansion both in terms of branches and membership. It started with only 1 branch and now has a total of 34 branches. Its membership has increased from 3220 in 1990 to 24,834 in 1993. The programme has also experienced a very rapid expansion in terms of the types of loans given out. Starting with only the benevolent loan (ILS 1), it now includes the semi-commercial loan (ILS 2) and the nearly-commercial loan (ILS 3). It has also expanded to include school and housing loans, thus diversifying its lending pattern to meet the ever increasing demands of its clients.

The success of the Ikhtiar Programme is also reflected in the excellent repayment record, achieving a near-perfect record of around 99 percent since its inception based on all its branches in operation, including the District of Baling. The main contributing factors have been the awareness of the participants of the importance of credit in lifting them out of poverty, rigorous selection criteria and the "indoctrination" of Ikhtiar principles, intensive and close supervision of loans on regular basis by the staff and productive use of loans. It has been argued that willingness to repay can be increased with a closer supervision and personal contact (Onchan, 1988). More important is the effectiveness of Ikhtiar in putting to work the use of peer group pressure by providing incentives to monitor the action of their peers [2]. The concept of peer group approaches have also been used by the Grameen Bank (Stiglitz, 1990) and other similar institutions elsewhere (Mosley and Dahal, 1985). As mentioned in Chapter 3, experience shows that group lending schemes have a better repayment record than individual schemes in developing countries (see Footnote 23 in Chapter 3).

Another major achievement is the low cost of the Ikhtiar Programme, which on average costs around M\$7000 to bring a participant's households out of poverty compared to M\$55,000 in the FELDA model. In its effort to promote social values among its member households, Ikhtiar has also added the socio-economic programme component anchoring them with their income-generating activities, which is used as a catalyst in socioeconomic development. This has been promoted through the concept of "sixteen decisions" (see Appendix 4) where social values have been stressed. Ikhtiar has also managed to establish formal linkages with some formal banking institutions which provide a line of credit as the source of its loan fund. This development is a sign of a good beginning and seems to suggest that a rather revolutionary direction for conventional banking practice is slowly emerging.

The above achievements can be regarded as quite good when one takes into consideration that most of the Ikhtiar members were not the major beneficiaries of other government poverty alleviation efforts. From the policy point of view, Ikhtiar has

at least achieved some success of reaching and genuinely providing the poor with self-help opportunities.

11.2.1.2 LIMITATIONS

Ikhtiar takes financial viability to mean the ability to cover all operational costs including the cost associated with programme expansion. AIM intends to cover all its operational cost (this has been touched upon in Chapter 5) by the year 2000, with income generated from a fixed administrative charge of M\$75.00. Ikhtiar hopes to break even at the branch level when at least 1800 loans are outstanding per annum (Banking with the Poor, 1992). With the administrative charge remaining unaltered and the unforeseen level of inflation, Ikhtiar is not in a position to break even with a fixed charge of only M\$75.00. For instance, the fixed administrative charge of M\$349,995 collected by AIM in 1992, could only cover around 7.4 percent of the total operating cost for 1992 (AIM Annual Report, 1992). The only alternative would be to make adjustments to its administrative charges so as to be in line with inflation levels. However, Ikhtiar's Board of Trustees is opposed to raising the charge to its borrowers on the grounds that it would be exploitative of the poor.

As a result of this development, after more than 5 years of operation, Ikhtiar has not yet achieved full financial viability [3]. Another limitation stems from the fact that Ikhtiar seems to be lacking in financial autonomy due to its continuing dependence on the government (Federal and also State Government). Shrestha (1989) noted that the most common weaknesses of NGOs in developing countries is that they operate with very limited resources and (Bhatt, 1989) are heavily dependent on government resources or foreign funds. Ikhtiar is also faced with a very challenging future in that (Kasim, 1992) it does not have a large enough loan fund to reach its target of 50,000 borrowers by 1995. Ikhtiar had requested M\$18.2 million from Federal Government for the Sixth Malaysia Plan but only M\$8.45 million was committed. Additional funds has to be sought from other sources.

Ikhtiar members, as evidenced from the findings, have managed to save a significant amount in the compulsory group fund and on their own accord. There is a scope for mobilizing savings among the poor rural households. Ikhtiar deposits the Group Fund Savings with the National Savings Bank and Islamic Bank. Ikhtiar in its own right can not accept deposits nor lend them outside the mobilizing self-help groups without becoming a bank. There is an opportunity for Ikhtiar to become a bank and at the same time be able to attain financial viability. However, as noted by Kasim (1992), it is not

likely that Ikhtiar will become a bank like its counterpart the GB as licenses for establishing new banks have been frozen and are not likely to change within the foreseeable future. On the other hand, as Gibbons (1991) noted, by becoming a bank Ikhtiar would become concerned with the multifarious activities of a bank and might be distracted from its main objective of helping the poor to help themselves.

Since the Ikhtiar Programme is not able to become a bank, the only alternative is to establish linkages with a commercial bank. Thus Ikhtiar has established linkages with a few financial institutions for getting the supply of loan capital. However as noted by *Banking With the Poor* (1992), even though Ikhtiar has been able to make arrangements, for instance with the Islamic Bank (BIMB), for providing a line of credit, Ikhtiar must provide its corporate guarantee to 80 percent of the financing. The requirement of corporate guarantees indicates that BIMB has not accepted the collective responsibility of Ikhtiar borrowers as a substitute for borrowers collateral and/or guarantors, despite the recognition that Ikhtiar's system does not leave loopholes for bad loans. The nearly-commercial loan (ILS3), provided by Ikhtiar to its members through linkages with the Islamic Bank, is, however, only confined to North-West Selangor, i.e. the pioneer branch (Kasim, 1993b). On the other hand, the Credit Guarantee Corporation (CGC) funds are solely for Ikhtiar's second and subsequent borrowers.

Ikhtiar's limitations also lie in its inability to provide adequate training for its borrowers so as to be more successful (such as skill training for further refinement). While the findings suggest that most borrowers who had managed to improve their economic performance were not dependent on training from Ikhtiar [4] but merely from their own skills and experiences while pursuing their various economic activities. Ikhtiar is not equipped for "in-house" training or technical assistance for the betterment of the participants. This limitation is understandable in that the very nature of Ikhtiar, being a non-governmental organization, is not in the position of providing everything or comprehensive services apart from loans. Ikhtiar should be aware of the above limitations (this issue has been touched upon in Chapter 10). It has been argued that (Osmani, 1988) if a credit programme is to act as a major anti-poverty programme, it must be integrated within the overall framework of the development planning.

In general, Ikhtiar merely has to depend on other government agencies for the provision of technical/extension services. However, based on the findings (as we would recall from discussion in Chapter 10) the services obtained from other government agencies has been quite limited as Ikhtiar has no control over them.

Another limitation is that, unlike the GB borrowers, Baling's borrowers have yet to take advantage of pursuing collective activities with Ikhtiar loans, which have the potential of reaping economies of scale and can lead to improved technology and thereby increase labour productivity. Ikhtiar borrowers, as shown from Baling experience, are pursuing their own or individual activities with Ikhtiar loans. However it is still too early to reach any conclusions, but the findings show that none of the 254 sample borrowers had reported undertaking joint projects. Perhaps Ikhtiar's management should look into the possibility of encouraging its borrowers to venture into joint or collective enterprises in the near future.

In general agricultural producers are subject to income instability and this can affect their household monthly incomes. The economic welfare of rubber cultivators (one of the most popular activities undertaken by Ikhtiar participants) for instance, are dependent on price fluctuations in the world commodity markets, which is further reinforced by seasonal variation in output and also weather and other botanical factors. Things can be made even worse as there is no domestic stabilization scheme to protect farmers' income from commodity price cycles (Mehmet, 1988) [5].

11.2.2 LESSONS TO BE LEARNED FROM AMANAH IKHTIAR EXPERIENCE.

Now we turn to the question of lessons that may be learned from the experience of the Amanah Iktiar Programme for the planning and the implementation of broad-based and poverty-focussed rural development efforts. There are several main lessons. However it needs to be noted that some of the lessons are slightly inter-related with others, even though they are discussed here separately. This is merely to elaborate a particular issue.

11.2.2.1 FIRST LESSON - THE IMPORTANCE OF CREDIT

Ikhtiar's experience brings out the vital importance of credit as an entry point in a poverty alleviation programme. Provision of credit as an important element of a rural development programme can be traced back to the early 1960's (see Chapter 2), but its role as an important weapon of combating poverty has not been adequately recognized. Given the desperate poverty of the very poor rural households, the Ikhtiar Programme is very appealing as it offers its clients an effective means and potential prospects for economic improvement.

With credit, the very poor households have been able to capitalize on their survival knowledge and skills by purchasing or creating the assets necessary to create the additional self-employment, often immediately. Furthermore, credit for the poor does not involve any prior socio-political structural change and avoids the kind of problems encountered in asset redistribution via land reform. As we would recall from discussion in Chapter 1, past experiences have shown that the implementation of land reform via land redistribution in many developing countries has not been successful. The technocratic nature of the Malaysian government's rural development machinery as seen in Chapter 4, suggests the preference of government to leave the pattern of land-ownership unchanged and to maneuver within the existing structure via technological, administrative and pecuniary means.

11.2.2 SECOND LESSON - APPROPRIATE TRAINING AND ORIENTATION OF THE FIELD STAFF

Most rural development programmes have an extension staff or development workers at the field level. This suggests the importance of having development workers that are specially tuned and trained for the job. In the Ikhtiar Programme, the field staff (the Ikhtiar Trust Assistant) is the development worker who accounts for around 90 percent of the programme staff and thus forms the backbone of the programme. In relation to this, Ikhtiar's experience brings out a vital ingredient, i.e. the importance of appropriate training and orientation of the field staff for the successful accomplishment of their programme.

Staff training (similar to GB training approach) includes intensive field training, with some time spent in the classroom. Training is simple but tough and vigorous and it eliminates those who are not physically and mentally prepared to work in the rural areas. Training is based on the "learning by doing approach" through direct observation. The whole process of training is to inculcate a sense of commitment to overall programme objectives and some degree of empathy with the intended beneficiaries. The Ikhtiar Programme's successful outcome is also directly attributed to one of the most important underlying factors, i.e. its staff.

11.2.2.3 THIRD LESSON - A WELL DEFINED TARGET GROUP

As mentioned earlier, credit should be an important component of any poverty alleviation programme. However it will be rendered useless if it fails to reach the target group effectively. This brings out the need for a poverty alleviation programme to have

a strong orientation towards designated and a well-defined target group. Ikhtiar shows that it is possible to devise programmes which can directly and preferentially reach the target group if they are well defined.

Experience shows that very poor rural households have been traditionally bypassed under the more conventional programmes. This was because development policies were couched in terms of atomistic households in a classless rural society. As a result the selection process tended to treat the poor as undifferentiated groups. Ikhtiar's membership consists overwhelmingly of the very poor households as defined in their eligibility criteria (based on findings discussed in Chapter 10), accompanied by a simple selection system, where several mechanisms of checks have been instituted in screening the poor ranging from the housing index, the means test and interviews. As a result of this "multi-layered" process, the non-poor have been effectively excluded. Ikhtiar's experience thus shows that not only must the poor be properly defined, they must also be properly identified at the operational level.

11.2.2.4 FOURTH LESSON - EXCLUSIVE DELIVERY SYSTEM

Experience suggests that the more conventional programme with its omnibus or generalized delivery system has generally not been effective in reaching the target group. Ikhtiar's experience brings out the need to design an exclusive delivery system to cater only for the target group that is properly defined and identified. As a result a simple but effective operational system needs to be established that permits the delivery of resources to its beneficiaries.

The main design features of the Ikhtiar delivery system are: suitable loan conditions; simple, flexible and easy loan procedures; no complicated application forms to fill in [6]; taking the programme to the villages where the poor live; incentives of subsequent development inputs and on a continuous basis; intensive training for building up consciousness, organization and management efficiency of the participants; intensive supervision; open transactions so that everyone knows who is getting what; highly routine operations with an emphasis on regularity of repayments and regular meetings.

11.2.2.5 FIFTH LESSON - INNOVATIVE "BANKING" PRACTISE

The Ikhtiar Programme illustrates some new innovations in reaching the very poor households who potentially participate in the development programme. The major

innovation is the removal of the traditional types of security and collateral normally required by formal banking institutions and replacing them with group guarantees. The concept of joint responsibility has encouraged mutual supervision and cooperation amongst the members of the group. In general, to ensure the effectiveness of group guarantees as the best collateral, they are being accompanied by direct and regular contact with the beneficiaries. This is also a key element in this new approach. The Ikhtiar Programme has actually instituted a specially designed "delivery-recovery" mechanism for the provision and collection of its loans. As mentioned earlier in lesson four, AIM is also breaking new ground in establishing "mobile banking" in Malaysia. Ikhtiar takes its programme along with its staff to the villages where poor people live rather than taking people to the bank. This contributes to borrowers' confidence and saves them costly and time-consuming travel to the town or city where the bank is normally located.

11.2.2.6 SIXTH LESSON - ORGANIZING THE POOR INTO GROUPS

The Ikhtiar Programme brings out the importance of organizing the poor within some form of organizational framework. The success of Ikhtiar is directly related to the concept of forming a small homogenous group, which is in itself a major innovation. Beyond that, the organization of the very poor households serves a number of crucial functions:

- a) It is a starting point for the poverty alleviation programme and forms a basic building block of the programme.
- b) It provides the foundation for group guarantees without any collateral. It ensures mutual accountability through peer pressure.
- c) It is an avenue of promoting social and economic cooperation amongst borrowers. It thus helps in strengthening the sense of solidarity, which is further strengthened through horizontal linkages with other similar groups federating into a centre.
- d) It promotes group organization which in turn promotes the habit of group discussion, consultation, planning and implementation of economic activities and resolution of conflict through debate.
- e) It leads to basic management and decision making skills which can be acquired by the group as a result of regular meetings with the staff which acts as a teacher. Some discipline in financial matters has also been inculcated.
- f) It has the advantage of being a legally established organization, composed of a large member of small groups and is therefore in a stronger position than any number of dispersed and weak unorganized informal groups.

In the Malaysian context, the experience of the cooperative movements have invariably been taken over by the more influential farmers and other rural elites, who also happen to be the majority as far as membership is concerned. Mehmet (1988) and Ali and Idris (1992) noted that the farmer organizations were mainly controlled by the richer farmers and rural elites. It is believed that Ikhtiar's group formation is indirectly the reverse pattern.

The organization of the poor has now become an important element in the poverty alleviation exercises, especially among the non-governmental sectors in many developing countries. In relation to this, ILO (1984) noted that groups with more than 20 members tend to become unwieldy and (Padmanabhan, 1988; Huppi and Feder, 1990) may lose cohesion and be susceptible to default. The size should not exceed 10 (IFAD, 1985). Olson (1971) suggested that in many cases small groups are more efficient and viable than the larger one and (Yunus, 1984; IFAD, 1985; Egger, 1986) also tend to have better access to information, work well and may last longer. Thus, in Ikhtiar model, the group of 5 was found to be the most appropriate arrangement achieved through trial and error.

11.2.2.7 SEVENTH LESSON - THE ELEMENT OF PARTICIPATION

The poor need to be empowered so that they can genuinely participate in the decision-making and planning of development programmes which affect their livelihoods. Seen in this connection, one major idea that has emerged from Ikhtiar's experience is the promotion of participation of the very poor households in the development process. Organizational development at the grassroots which makes participation feasible has not featured prominently in Malaysian's more conventional development programmes except as lip-service. On this Kasim (1987: 70) argued that:

"People at the village level still minimally have a chance to participate in planning and implementation for their own development, although government policy has intended to allow people to be involved in such process...planning and implementation overwhelmingly decided by government officials still exists" [7].

Choo (1989) further noted that the dominance of top-down decisions and programmes at the local or village level often limit and minimize the consideration of the bottom-up demands (village level) and feedback in the system of planning and programme implementation in Malaysia. Oakley (1991: 12) similarly noted that in most developing

countries, rural development planning takes place in ministries in urban areas and there is rarely any genuine desire to devolve this responsibility effectively to local level. In his words "in most Third World Countries administrative structures are invariably centralized and by definition essentially anti-participatory".

Ikhtiar has thus broken new ground in terms of establishing, on a quite massive scale, links between resources and previously excluded people. This is the fundamental rationale of their operation: to begin a process of participation by providing previously bypassed rural people in the more conventional programmes with the means to establish an economic base. In Ikhtiar's model the concept of participation is reflected through the weekly meetings where members participate in decision making and play key roles in the main activities of the programme. It has been noted that (Singh, 1991; Oakley, 1991) people's participation is now becoming an important and growing element in most of the micro-enterprise credit programmes in many developing countries [8].

Within the broad framework of the bank policies and with guidance and advice of the Ikhtiar staff, it is the members themselves who decide on the amount, purpose and utilization of loans. This is an element of participatory system where groups can play roles in the appraisal process. While Ikhtiar cannot claim to have moved very far in this direction, it has at least set in motion the process of participation. The role played by members is likely to enhance their capacity for organization and management capability.

Ikhtiar members are given the opportunity to become group chairman, secretary and also a centre chief on a rotational basis. At a higher level of participation, i.e. at the national level, Ikhtiar has created a Borrowers Representative Board of 12 members, 3 members each from each of the four Ikhtiar administrative regions [9]. From this board, two members are chosen to attend meetings of the Ikhtiar Board of Trustees (the highest in the hierarchy) [10]. From the above discussion it can be concluded that people should be given a genuine opportunity for participation in any development programme and the Ikhtiar Programme is contributing to some social changes in the Malaysian's rural society. In this connection, Remenyi (1991) argues that the most fundamental point is therefore not to spurn the poor but to recognize them as an asset which is the foundation to sustainable success.

11.2.2.8 EIGHT LESSON - THE LEARNING PROCESS APPROACH

It has been noted in Chapter 3, that the "blueprint approach" is an inadequate response to rural development, but the "learning process approach" is more appropriate. Ikhtiar's experience also brings out the importance of the "learning process". The Ikhtiar Programme was initially launched as a two and a half year action-research pilot project, through which an innovative approach of foreign methods were tested on a small-scale. The end result suggests the viability of the Grameen approach, but needs some minor modification to adapt it to the local socio-economic and cultural environment.

Ikhtiar's experience also suggests that for a particular programme to be effective, it needs to be tried on a small-scale basis, goes through a learning process and is gradually scaled up in response to dynamic development needs of its clientele. Pilot projects therefore perform valuable functions of testing new methods under local conditions. If they prove unworkable, they can be abandoned or altered. Furthermore the knowledge gained from the undertaking may still prove to be useful in the continuing search for a better ways of increasing programme effectiveness. And the learning goes on [11].

11.2.2.9 NINTH LESSON - ON BECOMING A SELF-RELIANT RURAL COMMUNITY

Another important lesson from Ikhtiar's experience is the importance of having a saving scheme. Ikhtiar has demonstrated that the poor are able to achieve high marginal rates of savings. This is a very important achievement as it will pave the way for self-sustained self-reliant patterns of growth. In extremely poor communities where meeting subsistence needs is an everyday struggle, the ability to save can only be considered as phenomenal. Compulsory savings in the form of group funds can be used for meeting emergency needs. More important is to strengthen the group over time. In the longer run, these savings can be used to finance group joint projects. Ikhtiar has shown innovation by incorporating the savings set-up within the framework of its credit-based poverty alleviation programme. Ikhtiar is aiming at transforming the poor from a dependent subsidy-oriented community into a viable self-reliant rural community.

The mobilization of savings can be regarded as a pre-requisite for genuine self-reliant development efforts. Sham (1991) noted that the ability to save, even small amounts on regular basis, is a pre-condition to sustainable development and (Ghai, 1989)

further evidence of a self-reliant approach. Singh (1991) noted further that building self-reliant village organizations is a long, slow process, but they are and will be organizations of the people, which can work for developing people.

11.2.2.10 TENTH LESSON - PROGRAMME'S DURATION SHOULD BE ON AN ON-GOING BASIS

In general, the design of a poverty alleviation programme needs to provide sufficient time for continued support to the poor covered under the programme. Experience shows that it generally takes a considerable time for a poor people to come out of the poverty threshold to be strong enough on his own to face against the rather challenging open market, without the risk of falling back into poverty

Experiences of SEWA (Self-Employed Women Association) in India and the Grameen Bank in Bangladesh suggests that they have had to provide credits on on-going basis (Sham, 1991). This has contributed much to the building up of poor households' assets and skills to overcome poverty and will definitely reduce the risks of falling back into poverty. Similarly, Ikhtiar has resorted to this concept of providing loans on a continual basis, starting with a very small or meagre amount in the first instance and raising it slowly. The Ikhtiar Organization believes that poverty alleviation is a long term affair. Credit is an investment and "one-shot" programmes are totally ineffective [12]. Thus it is necessary for the national policy-makers to incorporate this idea of Ikhtiar into the planning of the more conventional development programmes.

11.2.1.11 THREE FINAL LESSONS

The pioneering work of Ikhtiar has revolutionized the idea of small-scale credit. The **eleventh lesson** to be drawn from the Ikhtiar experience is the demonstration that contrary to widespread beliefs and perceived wisdom, the poor can be trusted and also creditworthy and are therefore bankable. The **twelfth lesson** shows that one key to success appears to be the introduction of a social mechanism into the lives of the poor. In the Ikhtiar case, this takes the form of peer pressure for screening loan applicants and collecting loans. One **final lesson** from Ikhtiar experience is that it is possible to design a programme which can directly help the poor if there is enough determination. On this Holloway (1990: 143) writes "If we are serious about helping the poorest village members, it is necessary to set up structures which reflect the needs of them alone and which single them out for special attention. If this is not done, the tendency

will be for the rural elite to "filter out" any benefits and for the gaps between them and the poorest to become even larger".

11.3 CONCLUSIONS

From the above discussion of some of the lessons that can be learnt from Ikhtiar's experience, we can therefore conclude that with appropriate organization, the poor are able to use credit profitably, are capable of repaying loans and are therefore bankable. It has been demonstrated that lack of collateral should not stand in the way of providing credit to the poor. Perhaps the mainstream suppliers of credit, notably the Agricultural Bank and other financial institutions, have to revise old-fashioned notions about the poor being an unbankable proposition. However, the design of a programme such as Ikhtiar for reaching the very poor rural households is by no means easy. Credit (not loans) should also be given to the Ikhtiar Organization for their ability to put the Grameen bank approach into the Malaysian context, which is indeed a very tricky and delicate exercise. In this connection, Burkey (1993: 193) argues:

"Operating loan funds for the poor is a tricky business. It is a delicate balancing act involving, on the one hand, maintaining a business-like and viable loan fund without becoming an oppressive loan collector and, on the other hand, trying to fuel the development process for the poor without establishing new dependency relations which in the long run destroy the process".

From our discussion above, we can conclude that the Ikhtiar Programme is a convincing demonstration that credit granted under the right terms and conditions can enable the poor to improve their economic conditions and hence is an effective instrument in combating poverty.

FOOTNOTES

1. Section 12.3 in Chapter 12 which summarizes in detail the findings of this study, will only indirectly highlight some of the achievements discussed in this section.
2. This was provided by the fact that members of the peer group are jointly liable for repayment of loans and by the fact that they cannot gain access to credit until the debts of the group are discharged (see Chapter 5).
3. Ikhtiar loans are designed to be self-sustaining and become **financially viable** through the fixed administrative charge imposed on loan disbursement. It is expected to take six to twelve years for a branch to reach full capacity of 2000 borrowers, as the pace of group formation cannot be forced and also depending on the density of extreme rural poverty. In general, Ikhtiar's transaction costs in its loans scheme is high initially because of heavy human investment (staffing) and network of infrastructure (which have to be amortized over a long period). The question of AIM meeting its financial viability is nevertheless a subject of future research. It is too early to reach any concrete conclusion, but available evidence seems to suggest that AIM is not likely to achieve full financial viability. **Whether it may adjust its fixed administrative charge or takes other measures in the very near future to achieve the financial viability is however beyond the scope of this study.** Currently Ikhtiar is not in the state of financial self-reliance. Ikhtiar is nevertheless aiming to be financially self-reliance. This, as envisaged by Ikhtiar will be achieved through the fixed administrative charge, which is only possible when a new branch reaches its full capacity.
4. In general, Ikhtiar provides a general extension services in the form of advice, guidance and information for its participants. For instance the provision of information to its borrowers is mainly in the form of which department or agency in the government need, to be contacted when a particular service is required.
5. A suggestion to overcome the problem of agricultural prices is taken up in Chapter 12. In general the price of rubber has increased since early 1994 and went up to around M\$3.30 to M\$3.50 per kilogram, after being in the region of M\$2.10 per kilo for the past five years (Utusan Malaysia, August 1994). The good news for rubber and cocoa producers is the recent report which noted that the prices of these two commodities are set to soar (New Straits Times, June 1994). Our study was carried out when the general price of rubber was in the region of M\$2.10 per kilo. In general, the prices of rubber during the 1989 to 1990 period (Malaysia Economic Outlook, 1990) have been in the region of M\$2.45 and M\$2.65 per kilogram. In the context of the study area, there were various forms of rubber, namely latex, sheet and scrap. Scrap rubber fetches the lowest price of around M70 cents to M85 cents per kilo.
6. For an example of Ikhtiar's Loan Application Forms refer to Appendix 11.

7. Chee and Khong (1978: 245) add:

"The basic weaknesses of rural organization in Malaysia is the low level of community involvement and participation...the local bureaucratic organizations do not provide an open forum for inputs from common peasants".

8. As mentioned in Chapters 2 and 3, the Community Development Programme (CDP) of the 1950's and 1960's failed tragically because practitioners in those days did not realize the importance of empowerment. However, today's community development through the micro-enterprise credit programmes that have emerged in many developing countries is different, where emphasis is given to the process of participation in the development process. This is also reflected in the Ikhtiar Programme.
9. A Borrower's Representative Board (Lembaga Perwakilan Sahabat Amanah Ikhtiar Malaysia) has been established for Amanah Ikhtiar Malaysia with twelve members, three each from the 4 regions (as mentioned in Chapter 5), i.e. the regions of Kedah, Perak, Kelantan and Trengganu. The twelve members are chosen by the Council of Center Chiefs for each region from its own members for a period of office of two years. From this Board of Borrower Representatives, two members chosen from among its members are invited to attend meetings of AIM's Board of Trustees as observers for a period of one year, after which they will be replaced by two different representatives. It needs to be mentioned here that a Council of Center Chiefs is established for each of the above mentioned regions. This Council will be composed of Center Chiefs in the Region, and will meet at least once a year. The Council is chaired by the Director of Ikhtiar's Loans Division, with the Regional Manager/Programme Officer as Deputy Chairman.
10. Ikhtiar's Board of Trustees consists of 13 key people and it includes (as of September 1991):
1. Dato Mahbob Osman (Chairman)
 2. Dato Haji Musa Muhammad, Vice Chancellor, Universiti Sains Malaysia.
 3. Dato Dr. Mohd Shahari Ahmad Jabar.
 4. Professor Yunus, Managing Director, Grameen Bank of Bangladesh.
 5. Mr Ahmad Ahmad, Secretary.
 6. Associate Professor Kasim Kasim, Director of Loan Division.
 7. Professor David S Gibbons, Ikhtiar Managing Director.
 8. Mr Hashim, Representative of Chancellor Director General, Economic Planning Unit, Prime Minister's Department.
 9. State Secretary of Selangor.
 10. Mr Haji Basri Ismail, Director of YPEIM.
 11. Professor Syed Hussin Alhabshi Al-Habbshi.
 12. Dr Abdul Abdul Rahman Mohamed, Representative of the Director General, Implementation and Co-ordination Unit, Prime Minister Department.
 13. Another person appointed by the Trustees from time to time.

11. One lesson of Ikhtiar's experience is that the design and redesign of poverty alleviation programmes is best done by those who have to manage them and mount a review that permits the management and staff of a particular organization to analyze what they have learned in the first phase and build on this experience for the future.
12. Sham (1991: 244) provides useful views on the design of a viable poverty-alleviation programme:

"Poverty can be alleviated only when the poor, who lack access to productive resources, are provided with resources to increase their income. This has to be on a continuing basis, enabling the clientele to undertake productive and income-earning activities over a number of years. Poverty alleviation programmes, therefore, are not like one shot vaccinations, where programme activities end abruptly upon completion of a time-bound project investment. Poverty alleviation programmes require resource investments and social development efforts on a continuing basis, spread over a number of years".

CHAPTER 12 : SUMMARY, RECOMMENDATIONS AND CONCLUSIONS

12.1 INTRODUCTION

This chapter summarizes the findings of the research. It also considers some of the policy implications regarding the implementation of the Ikhtiar Programme towards national development policy. It concludes with recommendations for the improvement of the Ikhtiar Programme and identifies issues for further research.

12.2 THE ESTABLISHMENT OF THE IKHTIAR PROGRAMME

It has been stated that the Ikhtiar rural credit-cum poverty focussed programme is a totally new concept for the alleviation of poverty, attempting an alternative approach (see Chapter 5). It is established "for the sole purpose of assisting very poor rural households to lift themselves out of poverty, primarily by means of benevolent loans to be used for financing income-generating activities". As a non-governmental effort, Ikhtiar sees its role as complementary to Government's poverty alleviation programme. Thus the Ikhtiar Programme is basically in line with the Government's New Economic Policy (NEP) and the New Development Policy (NDP) that puts emphasis on the eradication of poverty as overriding objectives. Being a new programme, Ikhtiar is already making headway in Malaysia. Therefore it is in the spirit of discovering this new phenomenon that this study, exploratory in nature, was undertaken (for the Objectives and Hypotheses of this study, see Chapter 1).

12.3 SUMMARY OF THE MAIN FINDINGS

From the discussions in the previous chapters, the major findings of the research on this exploratory study of Ikhtiar rural credit cum-poverty focussed programme are as follows:

1. By most indicators, the Ikhtiar Programme has been rather successful. Its achievement is considered quite good when one takes into consideration that it has taken place against the background of failure of the more conventional poverty alleviation programmes in improving the conditions of the poor, notably the hard-core poverty groups in the rural areas. Ikhtiar has thus provided some ray of hope for the improvement of the rural poor's living conditions. This is generally true in the Malaysian context, where structural changes in rural society is needed for the improvement of poor people's welfare under the existing "technocratic" nature of the socio-political set up seems to be the main obstacle.

2. The Ikhtiar Programme has clearly shown that by providing credit, many of the very poor households can be reached directly and preferentially. The main message of this programme is the importance of credit as an entry point for a programme of social and economic development. This was further attested to by the fact that the poor are not only trustworthy, but also creditworthy and bankable.

3. Ikhtiar has made a very rapid expansion. Starting with only 1 branch in 1986, it has by now a total of 34 branches operating in the 33 poorest districts of the country. The rapid expansion of the programme from its pilot phase has demonstrated its replication potential. By 1993, Ikhtiar's membership has increased by quite a substantial number, rising from only 3220 in 1990 to 24,834 by November 1993. Such an achievement is quite good and it clearly implied that large number of the rural poor had been bypassed by the more conventional programmes. By organizing the members into the group/centre concept, which form the basic building block around which the programme is organized, Ikhtiar has thus provided these "bypassed" households with an opportunity to make changes in their lives by means of credit. Credit can thus be seen as a catalyst for the improvement of their economic conditions.

4. The rapid expansion can also be seen in the evolution of its loans. It started only with the Ikhtiar benevolent loan scheme (ILS 1). To date it has expanded to include the semi-commercial loan (ILS 2), the nearly-commercial loan (ILS 3), school and housing loan schemes. The ILS 1, being the backbone of Ikhtiar Programme has been translated into various types of agricultural and non-agricultural activities. By November 1993, a cumulative total of about M\$1.3 million in loans had been disbursed to its members in the Baling 1 branch. At the State level, i.e. Kedah, and the national level, the figures stood at M\$6.5 and M\$22.9 million respectively.

5. The Ikhtiar Programme has been successful in raising the incomes of its participants. The average income of member households was about M\$317.00 compared to only

M\$181.00 for the control group. The difference is statistically significant. Prior to joining the programme, the household income was M\$165.00, while that of the control group was M\$158.00. The findings also support the earlier study by SERU and Ikhtiar's various internal impact studies that the Ikhtiar Programme has been successful in raising its participants' incomes. Various studies of the Grameen Bank Programme and similar experiences elsewhere also came to similar conclusions. This clearly shows that credit is one of the critical missing links in the rural development model, especially in the area of poverty alleviation.

6. In general, Ikhtiar member households receive two sources of income, namely (i) from the Ikhtiar-financed project activities and (ii) from non-Ikhtiar sources. The findings suggest that the participants' household incomes resulting from Ikhtiar-financed project activities have been very significant as they formed a major proportion of the overall household income, about 55 percent. Generally the Ikhtiar-financed non-agricultural activities tend to yield a higher return than agricultural activities. Furthermore the second cycle loans (bigger in size) have been associated with higher incomes. There seems to be a positive correlation between the level of income and the number of loan disbursements.

7. Among the Ikhtiar members (females) there was also a noticeable shift from household work (such as unpaid service as housewives) in favour of self-employment in petty trading, livestock rearing, rubber cultivation and various other activities with the emergence of the Ikhtiar Programme's intervention. This was one of the factors that has contributed to the increase of household income. Ikhtiar provides a mechanism of drawing women out of their traditional female confinement within households and providing a changed social organization capable of providing opportunities for female self-employment.

8. There is a potential for members to switch to non-agricultural activities that promise a prospect of higher incomes, but needs further support from government agencies (see suggestion in section 12.5). There is also one area which has not been tried or fully exploited among member households, i.e. the joint activities financed by Ikhtiar loans that have the potential of reaping scale economies through the use of improved technology (see suggestion in section 12.5).

9. Ikhtiar has also made a positive contribution in the area of poverty alleviation in the study area. An overwhelming 82 percent of member households have managed to rise above Ikhtiar hard-core poverty line of M\$250.00. From this figure, a further 22 percent have managed to surpass the national poverty line of M\$375.00. On the other

hand, 99.6 percent of the households in the control group remained below the hardcore poverty line. Obviously it would be unrealistic to expect a major portion of Ikhtiar members, already very poor, to cross the national PLI in so short a period. However, Ikhtiar's role in changing the mind-set of the incurable pessimists has to be recognized.

10. The increase in income as suggested above also had a positive impact on the participants' quality of life. It was notably apparent that there were significant changes with regard to housing improvement, an increase in the possession of household items and also a positive improvement in their expenditure on food, education, health and medical expenses, transportation and other expenses. Comparatively the quality of life among the participants was significantly higher than that of the control group.

11. The increase in income had also made a further positive impact on their level of savings. The Ikhtiar Programme has inculcated the positive habit of savings among the member households. There was a noticeable increase in the amount of participants' savings in local financial institutions and has contributed to capital formation. One of the most encouraging phenomena has been the creation of "compulsory group fund" saved by members on a weekly basis. It can thus provide a vital contribution to the economic and social security and well-being of the members.

12. The Ikhtiar Programme has succeeded in reaching its target group. The membership of Ikhtiar consists overwhelmingly of the members who satisfy the eligibility criterion. In general the member households had, when they joined the scheme, a low housing index and low household as well as per capita income. Thus Ikhtiar members are not only resource poor, they are in general land poor and also do not seem to be the beneficiaries of the government's rural development programmes.

13. One of the most interesting aspects of the Ikhtiar Programme is the way the target group is identified. The various mechanisms of checks instituted to screen the poor ranging from the housing index, a rigorous means test, the interview process and group formation have made it very difficult for the non-poor to become members. This has been a great achievement as far as reaching the target group is concerned.

14. The Ikhtiar Programme has also provided the target group with financial resources to which the group did not previously have access.

15. The loan recovery performance (at the macro level - see chapter 5 and in Baling's branch - see chapter 7) is excellent. The amount of overdue loans since the programme's inception a few years ago has been less than 1 percent. Thus the Ikhtiar Programme has demonstrated that the lack of collateral should not stand in the way of

providing credit to the poor. The poor people, through their survival knowledge and skill, can utilize loans and repay them if effective procedures for credit operations can be established. This finding is also similar to the loan repayment performances of the Grameen Bank and similar experiences elsewhere (see chapter 3) which have been excellent.

16. Some of the main factors that have contributed to the higher repayment rate are : (i) extensive staff training, (ii) the provision of loans that generate regular income, (iii) collection of payments frequently in small amounts, (iv) the positive role of the group fund as an emergency resource when members face difficulty in payment, (v) intensive supervision of loans on a regular basis (vi) rigorous selection criteria and "indoctrination" of borrowers with Ikhtiar principles and procedures and (vii) the prospect of getting further loans on a continuous basis for members with excellent repayment records.

17. It has been found by SERU that the costs of getting the hard-core poverty group out of poverty through the Ikhtiar Programme is, on average, low compared to other government poverty alleviation programmes. It is also anticipated that if Ikhtiar can reach its target of 2000 borrowers for every branch, it is likely that the cost will be much lower.

18. The Ikhtiar Programme also offers a number of useful lessons for the planning and implementation of broad-based and poverty-focussed rural development efforts. These include among others: the importance of credit as an instrument for raising incomes and employment and as a means of avoiding the unpopular measure of redistribution of land; the importance of designing an exclusive poverty programme along with an exclusive delivery system to cater only for the poor; put into practise the concept of "delivery-recovery" mechanisms for the provision and collection of its loans; taking banks to the people; providing an innovative feature of using group guarantees in replacement of the normal collateral requirement; the importance of organizing poor people within some form of organizational framework for an effective execution of the development programme; empowering the poor for genuine participation in the development programme which affects their livelihoods; bringing out the importance of the "learning process" rather than the "blueprint" approach in designing a more successful programme and; the integration of a social component - the Sixteen Decisions, (as a subsidiary) into the overall framework of a development programme. However, one of the most important lessons for the successful accomplishment of the project is none other than the importance of the appropriate orientation and human

qualities of development workers, i.e. the field staff which form the backbone of the Ikhtiar Programme.

19. Ikhtiar's experience also suggests that putting together small groups (within an organizational framework) of poor people with similar interests and other homogenous factors enables the poor to augment their meagre resources and helps them sort out their own priorities according to their felt needs and problems. To such well organized self-help groups, assistance can be rendered to secure greater financial, technical and moral strength.

20. The majority of the Ikhtiar members also have favorable or positive perceptions towards the Ikhtiar Programme: it is being perceived as a very good programme; the group/centre concept and also Ikhtiar's basic rules on loan utilization are acceptable and Ikhtiar staff are regarded as very committed and dedicated.

21. After more than five years of operation, the Ikhtiar Programme's obvious limitation has been the lack of financial viability due to its continuous dependence on government funds. While it is true that the Ikhtiar Organization has also established linkages with the local financial institutions to get a supply of credit for its loan fund, there were some shortcomings. The Islamic Bank that provided the capital for nearly-commercial loans (ILS 3) is at present confined only to the North-West Selangor branch. The Credit Guarantee Corporation Malaysia (CGC) funds, on the other hand, are solely for Ikhtiar's second-time and subsequent borrowers.

22. Lastly the experience of the Ikhtiar Programme has shown the concrete form an alternative approach to rural development could take and how it could be made to work.

12.4 POLICY IMPLICATIONS

Both the Government's poverty alleviation programme and the Ikhtiar Programme have one common aim, i.e. to eradicate poverty. Ikhtiar does this through the infusion of credit based on self-realization. The government, being the major actor, does this through various means such as land resettlement schemes, integrated agricultural development, providing agricultural infrastructure and through macro-policy supports

(Abdul Rahman, 1991) such as credit, taxation and price policies, investment programmes, realistic exchange rates, trade policies, etc.

Seen in this connection, the Ikhtiar Programme is also playing its roles in the rural development of this country, alongside the government programme and has proved to be viable. As a private organization it would see its role as complementary to government's poverty-reduction programme.

The research findings show that the Ikhtiar Programme has been successful in improving the economic conditions of its participants. It has therefore played a very prominent role in changing the mind-set of the incurable pessimists. It has also provided some very valuable lessons that can be incorporated into the planning and implementation of the more conventional rural development programmes. The implementation of the Ikhtiar Programme therefore has some very important implications towards national development policy which include policies relating to poverty eradication, promotion of rural industry, creation of the Bumiputra's commercial and industrial community, agricultural policy, district administration and regional development policy, borrowing attitudes from formal banking institutions, human resource development and women in development. It has been noted by IFAD (1985) that the success of credit programmes also depends on the wider national policy framework in which they are implemented. The above mentioned policies will be discussed next.

12.4.1 POLICY RELATING TO POVERTY ERADICATION

As we would recall from the discussion in Chapter 4, despite huge amounts of money being set aside for the alleviation of poverty during the NEP period, its effects on the alleviation of poverty have been quite limited. Poverty has still continued to persist, especially hard-core poverty. Under the new development plan, the NDP, government has given priority towards the eradication of poverty with emphasis on hard-core poverty.

The findings of this study suggest that financial resources, i.e. credit through the Ikhtiar Programme, devoted to very poor rural households has been an effective and appropriate measure of raising their incomes in a relatively short period of time, as well as a means of reducing poverty. Future policy on poverty eradication should therefore stress the need to remove the obstacles that keep people in poverty. Thus, denial of

access to credit and the availability of financial intermediaries' services to the poor are two of the more important of these obstacles.

The more conventional programmes, as we have seen, were based on the shot-gun principle - lack of targeting and little penetration. Not only were the development policies couched in terms of atomistic households in a classless society, but the delivery of the development inputs was not designed with the poor in mind. As a consequence they were either bypassed or received very few benefits. While it is true that the government's development model is very impressive, such as the FELDA scheme, it was costly in terms of financial investment and technology and the prospect of land being scarce meant that no more new settlers could be taken in. This has made the Ikhtiar Programme a more attractive proposition. It has the reputation of being low cost and has been effective in providing its services to the poor households.

The findings of this study will help the government in determining why its poverty alleviation programme, despite the huge allocation, has not been able to achieve the NEP objectives. Among others the major weaknesses are the overlapping of functions, target groups not being clearly identified and the fact that the goal of poverty eradication was not even clear among the implementing agencies. Thus it is necessary to review which of its programmes or agencies involved need to be maintained or eliminated totally in future programmes relating to poverty alleviation. There is also a need to review the cost of the poverty alleviation programme and to determine how far it has achieved the objective of the NEP and is likely to achieve it under the NDP. With these considerations, the financial and human resources can be properly utilized for the overall national development without any wastage.

There is also a need for government's poverty alleviation machinery to adequately recognize the potential of poor people. They are not without resources, their untapped creative potential could be converted into an enormous productive assets provided they could be organized into a coherent force and gained a role in decision making. Thus, to be truly poverty oriented, future programme design must pay attention to all these elements, which has been sadly lacking in the more conventional programmes.

As will be recalled from the discussion in Chapter 4, in late 1989 and continuing into the Sixth Malaysia Plan, government for the first time introduced a new programme "Program Pembangunan Rakyat Termiskin" (PPRT or Development Programme For The Poorest), which is a poverty-focussed programme. In line with this development, there should be a close coordination and cooperation between the Ikhtiar Programme and the PPRT as both have a very similar focus - the hard-core poverty group. Thus

while Ikhtiar will be focussing on the provision of credit for income generation activities, the PPRT, especially its ASB loans, should be extended to the Ikhtiar members [1].

The above discussion suggests that government policy-makers need to take into consideration all the essential features of Ikhtiar's development framework, which shows the form that "alternative development" could take and make to work. At the same time they should not discount their own wealth of experience gained during the NEP (whether success or failure) in pursuing and formulating policy relating to poverty alleviation in future.

12.4.2 POLICY RELATING TO THE DEVELOPMENT OF RURAL INDUSTRIES [2]

The findings show that about 20 percent of the participants of Ikhtiar scheme were in non-agricultural undertakings, involving themselves in a simple manufacturing processes, producing dry foodstuffs such as cakes, biscuits, banana and tapioca chips, other local delicacies, coffee powder, betel-nuts, chilly sauce and curry powder. These products are marketed locally and are in good demand. However, these goods were produced on an individual or household basis.

There is potential for these participants to expand their business into more viable and profitable undertakings such as on a joint venture basis. This is in line with the stated policy of the NEP [3] and the NDP. OPP2 (Malaysia, 1991b: 124), for instance, stated that "rural development... will continue to emphasize the development of the small and medium size industries". Towards achieving these efforts (Malaysia, 1991a) a number of Rural Growth Centres have been identified and will be implemented under the Sixth Malaysia Plan [4].

Ikhtiar has already played its role in helping the participants to rise above the poverty threshold, promoting them into small-time village entrepreneurs. What is needed now is for other government agencies [5], through cooperation with Ikhtiar, to provide a source of know-how, industrial advisory services and training, handling the marketing of the products among others. Thus, there is the potential for nurturing these village entrepreneurs to be involved in setting up small rural industries, basically in the agro-based and food-based industries on a group basis in order to reap economies of scale. These could also be operated on an individual or cooperative basis. The small- and medium- sized industries, as noted by Mahbob (1992), have a crucial role as a spawning ground for the birth of tomorrow's entrepreneurs.

It has also been reported recently that (New Straits Times, August 1994) the Ministry of Rural Development will be introducing a new concept called Desa Wawasan (Village With a Vision) to develop more than 10,000 villages in the country. In line with this new concept, village industries will be further developed so that more rural folk can take part [6]. Thus there is scope for Ikhtiar and government agencies to work out a suitable strategy to promote Ikhtiar's village entrepreneurs still in the "embryonic stage", that may represent future Bumiputra rural entrepreneurs. As the saying goes, "Rome was not built in one day".

12.4.3 POLICY TOWARDS THE CREATION OF COMMERCIAL AND INDUSTRIAL COMMUNITY AMONGST THE BUMIPUTRA (BCIC).

The development of BCIC was a major goal under the NEP and will continue to be pursued under the NDP [7]. Under the NEP, the achievements of Bumiputras in medium and small industrial activities were least successful. On the other hand, in the wholesale and retail sector, there were at least some encouraging results, but these still need to be promoted, especially retail business, which, as noted by Mahathir (Mohamad, 1992), has poor representation among Bumiputras. Most of these operations are in petty trading and the retailing activities, which include mini-markets and supermarkets (Malaysia, 1991b).

Under the OPP2, government will continue to make available the necessary institutional and financial resources to further support the development of the BCIC concept. Consistent with the BCIC policy (Malaysia, 1991a) a special fund has been created by the Bumiputra Investment Foundation (Yayasan Pelaburan Bumiputra) with an initial amount of M\$200 million [8].

The findings of this study show that Ikhtiar members pursuing non-agricultural activities, such as petty trading, hawking, opening a small provision shop, tailoring business and operating a small petrol kiosk, are quite consistent with the government's aspirations of encouraging the participation of Bumiputra in commercial and industrial activities. Thus in order to push them further, venturing into something more viable so as to generate a much higher income, it is appropriate for government agencies (such as the PNB, MARA, SEDC and other related agencies) to work closely with and coordinate their effort with the Ikhtiar Programme. This is necessary in order to promote the promising and successful Ikhtiar members with various and necessary facilities, such as training, consultancy, advisory services and more important, the

provision of business premises, especially those with the potential of being viable and innovative.

Our study shows that most of the Ikhtiar members had been bypassed by the government programmes in the past. This reflects the fact that government's machinery had not penetrated deeply enough into the rural areas, where there were rural people who with the help of the Ikhtiar scheme, have shown that given the opportunity, organization and nurture, they have the potential of becoming a strong force in BCIC.

12.4.4 NATIONAL AGRICULTURAL POLICY (NAP)

Due to some shortcomings of the NAP formulated in 1984, [9] a new NAP has been formulated for the period 1992 - 2020 which incorporates the new development philosophy and directions as embodied in the Second Outline Perspective Plan and Vision 2020 [10]. The main issues to be addressed here are how the Ikhtiar Programme (and its members) fit into the overall framework of the NAP.

The success of Ikhtiar members in improving their household economic situation has resulted from various income generating activities, such as crop cultivation and animal husbandry, which are in line with the NAP which aims at income maximization through efficient utilization of resources [11]. The success of the Ikhtiar members in improving their economic situations was not the result of the various extension services provided by the government agencies.

As we would recall from discussion in Chapter 9, to have a truly successful credit programme as a major anti-poverty programme, it will be necessary to make it an integral part of the rural development programme, i.e. there must be supporting services, a viable market, good infrastructure and extension services. Since the Ikhtiar Organization is not capable of providing such services, it has to depend on other government agencies. However, the extension services provided by government agencies have been quite limited. We have seen in Chapter 10 that around 88 percent of the sample Ikhtiar members in Baling did not receive the extension services while pursuing their activities. Findings also suggests that there is a rather "loose" association between the Ikhtiar Organization and the government, notably the extension services provided by its agencies.

The sustainability of the participants' projects should be stressed and at the same time steps must be taken to ensure that participants will receive the various extension

services on a sustainable basis. An approach involving coordination and cooperation between the Ikhtiar Organization and Government agencies, such as the Department of Agriculture, Department of Fisheries, Department of Veterinary, Farmer Agriculture Marketing Authority (FAMA), Farmer Organization Authority (FOA) and others, should be promoted. The Fifth Malaysia Plan (1989) recognized that the adequate provision of support services is one of the key factors to higher productivity in agriculture.

12.4.5 POLICY TOWARDS BORROWING PRACTISES AMONGST THE FORMAL BANKING

The traditional types of security and collateral normally required by formal banking institutions include mortgages over land or immovable property and personal or third party guarantees. Not being able to fulfill the above criteria is a major constraint precluding the poor from having any satisfactory access to formal banking credit. The formal banking systems in Malaysia do not service the financial needs of the poor because they believe it would be bad for their profits. The banks also perceive the poor to be bad credit risks. Thus only the rich and better-off customers are given access to bank credits and services.

The Ikhtiar concept of group-based credit programmes and "mobile banking" has shown that not only are the poor trustworthy, they are also creditworthy. This is attested to the fact that the repayment performance on Ikhtiar loans has been around 99 percent. The Agricultural Bank of Malaysia, with the better off as its customers, could only manage a cumulative repayment rate of 52 percent (see Chapter 4). It would seem that financially viable institutions could be established in rural areas and run along commercial lines if their services were made available to all. The primary responsibility for expanding banking services in rural areas lies with the existing banking system.

Thus it is possible for the banks to reach the poor if they are prepared to amend their conventional outlook and way of doing business. However, such a change in the outlook of banks should be actively pursued by the national policy-makers, particularly since banks are controlled by Government [12]. We have seen in Chapter 5, that the recent development through the actions of the Islamic Bank, Credit Guarantee Corporation and Malayan Banking, in establishing linkages with the Ikhtiar Organization for supplying the loan capital (despite some shortcomings as noted in section 12.3 above), suggests that a revolutionary direction for banking practise is now

slowly emerging. Many more local financial institutions should be encouraged to come forward in helping the poor people and begin to appreciate the national objective of eradicating poverty.

12.4.6 THE RED BOOK II (BUKU MERAH DUA) AND REGIONAL DEVELOPMENT

The Ikhtiar concept of adhering to implementing its development strategy at the micro-level, i.e. based on districts in its operations (having a branch office in every district) [13] is basically in line with the Government's Red Book II that was launched in late 1987 as an effort to return to micro level planning with the district as its focus [14]. Government thought that this was necessary, since micro planning was seen as being able to address directly certain specific issues related to poverty and to give impetus to its human resource development programme (UPP, 1988b) [15]. Seen in this connection, the Ikhtiar concept is therefore very similar to the government's approach to micro-planning. The main objective of the district development under the Red Book II is to encourage economic activities at the district level, through the combined effort of the private sector, voluntary organization and local population with government agencies for the development of a district (Siwar, 1992). With regard to this, Ikhtiar's effort is also in line with government's aspiration of encouraging the private sector and voluntary organizations to play their roles in the economic development of a district. The practicality of using the district as a pragmatic territorial framework for planning and implementation of development has also been supported by Friedmann (1980, cited in Mohd Zain, 1989) who contends that districts are large enough to meet most of the basic needs of the population and they are also small enough so that the entire population of the area can have reasonable access to development initiatives.

The refocus on districts as the basic unit of development by government, suggests that the role of the various RDAs might be progressively reduced and subsequently phased out (UPP, 1988b) [16]. This might be a reality as the Ministry of Rural Development has recently announced (New Straits Times, July, 1994) that by 1997 all the RDAs except for three will be disbanded [17]. This development suggests that emphasis now is on existing administrative districts which will constitute the basis for regional development planning. Mohd Zain (1989) sees the potential of the district administrative framework (i) as an effort towards a bottom-up approach to planning, (ii) as providing linking mechanisms between the people and the government and (iii) as helping to hasten the process of decentralization and thus reducing some of the problems associated with centralism.

The above development suggests that the District Office through its District Officers will be playing a positive role in the development of the district. However, District Offices do not have the power (INTAN, 1991) to coordinate the activities of the various development agencies of the government that are district-based. Therefore District Offices should be given full power to enable them to coordinate the implementation of poverty alleviation programmes at the district level and also to coordinate the development activities of the various development agencies in the districts through intra or inter-departmental cooperation. In relation to this, the Ikhtiar Organization and the District Offices should work closely together. While Ikhtiar will be providing credit to its participants, District Offices can play a role as "Local Central Agencies" in linking the services and assistance from the various agencies in an integrated manner as needed by Ikhtiar participants and also the poor in general.

It is also interesting to note that the establishment of the Ikhtiar regional offices based on a combination of more than one state to form an administrative region [18] is quite similar to the government's regional development programme of region delineation. The Fourth Malaysia Plan noted that a region may encompass an entire state or a group of states (Malaysia, 1981) [19]. It has been noted that (Cho, 1990) there was a gradual shift from thinking along state lines towards regarding the region as spatial entity containing one or more states.

Regional development, being part of the national development policy, is concerned with the improvement in the livelihoods of the people, especially those in the less developed regions. The redress of regional imbalances would create greater opportunities for social and economic amelioration and advancement of people in the different parts of the country and hence enhance their well-being, but would also contribute to improved cohesion and acceleration of development of the country as a whole (Mohd Zain, 1989). Seen in this connection, the Ikhtiar Programme has been playing a positive role in fulfilling the national objective of poverty eradication by helping the very poor rural households in the poorest districts located in the less developed regions of the country, especially the Northern Region.

Therefore, as far as the District of Baling is concerned, which is also under the jurisdiction of KEDA, it would be in the spirit of helping the poor if there should be a coordination and cooperation in the roles played by Ikhtiar and KEDA [20]. This would avoid the overlapping of functions and avoid unnecessary wastage of resources. Such cooperation should be actively pursued by national policy-makers, so as to integrate the functions of the two agencies in a more comprehensive or integrated manner.

12.4.7 HUMAN RESOURCES AND WOMEN IN DEVELOPMENT

An important aspect in the development of human resources is the provision of opportunities for all Malaysians in order to participate in the economic life of the nation. Under the NDP (Malaysia, 1991b), attention will be given to developing the rural labour force to enable it to enter the labour market that is becoming more sophisticated and technology-oriented.

The rural labour force should be encouraged and motivated to shift from traditional activities, usually associated with low productivity to high value-added modern sector activities such as manufacturing or business. Thus improved access to information and new skills through training are therefore necessary. The rural poor must be helped towards the upgrading of their skills and also management capacities in order to respond to the changing demands in the labour market. This in turn will improve their productivity and enable them towards the utilization of resources more economically and effectively.

The last two decades, as noted by the OPP2 (Malaysia, 1991b), have seen an increased participation of women in the development process in the Malaysian context and also in other developing countries as mentioned in Chapter 3 [21]. In 1988 female workers made up about 35 percent of the labour force. About 82 percent of the female workers were found in the wage-employment and unpaid family work. Government, upon recognizing the vital role of women in development, stated that future policies will focus on ensuring wider employment opportunities for them. In relation to this, more training and retraining facilities will be provided.

In this connection, the emerging roles of women as important development partners, as seen in the Ikhtiar Programme, shows that women have and can become important forces towards contributing to the household economy. Ikhtiar women participants have contributed to household economic improvement in the area of study. Thus their roles (together with that of their partners) could be enhanced with further training in sharpening their already existing skills. The findings of this study have shown that at present, the interest of the Ikhtiar member households could be either in agricultural or non-agricultural activities. Therefore steps must be taken to ensure that they are given suitable training or retraining that should be in line with what they are pursuing [22]. Thus, in the rural areas of Malaysia, there is an abundant of human resources that will be able to contribute towards national growth if their capabilities and skills be further sharpened.

12.5 RECOMMENDATIONS

Two types of recommendations are discussed here. The first group of recommendations concerns the improvement of the Ikhtiar Programme. They are derived basically from the questionnaire survey of 254 samples. It also includes observations and analysis from the author. The second type of recommendation is more general on the overall improvement of the government's poverty alleviation efforts that can have direct bearing on Ikhtiar participants in particular and other rural poor in general. It includes institutional, agrarian, marketing reforms, macro-policy supports and others.

However, the recommendations proposed here are not exhaustive and will not necessarily bring forth immediate solutions to the problems and issues related to the poverty alleviation efforts both by the government and the Ikhtiar Organization. It is hoped that these recommendations will initiate more serious thinking of the issues that are being highlighted.

12.5.1 FIRST GROUP OF RECOMMENDATIONS: SUGGESTIONS FOR THE IMPROVEMENTS OF THE IKHTIAR PROGRAMME

Table 90 summarizes the suggestions put forward by Ikhtiar members towards the overall improvement of the programme in which they are currently participating. The most popular suggestion was: the need to speed up the process of giving out loans (noted by 21.2 percent of the samples). There still exists the problem of "late loans" which can interrupt the smoothness of members' pre-specified and well planned activities, which are disrupted by late arrival of loans.

16.3 percent of the members suggested that it was necessary to change the weekly meeting format to either a fortnightly or monthly basis. Members felt that this would reduce the need for having to attend the weekly meeting. 15 percent suggested the need to review the rule of "other members being denied further loans if there is an arrears problem". Members also suggest that the weekly payment which is a burden to some, needs to be changed to a monthly basis (noted by 13.3 percent of the samples).

Table 90 : Suggestions For the Improvement of The Ikhtiar Programme By Members

Codes	Suggestions	Freq. (N)	Percent
1.	Speed up the process of giving out loans.	51	21.3
2.	Weekly meeting should be changed to either a fortnight or monthly basis.	39	16.3
3.	Review the ruling that "if a member is in arrears other member is denied a loan".	36	15.1
4.	Weekly payments should be changed to monthly payments.	32	13.4
5.	Increase the size of the first loan by at least 30 to 40 per cent.	26	10.9
6.	Bigger loans (second loans onward) should be repaid in between 70 to 100 weeks instead of 50 weeks.	16	6.6
7.	Requesting AIM to provide a place for carrying out their small business (e.g. for selling of agricultural or non-agricultural goods).	11	4.6
8.	To increase the extension service.	8	3.3
9.	Group savings should be invested in the ASB scheme.	6	2.5
10.	To re-schedule repayments of loans for members under special circumstances of genuine problems (e.g. project not doing well).	4	1.7
11.	To reduce centre membership by at least half.	4	1.7
12.	To increase the number of Ikhtiar staff.	3	1.3
13.	Reduce the transferring of Ikhtiar staff.	3	1.3
Total (N)		239	100

Note : N = 239. Only 239 (out of 254 respondents) gave the suggestions. The remaining 15 did not make any comment or suggestions. This table is based on an 'open-ended' question (i.e. question 44 of the Questionnaire as in Appendix 6a). Similar answers given by respondents are grouped into codes 1 to 13 and are shown in the above table.

However, this suggestion of changing weekly meeting and weekly payment to either fortnightly or a monthly basis is likely to undermine repayment rates as experience has shown that weekly payment and regular contacts through weekly meetings has been associated with high repayment rates of Ikhtiar loans.

Similarly, 7.5 percent of the second-time borrowers (with bigger loans than the first-timers) suggested the need to review the repayment period by spreading it out over a period of 70 to 100 weeks, depending on the type of activity, especially agriculture, but indicated that weekly payment should be maintained. There were also some very eager entrepreneurs who thought that the first loan of M\$500.00 was too "small" for their activities and suggested that it should be increased by at least 30 to 40 percent (noted by 11.3 percent of the samples). In this connection it is therefore appropriate for the Ikhtiar Organization to review its present policy of loan size.

Some members (3.3 percent) felt that the extension services "provided" by Ikhtiar through various government agencies were quite limited and therefore needed to be intensified. In general, Ikhtiar deposits the Group Fund with the National Saving Bank via trust accounts in Ikhtiar's name. A competitive rate of interest is paid by the Bank on these deposits. However 2.5 percent of the members thought that it would generate more profit if they were deposited into the ASB scheme.

Some of the isolated, but still important suggestions put forward by members were: (i) the need to reschedule payment of loans for members suffering temporary setbacks in their activities, (ii) the centre membership of 30 members was too large and needed to be reduced. Furthermore members also complained that centres were generally being "dominated" by the "senior" members. However, the concept of 5 per group was seen as important and should be maintained. Some members also saw the need to increase the number of Ikhtiar staff in Baling branch as the number of field staff is too small in terms of the increasing numbers of participants (1.3 percent). Finally 1.3 percent of the members also thought that the idea of transferring and changing staff had created problems. "New" staff (from other branches) joining the Baling branch needed time to establish close relationships with the participants.

From the above discussion, it was thus clear that there are some areas in the Ikhtiar Programme that need to be reviewed, so as to make it more effective in future. The findings of this study show that most members seem to agree that the Ikhtiar Programme was very good and effective. Nevertheless what they have suggested above does not mean that the members dislike the organization, but imply that there

are some areas that may have been overlooked by the Ikhtiar Organization and need to be addressed. This is necessary in order to reduce the number of members from leaving the organization. After all, Ikhtiar has stressed its concept as a "learning process approach" and feedbacks from its own members should not be overlooked.

Other suggestions also include the author's own observations which are summarized as follows:

1. The problem of "late loans" should be overcome as soon as possible or the borrowers may resort to the conventional way of borrowing, i.e. from non-formal institutions and are likely to be locked into a cycle of debt.
2. The findings of this study suggest that Ikhtiar's policies on loan duration are not tailored to the nature of the project activities undertaken by its members. For instance, in the agricultural activities such as animal husbandry (chicken rearing), Ikhtiar should consider extending the loan period from 12 to 16 months, by virtue of the fact that young animals have to be nurtured for some months before being sold to generate cash. Thus, a repayment grace period should be applied for the first four months or so. On the other hand, in the case of non-agricultural activities, such as hawking and retailing activities, in which generally the generation of income or turnover of stock is quite rapid, a loan period of 1 year is appropriate and can be repaid on a weekly basis as required by Ikhtiar. In relation to this, it is therefore necessary for the Ikhtiar management to be sufficiently flexible so as to ensure that its policies on loan duration are in accordance with its members' nature of activities and needs.
3. While default should be discouraged, re-scheduling of debts may be considered under special circumstances of genuine hardship, for instance when a project is not doing well (such as those members in the animal husbandry).
4. One possible and desirable innovation is to create a crop/livestock insurance scheme, which has not been featured in the Ikhtiar Programme. This is important as insurance schemes are an obvious way of dealing with unforeseen circumstances of participant activities relating to crop failure or death of livestock. Ikhtiar management should look into this possibility [23].

5. The main limitation of the Ikhtiar Programme, being a non-government scheme, is obviously the lack of financial viability and it needs to depend on outside funds (but within the Malaysia context). As mentioned in Chapter 11, the government allocation of M\$18.2 million for Ikhtiar in pursuing its activities for the Sixth Plan was extended from its original disbursement period from *1991 to 1995* to *1991 to 2020* has caused a serious shortfall of loan capital. While it is true that by creating linkages with the local banks is a positive step, it may only overcome some of the shortfall. Furthermore, there were also some shortcomings (as noted in Section 12.3). The only way out is for a government take over. If so, what is likely to happen is that the repayment rate will drop as in the government-sponsored rural credit programme. The poor will lose an effective way of pulling themselves out of poverty. What is needed is for the government to give all the necessary support financially and the necessary support services such as the extension services. Thus in the spirit of helping the poor, the Ikhtiar Programme should be functioning as a non-government organization but should play a complementary role to the existing government poverty alleviation programmes.
6. Ikhtiar should also look into the possibility of encouraging and nurturing its participants with the potential to pursue joint-venture projects by providing them with bigger loans. Some of these potential activities are in the area of food processing industries, aquaculture or pond-fish rearing, honey bees and rabbit rearing. Rabbit meat is gaining in popularity in Malaysia and therefore promises a good market. There are also other areas that can be exploited, notably the production of industrial crops such as cocoa and tobacco, which have not been prominently featured in the participants' activities. Cocoa prices, it is noted (New Straits Times, June, 1994) are set to soar [24]. The recently established Malaysia Cocoa Board (MCB) in 1989 marked the growing importance given to cocoa production in the agricultural development of the country (Malaysia, 1991a).
7. Ikhtiar management should also look into the need of revising annually the maximum limit for an individual loan so as to be in line with inflation.
8. Ikhtiar participants who have managed to cross the income level of more than M\$15000 should be encouraged to seek credit from other financial institutions, but Ikhtiar management should be playing as an advisory roles in this aspect.

12.5.2 SECOND GROUP OF RECOMMENDATIONS: SUGGESTIONS FOR THE OVERALL IMPROVEMENT OF THE GOVERNMENT POVERTY ALLEVIATION EFFORT.

The recommendations for the improvement of the national poverty effort need to take the following issues into consideration as discussed below. These have an important bearing not only among the poor and the very poor households in general, but also on Ikhtiar members in particular.

12.5.2.1 INSTITUTIONAL, AGRARIAN AND MARKETING REFORMS : SOME CONSIDERATIONS

1. Institutional Reform: There is a need for an institutional reformation in the existing poverty alleviation machinery of the government. The existing delivery system in particular must be designed with the target group in mind. As such it must be efficient and effective and development inputs must be delivered to target groups that are properly identified. It has been stated in Chapter 4 that there was a proliferation of government agencies leading to overlapping of functions. There is an urgent need for inter-departmental or inter-agency cooperation in the area of poverty alleviation. This is to ensure smoothness in the implementation of programmes and to avoid unnecessary duplication of effort. Ikhtiar participants' performance would have been enhanced if some services which were needed had been provided in parallel with credit, such as veterinary services, agricultural extension and marketing support provided by the government. However, as noted in sub-section 12.4.4 above, the success of the Ikhtiar members in improving their economic situations was not the result of the various extension services as provided by the government because 88 percent of the sample households did not receive such services while pursuing their activities.

Furthermore a new agency to deal specifically with poverty issues and problems should be established, such as a "Department of Poverty Affairs". It should play a leading role as the "central agency" that coordinates the activities of various agencies involved in poverty eradication. Another important agency that could be created by government is the "National Institute of Poverty Research", an agency that would deal specifically with poverty research.

2. Agrarian Reform: There is also a need to review and deal with the deficiencies long associated with the structural problem issues, i.e. land. Farmers, whether landless or near-landless, tend to rent land. Therefore it becomes necessary for government to create or promote a new institution in the form of a Land Bank. This bank could play a

leading role as an institution from which land or additional land could be rented or bought by the rural households, notably the poor or the very poor, as well as the Ikhtiar members. This bank and its networks would act as a central agency (and local central agencies) keeping all data related to land ownership, operation, idle land and other land matters. It would also be guiding and advising the poor in obtaining land.

In the first instance, the above suggestion may seem infeasible. In Malaysia, land is a state matter (as noted in Chapter 4) and the Federal Government has no direct control over land. Assuming that the Federal Government is willing to promote the concept of a Land Bank throughout the country as suggested, but if there was no support from the states, then such a concept could not be implemented. However as noted by Mohd Arif (1989), even though land is a state matter and the Federal Government has no control over land, the Federal Government can coordinate land matters uniformly through the National Land Council, which is comprised of members from the Federal and various state governments.

Thus, the Federal Government can at least exercise some influence in the Land Council. Furthermore, politically, all the states in Peninsular Malaysia (except for the State of Kelantan) are under the "National Coalition", as the ruling party, which suggests that "something positive can be worked out" by virtue of the fact that (i) as we have seen in Chapter 5, both the Federal and states governments, have supported financially the Ikhtiar Programme and (ii) the objectives of the Ikhtiar Programme are to reduce rural poverty and therefore help the states in the reduction of rural poverty, notably in their poorest districts. Furthermore the role of AIM is also in line the New Development Plan (NDP) philosophy of poverty reduction. Seen in this context, it would be in the spirit of helping the poor if the concept of a Land Bank was tried. The relationship between the states and Federal governments with the Ikhtiar Organization have been established, which could be further strengthened for the benefits of the poor rural households.

The findings of this study show that more than 70 percent of the sample Ikhtiar member households were involved in the various agricultural-related occupations (such as rubber cultivation, padi farming and other crop cultivation) which is basically land-based for both the "before" and "after" situations. We have seen in Chapter 9 (based on one of the popular activities among Ikhtiar members, i.e. rubber cultivation for instance), that with the availability of Ikhtiar loans, many of the poor rural households have resorted to the leasing of rubber smallholding from various land-owners. This seems to suggest that land is obviously an important factor in the generation of household incomes among Ikhtiar members. The findings of this study also suggest (as

shown in Chapter 10) that majority of Ikhtiar member households (68.1 percent) were landless and among those who owned land (31.9 percent), the size was rather uneconomical (below 0.5 hectares). Perhaps government, in line with its poverty eradication policy could lend a helping hand in this area, especially through the leasing of land (or renting additional land) to the Ikhtiar members for cultivation purposes at a lease price or rent which could be made lower when compared to the local landlord. In the long run, local landlords may be "forced" to reduce the lease price of land or land rent. This could be made possible through the concept of a "Land Bank" as suggested above. Based on the above discussion, it can be argued that land is nevertheless an important factor in the livelihood of the rural people, which as Ahmad (1983: 157) put it:

"Land is without doubt an important source of livelihood or income generator in the rural areas if agriculture is to remain the mainstay of rural activities"

3. Marketing Reform: It has been argued that the present poverty alleviation strategy by the government seems to focus more on productivity rather solving the problem of marketing (SERU, 1990). Experience also shows that farmers generally face a problem of getting a fair price for their agriculture produce. They are generally subject to unfair price practises from middlemen and other buyers. In this connection, it is therefore necessary to reform the area of marketing. It would be appropriate if government could resort to the concept of "buyer of the last resort" of agricultural produce of the rural producers where necessary. FAMA (Farmer Agricultural Marketing Authority), for instance, could play a leading role in this area. LPN (National Padi and Rice Authority), for instance, has been established, among others, as an agency (SERU, 1991) that buys padi from farmers on a fair price basis.

Our study has shown that Ikhtiar members in the agricultural-related activities (such as vegetable farmings as seen in Chapter 9) had to harvest their farm produce and market it immediately as they lack storage and refrigeration facilities. In general, this farm produce was bought by the local buyers or middlemen at a price lower than the market price. Thus in order to ensure a fair return on their produce, government can play its role through its marketing agencies (such as FAMA) of buying this farm produce at a fair price. In addition, "local central refrigeration and storage facilities" could also be set up in various locations in the 5 mukims of Baling 1. This could at least overcome the problem of perishable goods. These services could be provided not only to Ikhtiar members, but also to other poor rural farmers. It is suggested that the local Department of Agriculture in the district of Baling could play a leading role in this area.

It has been shown in the earlier (sub-section 12.4.2) that the Ikhtiar members in the non-agricultural activities were involved in various simple manufacturing processes, producing dry foodstuffs such as cakes, biscuits, banana and tapioca crisps, chilly powder and curry powder. However, these goods were only marketed locally (or mainly confined to the District of Baling). Thus, it is necessary for the appropriate government agencies to step in and provide the necessary advisory services and technical know-how particularly in the upgrading of the quality of the goods produced. This can be seen as a first step towards the enlargement of market thresholds, not only within Baling but also the other areas outside the district.

12.5.2.2 MACRO-POLICY SUPPORT : SOME RELEVANT ASPECTS

Apart from the various reforms discussed above, the micro-level development efforts of Ikhtiar which can have further impact on the lives of the poor and poorest of the poor require appropriate macro-policy support [25]. These include pricing policies, subsidy policies, interest rate structures, exchange rate policies, monetary policies affecting credit expansion and inflation, expenditure policies and investment programmes. Haque and Tusneem (1992: 6) have argued that "while the exact result of these policies will depend on a variety of factors, national and international, which cannot be predicted in advance, it is likely that poverty reduction will be greater with them than without". Among the relevant macro-policies are:

4. One of the most important programmes undertaken by government in its poverty alleviation effort are subsidy programmes, cash and credit subsidies as incentives to promote the adoption of new technology, finance production and marketing (Mustapha, 1988a). But experience shows that government subsidies (based on discussion in Chapter 10) have failed to reach the target group effectively as they are siphoned-off along the way by the richer farmers both in Malaysia and other developing countries. Similarly our study has also shown (based on Table 82 in Chapter 10) that government assistance and subsidies (such as livestock assistance, fertilizer subsidies, replanting grant and extension services) have been received by less than 15 percent of the Ikhtiar members, which suggests that the benefits did not reach a bigger spectrum of the target group. Thus in order to reach the target group effectively, it is necessary to resort to suggestions on institutional reforms as discussed earlier. This is to ensure that government's subsidy programme or other assistance can be directly aimed to the target group, including the households in the Ikhtiar scheme.

5. Apart from the subsidy programmes, government can also resort to pricing policies as a measure to support farming communities. Government can exercise the concept of a fixed price system which would definitely assure the prospect of a fair return to rural agricultural producers, including small operators in the Ikhtiar scheme.

12.5.2.3 OTHER RECOMMENDATIONS

6. Steps should be taken to encourage the participation of the rural people in rural industries, especially in the area of food processing, handicrafts based on the utilization of local resources, agro-based and other industries on a small-scale basis. The emergence of an informal sector among the rural people as evidenced from the Ikhtiar participants, involving themselves in various petty trading activities should be promoted with the necessary support. Steps should be taken to provide them with a small trading area (such as a hawker complex, a small stationary stall or a push-cart for those in the hawking activities).

7. Lastly, there is also a need for the government and the Ikhtiar Organization to cooperate and coordinate their efforts in a mutually supportive way so that their combined impact on poverty alleviation is maximized. The government, as a major initiator in development, has huge financial and manpower resources at their disposal. On the other hand, the Ikhtiar Programme is well-known for its capacity to serve poor households effectively, but it lacks the kind of resources the government commands. Thus, only through an integrated government-Ikhtiar approach, can the problem of extension services, training and expert supervision in addition to credit, be overcome. Thus there is also a potential of integrating the government's recently introduced "Development Programme for the Poorest" (Program Pembangunan Rakyat Termiskin or "PPRT") with that of the Ikhtiar credit-based poverty programme so as to achieve maximum benefit. To avoid duplication or incoherence among the two parties' actions, future planning should be built on a dialogue between them.

12.6 SCOPE OF FUTURE RESEARCH

Being an exploratory study, it is inevitable that not all pertinent issues of the Ikhtiar Programme could be examined.

In this study the main focus is specifically on Ikhtiar's economic effects on the programme participants. The success of this programme is measured in material terms,

that is in increases in household incomes. In relation to this, the main concern of this study is with the changes that have taken place in the participants' quality of life, based on 4 main development indicators, namely housing improvements, household expenditures, possessions of households items and savings. The Ikhtiar Programme's success is also measured in terms of its ability to reach the very poor households in the study area. Having said this, we are now in a position to suggest possible areas that can researched in future:

1. Beside economic benefits, there are range of social benefits, which are of great significance to the poor arising from economic interventions. Robinson (1991) has noted that among the social benefits are: (i) reduced dependence on moneylenders and local political elites, (ii) greater independence in decision-making, (iii) greater participation and awareness, (iv) reduced social discrimination and (v) increased self-respect and mobility for women. These are some of the issues that can be investigated in the context of the programme participants.
2. Similarly, there is a potential for exploring the impact of Ikhtiar's social component, i.e. the Sixteen Decisions on the programme participants. (See Appendix 4)
3. The question of sustainability, specifically financial sustainability, is clearly of fundamental importance for credit and income generation projects. For a programme to be financially sustainable it has to be able to cover its costs. Future research should look into this aspect of the Ikhtiar Organization.
4. There is also a need to explore the potential of creating an integrated Ikhtiar-government approach in addressing the poverty eradication problem in this country. Now, there is a rather "loose" association between these two bodies, notably the government extension services provided by its agencies. It was found that the extension services have not adequately reached the programme participants.

12.7 CONCLUSIONS

The three main hypotheses that were tested in this study are as follows:

HYPOTHESIS ONE:

Credit granted to the Ikhtiar Programme participants in the study area has been effective in increasing participants' income as well as reducing the incidence of poverty among them. The programme participants are generally better off than they were before and compared with the control group, they are also generally better off. However by comparing between the programme participants themselves, there is a significant difference in the level of household incomes based on the (i) *cycles of Ikhtiar loans* and (ii) *types of activities* they pursued with Ikhtiar loans.

HYPOTHESIS TWO:

An increase in income results from the economic ventures (through the utilization of Ikhtiar loans) undertaken by the programme participants in the study area has had a positive impact on their quality of life and also their savings. They are therefore better off than they were before and better off than the control group (non-participants).

HYPOTHESIS THREE:

The Ikhtiar Programme, or the Amanah Ikhtiar rural credit-cum poverty alleviation programme, has been effective in reaching very poor rural households (its target group) because the programme is designed exclusively for the very poor and implemented through a specially designed delivery system.

Findings in this study tend to validate the above three hypotheses and have been summarized in sub-section 12.3. The findings of this study suggest that the Ikhtiar Programme has succeeded in reaching its target group and has effectively eliminated the non-poor being included in the programme. It has also succeeded in improving the economic conditions of its participants. This has resulted in a further positive impact on the quality of life of its participants. The Ikhtiar Programme convincingly shows that credit is a critical missing element in the development model of rural development.

By providing credit, many of the very poor rural households can be reached directly and preferentially.

The Ikhtiar Programme also provides some valuable lessons that can be incorporated into the planning and implementation of the broad-based and conventional rural development programmes. The implementation of the Ikhtiar Programme has some very important implications towards the national development policy, particularly related to poverty eradication, restructuring of society and various other development policies.

Two types of recommendations were put forward. The first was specifically aimed towards the overall improvement of the Ikhtiar Programme based on its participants' perceptions. The second was more of general recommendations on the suggestions of the overall improvement of the government's poverty alleviation efforts. It includes the need for institutional, agrarian and marketing reforms. Some macro-policy support is also necessary along with the potential of the Ikhtiar Organization and government to cooperate and coordinate their efforts. Lastly some of the possible areas that can be investigated were highlighted. These included the social impact and financial sustainability of the programme.

One main conclusion that can be derived from this exploratory study is that the experience of the Ikhtiar Programme shows that a well-designed poverty alleviation programme can play a major role in reaching the poor directly. It shows that a successful delivery system for the poor can be designed and that others may learn from it.

The Ikhtiar Programme has proved that the poor can utilize credit and other development inputs efficiently and productively when they are organized and work in groups. The Ikhtiar programme has the merit of showing an alternative approach to rural development and how it could be made to work. Ikhtiar's approach can be regarded as an effective instrument of combating poverty. Experiences from many developing countries pursuing credit-based poverty alleviation programmes have convincingly shown that, as Sham (1991: 250) put it:

"Credit is increasingly perceived as one of the most powerful means for alleviation of poverty in the short run. It provides the poor with much needed access to productive resources, which can generate new employment and income generating opportunities".

FOOTNOTES

1. The package of the PPRT has put emphasis on 6 main projects (as stated in Chapter 4 - See Footnote 33, chapter 4). However the most popular form of assistance under the PPRT is the provision of interest-free loans of M\$5000 for investment in the ASB schemes. Only households with incomes of less than M\$175.00 per month are eligible. The M\$5000 loan is to be repaid over 15 years. During the period of the loan, poor households are only entitled to the yearly dividend and bonus (depending on the performance of the investment market; in general the dividend and bonus are in the regions of 10 to 15 percent, per year). However, part of the yearly bonus and dividend are to be deducted as repayment of the M\$5000 loan. Thus, during the 15 year period, the initial capital of M\$5000 is actually "owned" by government. Upon completion of the loan repayment, the poor households are fully entitled to the M\$5000 plus all the dividends and bonuses accumulated. In practise, the borrowers do not have to pay anything from their pockets. Borrowers can also invest from time to time upon the availability of their own money into ASB schemes. For Ikhtiar participants, the provision of such ASB schemes (if they ever get one) will boost their spirits in their economic endeavor. The yearly dividend and bonus can be used as an additional source of capital in pursuing their income generating activities. There is a clear distinction between Ikhtiar's credit based programme and the ASB scheme under the PPRT and if they go hand in hand will boost the spirit of the poor to strive hard in their battle against poverty. At the time of the survey none of the sample households had reported receiving the assistance under the ASB scheme. This is not surprising as the scheme was then at its preliminary stages of implementation in the District of Baling.
2. This policy is inter-related with the policy of creating the Bumiputra Commercial and Industrial Community (BCIC) as discussed in the next sub-section of 12.4.3.
3. Under the Fifth Malaysia Plan (during the NEP) several rural industries were promoted by the government, including (Ismail, 1989): (i) handicraft industries using available raw materials such as minerals, livestock-by-products, sea-shells/coral, forest products and textiles; (ii) manufacturing and service industries comprised of welding, motor repairs, building materials based on local resources such as rubber, wood, coconut and palm oil and (iii) food processing industries.
4. The Rural Growth Centre (RWG) is part of the rural urbanization strategy which has been adopted by the government under the Fifth Malaysia Plan. This has been discussed in Chapter 4.
5. Some of the government agencies that constitute the implementing bodies of the rural industries programmes are:
 1. The Community Development Unit (KEMAS) of the Ministry of Rural Development, whose duty is to provide know-how and expertise;

2. Agricultural Bank of Malaysia (BPM) and People's Bank (Bank Rakyat) to provide the financing for the activities;
 3. MARA, which plays the role of providing industrial advisory services, financing and training; and
 4. Batik Malaysia and Pemasaran Karyanika (Government marketing Agencies) who handles the marketing of products.
6. Under the Desa Wawasan concept, villages will be categorized as developed, developing and backward. Once the progress of the villages has been determined, it will enable the government to plan and develop them accordingly. There are also plan make the villages progressive, attractive and profitable. As Malaysia is heading towards achieving developed nation status by the year 2020, the villages would have to compete to progress or they would not be able to reap the benefits enjoyed by the urban folk. Under the Desa Wawasan concept, rural industries will be further developed.
7. The new dimension of the New Development Plan is to focus more on a rapid development of an active Bumiputra Commercial and Industrial Community (BCIC) as an essential strategy to increase and render permanent Bumiputra participation in the economy. This is actually part of the of the on-going exercise towards the restructuring of the society that has been pursued since the NEP.
8. The Government for its part will continue to make available the necessary institutional and financial resources to further support the development of the BCIC under the Sixth Plan. The Government will set up an appropriate mechanism to monitor the performance of the beneficiaries. The role and contribution of small Bumiputra enterprises and traders will also be given focus. Another important measure is the development of a complementary and effective linkage between the role of Bumiputra commercial and industrial associations with that of the government institutions and trust agencies. The linkage, it is hoped, will enable greater coordination of commercial activities, strengthening of a data base for entrepreneurs, providing advisory roles and developing potential for more strategic participation by Bumiputra in the modern sectors of the economy. Agencies such as the State Economic Development Corporation (SEDC) and Permodalan Nasional Berhad (PNB) will be actively involved in setting up commercial enterprises to assist the Bumiputra especially in the sectors of construction, repairing, business, motor mechanics, petrol service station and other such activities (Malaysia, 1991a: 46-47).
9. The previous shortcomings of the NAP were as follows: (i) It has not adequately addressed the increasing inter-sectoral productivity differences in particular between agriculture and the manufacturing sector, (ii) it has not developed sufficient viable options to supply-side constraints nor has it (iii) sufficiently positioned the sector to take advantage of market opportunities and manage the development challenges at both national and international levels (National Agricultural Policy 1992 - 2000, 1993).
10. The National Agricultural Policy (NAP) for the period 1992 - 2020 replaced the previous NAP after the latter's review in 1991. The NAP (1992-2020) will address

important shortcomings of the previous NAP. It will continue to accelerate the transformation of the agriculture sector into one that is highly modernized, commercialized and sustainable, whose growth and development momentum will be market driven and human resource led. The overriding objective of the Policy is the maximization of income through the utilization of resources. Its specific aims include the achievement of balanced development between agriculture and the manufacturing sectors. The long term growth and development objectives for the creation of modern and commercialized agriculture sector will be achieved through the following strategies (1) optimization of resources, (2) acceleration of agro-based industries development, (3) research and development, (4) leading role of private sector, (5) reformed marketing, (6) development of a dynamic food industry. The NAP also stresses human resource development through training and upgrading of skills. The extension system will be improved with emphasis on upgrading of expertise and on specialization and enhancing communication and extension methodologies. Access to credit will be improved and in the area of marketing, outlets and infrastructure will be increased. The NAP therefore sets out efficiency as the overriding criterion for resource allocation and competitiveness as a fundamental basis to achieve further growth and developments of the agricultural sector (National Agricultural Policy 1992-2000, 1993).

11. Both the 1984 NAP and the recently reformulated NAP (1992 - 2020) have one common aim, i.e. the maximization of income through optimal utilization of resources. This is, in fact, the overriding objective of the new NAP as mentioned above.
12. The Central Bank (Bank Negara Malaysia) was established in 1959 by the government. The bank has the authority to control and influence the monetary system and also the activities relating to the financial institutions in this country. In general, Bank Negara can resort to a "moral persuasion" (rather than forcing) in encouraging banks supplying capital into the sectors/areas that are in need of it .
13. For instance the State of Kedah has 9 Ikhtiar branches operating in 9 different districts, depending on the density of the very poor rural households. The District of Baling, by virtue of having the highest number of the very poor rural households, was divided into Baling 1 and Baling 2, each with its own Ikhtiar Branch Office. The two districts of Kulim and Bandar Bahru, also in Kedah, where, as there is a much lower density of very poor people, they are combined to form one "district" with one Branch Office serving these two Districts.
14. The Buku Merah Dua, launched in August 1987, is aimed at enhancing the development planning function and capability of the administrative districts in national development.
15. It has been argued that since national development tends to emphasize macro planning strategy whether at sectoral or spatial level (regional or subregional), therefore to overcome poverty, development strategy at the micro level (that gives specific focus on local criteria and factors associated with the poor) should be given attention (INTAN, 1991).

16. The recent development which suggests the possibility of some of the RDA roles will be slowly reduced and subsequently phased out are (UPP, 1988b): (1) the refocus on the districts as the basic unit of development, (2) the government privatization policy. For instance the development of the 'Desaru' tourist complex in KEJORA was given to the private sector, (3) the realization on the part of the government that in the long run it will be increasingly difficult to provide sufficient financial means to redress regional imbalances and (4) the fact of vastly improved physical accessibility to and within the RDA areas plus the ever-improving infrastructure facilities in the RDAs which makes it possible for other line agencies (or the private sector) to take over the functions of the RDAs.
17. The Rural Development Ministry plans to disband all regional development authorities except for KESEDAR, KEDA and PERDA by 1997. The RDAs which are expected to be disbanded are KETENGAH, DARA, KEJORA and JENGKA. The tasks to further develop the areas could be undertaken either by the state governments, government departments, or the private sector. For instance, the construction of new roads could be given to the Public Works Department (PWD) while the opening of new land for plantations (if ever there is a need) could be given to the private sector (New Straits Times, July 1994).
18. Ikhtiar's operation is decentralized into 4 regional offices (See Chapter 5). As such it is based on delineating the states as regions based on a combination of a group of states.
19. Malaysia Regional Framework is based on using:
- (a) states/multistates - The Fourth Malaysia Plan therefore identified six regions based on states:
- (1) Northern Region,
 - (2) Central,
 - (3) Eastern and
 - (4) single state regions of Johor (Southern),
 - (5) Sabah and
 - (6) Sarawak.
- (b) the area under the jurisdiction of the RDAs has been noted in Chapter 4. Thus under these delineations, the area under various regional development authorities are therefore a micro-regions.
20. KEDA PPRT's is part of the national "Development Programme For the Poorest Households" or "Program Pembangunan Rakyat Termiskin" (PPRT) as discussed in Chapter 5. This study sees the potential role of KEDA as an agency that can provide the Ikhtiar participants not only in the study area but other districts under its jurisdiction with its PPRT programme that contains five main components (KEDA, 1992: 3):
1. economic projects;
 2. kitchen gardening projects;
 3. economic and skill training projects;
 4. resettlement and

5. basic amenities and agricultural infrastructure.

21. Recall from the discussion in Chapter 3 that the emerging role of women as an important partner in development has been widely recognized especially in the credit based poverty alleviation programmes in many developing countries. For details, *See sub-section 3.4.12. and the accompanying Footnote 23 in Chapter 3.* The findings of this study also testified to the fact that Ikhtiar's women have made an important contribution to family welfare.
22. IFAD field experiences in the credit based poverty alleviation programmes in many developing countries have suggested that the rural poor need to be trained in their respective activities. IFAD (Jazairy et al, 1992: 183) has suggested the following:
 - a) Those directly involved in agricultural production need training in farm planning and management; rational decision-making; record-keeping; cost and revenue computation; the use of credit; the application of the new varieties, technology and improved farm practises; storage, processing and food preservation; skills for farm maintenance and improvement and generating supplementary income; knowledge of government and other rural development services, policies and programme; knowledge and skill relating to the family, such as health, nutrition and home economics.
 - b) The types of training required by those engaged in the off-farm or non-agricultural activities includes new and improved technical skills applicable to particular goods and services; quality control; technical and advisory skills to educate customers on the use and maintenance of their products; management skills covering business planning, record keeping and cost accounting, procurement and inventory control, market analysis and sales methods, customer relations and knowledge of government services.
23. While it is true that payment of insurance premiums would definitely constitute a heavy burden on the already very poor rural households' tight budgets, this problem could be overcome for instance, by apportioning premium payments pro rata according to income amongst members of a group, or perhaps Ikhtiar can think of a suitable way of making payments towards the insurance scheme. It may not be popular in rural areas, but it appears to be a very necessary measure. It should be tried.
24. It has been reported that the cocoa price is projected to increase from the present price of US\$750.00 a tonne to US\$825.00 a tonne in the year 2000 and to US\$880.00 in 2005 (New Straits Times, August 1994).
25. Macro policies are generally taken to mean guidelines that are designed and implemented by government to foster and achieve the development targets of economic growth, price stability, employment, manageable balance of payments, efficient resource allocation and equitable redistribution of income.

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APPENDIX 1

THE SIXTEEN SOCIAL DEVELOPMENT PROGRAMME : THE SIXTEEN DECISIONS OF THE GRAMEEN BANK

1. We shall follow and advance the four principles of Grameen Bank - discipline, Unity, Courage and Hard Work - in all walks of our lives.
 2. Prosperity we shall bring to our families.
 3. We shall not live in dilapidated houses. We shall repair our houses and work constructing new houses at the earliest.
 4. We shall grow vegetables all year round. We shall eat plenty of them and sell the surplus.
 5. During the plantation seasons, we shall plant as many seedlings as possible.
 6. We shall plan to keep our families small. We shall minimize our expenditures. We shall look after our health.
 7. We shall educate our children and ensure that we can earn to pay for their education.
 8. We shall always keep our children and the environment clean.
 9. We shall build and use pit latrines.
 10. We shall drink water from tubewells. If it is not available, we shall boil water or use alum.
 11. We shall not take any dowry at our sons' wedding, neither shall we give any dowry at our daughters' wedding. We shall keep the centre free from the curse of dowry. We shall not practise child marriage.
 12. We shall not inflict any injustice on anyone, neither shall we allow anyone to do so.
 13. We shall collectively undertake bigger investments for higher incomes.
 14. We shall always be ready to help each other. If anyone is in difficulty, we shall all help him or her.
 15. If we come to know of any breach of discipline in any centre, we shall all go there and help restore discipline.
 16. We shall introduce physical exercise in all our Centres. We shall take part in all social activities collectively.
-

APPENDIX 2**BENEFICIARIES PLEDGES**

MUSLIM BORROWERS' PLEDGE

"It is our responsibility to Allah to strive to increase our income, to help our fellow Group and Centre members whenever they are in difficulties, to use the profits from our loans to bring our families out of poverty, to motivate and provide the opportunity for our children to continue schooling and to repay our loans weekly without fail. ALLAH bears witness to all that we say and do."

NON-MUSLIM BORROWERS' PLEDGE

"It is our responsibility to God (ourselves, our families and Amanah Ikhtiar Malaysia) to strive to increase our income, to help our fellow Group and Centre members whenever they in difficulties, to use the profits from our loans to bring our families out of poverty, to motivate and provide opportunity for our children to continue schooling and to repay out loans weekly without fail. God (Members of our Group and Centre) bear witness to all that we say and do."

APPENDIX 3**THE 9 PRINCIPLES OF THE AMANAH IKHTIAR RURAL CREDIT CUM-
POVERTY FOCUSSED PROGRAMME**

- 1. After our prayers, We Muslims, are responsible to Allah to strive to increase our income.**
 - 2. Using the Ikhtiar Al-Qardhul Hasan (benevolent) loan is one way of increasing our income.**
 - 3. Ikhtiar Loans are provided without interest, collateral or guarantors and no legal action will be taken to force us to repay. Outstanding debts will be written off for borrowers who pass away providing they had shown good overall performance.**
 - 4. We may borrow according to what is required for our project and our ability to repay weekly.**
 - 5. We agree to contribute 5 per cent of our loan capital received into our Group Fund and to pay the administrative charge of MS25 ringgit for the first loan, MS50 ringgit for the second, and MS75 ringgit for the third and subsequent loans.**
 - 6. In Amanah Ikhtiar Malaysia, we must come early to our Centre Meetings, we must make our weekly repayment of the Ikhtiar Loan, we must save MS1 ringgit weekly in our Group Fund and we must bear the consequences of a repayment default in our centre by paying into the Special Centre Savings Fund.**
 - 7. We agree to help our fellow centre members who cannot meet their weekly repayment as long as they responsible and trustworthy. If not, then we must pay into the Special Centre Savings Fund.**
 - 8. After repaying fully our first loans according to schedule and accepted as AIM beneficiaries, we are entitled to a second loan. After repaying fully our second loans, we will be entitled to the third loan and so on as long as we need it.**
 - 9. Allah bear witness to all that we say and do. We are responsible to Allah in the end.**
-

APPENDIX 4**BORROWERS SOCIAL DEVELOPMENT PROGRAMMES WITHIN THE
CONTEXT OF THE IKHTIAR PROGRAMME**

- 1. The four Principles of Ikhtiar - Taqwa, Discipline, Unity, Courage and Hard Work - We shall follow and advance in all walks of our lives.**
- 2. Prosperity we shall bring to our families.**
- 3. We shall not live in dilapidated houses. We shall repair our houses and work towards constructing new houses at the earliest.**
- 4. We shall grow vegetables all year round. We shall eat plenty of it and sell the surplus.**
- 5. During the plantation seasons, we shall plant as many seedlings as possible.**
- 6. We shall minimize our expenditures. We shall look after our health.**
- 7. We shall educate our children and ensure that they can earn to pay for their education.**
- 8. We shall always keep our children and their environment clean.**
- 9. We shall build and use pit-latrines.**
- 10. We shall drink tubewell water. If not available, we shall boil water or use alum.**
- 11. We shall not inflict any injustice on anyone, neither shall we allow anyone to do so.**
- 12. For higher income we shall collectively undertake bigger investments.**
- 13. We shall always be ready to help each other. If anyone is in difficulty, we shall all help him.**
- 14. If we come to know of any breach of discipline in any centre, we shall all go there and help to restore discipline.**
- 15. We shall take part in all social activities collectively.**
- 16. We shall be patient in all our activities.**

APPENDIX 5

THE SAMPLING FRAME AND THE DETERMINATION OF THE SAMPLING UNIT IN THE DISTRICT OF BALING 1 : THE VERY POOR RURAL HOUSEHOLDS : IKHTIAR PROGRAMME PARTICIPANTS AND THE NON-PARTICIPANTS (CONTROL GROUP).

In this study the sampling frame is defined as the total number of the hard-core poverty households that reside in the 5 Mukims in the district that make up the BALING 1. The starting point for measurement of income for this study was prior to the field-work, 31st October 1992.

According to Ikhtiar Organization's official data there was:

1. An estimated number of 3556 of the very poor rural households in the district of Baling 1, when the Ikhtiar Programme made it debut in early 1989.
2. By June 1992, 3475 (from the total estimate of 3556) had by then been subjected to the means test in the process of encouraging more new members to join the programme.
3. Through the re-interview process, only 2682 (from the above 3475) were regarded as eligible to become Ikhtiar members. However, the very poor households did not immediately register as Ikhtiar members. This is generally a gradual process. The Ikhtiar Organization does not force the rural households into becoming its members, except to encourage them through the motivation process.
4. As of 31st October 1992, the starting point of this study, there were a total of 1192 Ikhtiar members.
5. This leaves out the 1490 households (2682 minus 1192) who despite being eligible to become Ikhtiar members had yet to register as a new member.
6. By November 1993, the latest available data shows that Ikhtiar participants has increased to 1428, thus indicating that a further 236 member households from the 1490 control group had by then joined the programme since October 1992. The figure of 1490 is expected to be reduced from time to time when more households will join the Ikhtiar Programme.

Based on items 1 to 5 (excluding item 6), the breakdown of the sampling frames as of October 1992 were as followed:

1. Ikhtiar Programme participants	= 1192.
2. Control group	= 1490.
3. Total households	= 2682.

1. Ikhtiar Programme Participants

In this study only those members who have completed their first, second and third loan cycles were eligible and included in the household survey. As noted by Bolninck and Nelson (1990), an "impact period" of longer than 1 year was generally needed to get a meaningful test. In the Ikhtiar Programme and its counterpart, the Grammen Bank, each particular loan cycle is 12 months. The breakdown of the 1192 Ikhtiar participants are shown below:

1. Total Number of Participants.	1192
2. (a) First-time borrowers (total).	1009
(b) First-time borrowers who have completed the first loan cycle	567
(c) First-time borrowers who were still active but have not completed the first loan cycle at the time of the survey	442
3. (a) Second-time borrowers (Total)	172
(b) Second-time borrowers who have completed the second-loan cycle	46
(c) Second-time borrowers who were still active but have not completed the second loan cycle at the time of survey	126
4. (a) Third-time borrowers (Total)	11
(b) Third-time borrowers who have completed the third loan cycle	None

Therefore the number of eligible households that have fulfilled the above definition and formed the sampling frames of this study were as follows:

1. First-time borrowers	= 567.
2. Second-time borrowers	= 46.
3. Total number of borrowers	= 613.

2. (Non-Participant) Control Group

There were, according to Ikhtiar officials in Baling 1, an estimated total of around 1490** such households sharing similar socio-economic conditions with that of the Ikhtiar participants and these formed the sampling frame for the control group.

3. The Sampling Frames

The main sampling unit of this study therefore consists of two different sampling frames as follows:

1. Ikhtiar Programme Participants	= 613.
(a) First-time borrowers	= 567.
(b) Second-time borrowers	= 46.
2. Control Group	= 1490.

Note : ** Included in the 1490 sampling frame of the control group are the list of the hardcore poor rural households provided by the mukims headmen.

APPENDIX 6A

HOUSEHOLD SURVEY QUESTIONNAIRE : THE PROGRAMME PARTICIPANTS

SOCIO-ECONOMIC BACKGROUND

1. Sample Number. [.....]
2. Marital Status. []
- (1) Single
 (2) Married
 (3) Widow
 (4) Others (specify.....)
3. How old are you?.....years old. []
- (1) 20 - 29
 (2) 30 - 39
 (3) 40 - 49
 (4) 50 - 59
 (5) 60 and above
4. What is your highest educational attainment? []
- (1) Never attended school
 (2) Primary school
 (3) Lower Secondary
 (4) L.C.E
 (5) Upper Secondary
 (6) M.C.E
 (7) Other (specify.....)
5. Are you the head of the household? []
- (1) Yes (2) No
- (If the answer is YES in question 5, skip questions
 6, 7 and 8)
6. If the answer is No, what is your relationship with head
 of household? []
- (1) Wife
 (2) Other (specify.....)

7. What is the age of the head of household? []

- (1) 20 - 29.
- (2) 30 - 39.
- (3) 40 - 49.
- (4) 50 - 59.
- (5) 60 and above.

8. Head of household level of education. []

- (1) Never attended school.
- (2) Primary school.
- (3) Lower secondary.
- (4) L.C.E.
- (5) Upper secondary school
- (6) M.C.E
- (7) Other (Specify).....

9. Number of your household members (including yourself).

- | | | |
|--------------------|--------|-------|
| | Before | After |
| | [] | [] |
| Codes | | |
| (01) - 1 person.. | | |
| (05) - 5 persons. | | |
| (10) - 10 persons. | | |

10. General Profile of Household Members.
(fill in where relevant)

Members	Sex	Age	Educational Background	Occupation
Children no 1.				
Children no 2.				
Children no 3.				
Children no 4.				
Children no 5.				
Children no.6				
.....				
.....				
.....				
.....				
<p>Code : Sex: Male - 1, Female - 2; Age: (01) rep. 1 year old; Education: Use same codes as that of question 8. Occupation: Use the same codes as that of question 29</p>				

IKHTIAR LOANS AND BACKGROUND OF BORROWING HABIT

11. What is your current Cycle of Ikhtiar loans? []
- (1) Completed first cycle of loans
 - (2) Completed second cycle of loans
 - (3) Completed third cycle of loans
12. Do you have any knowledge of the interest free loan from the Bank Pertanian Malaysia (Agricultural Bank)? []
- (1) Yes (2) No.
- (If the answer is NO in question 12, skip questions 13, 14 and 15)
13. If Yes. Have you ever tried to apply for the loan? []
- (1) Yes (2) No
14. If Yes. Did you get the loans? []
- (1) Yes (2) No
15. If No. Give the main reason for not borrowing. []
- (1) Guarantor requirement.
 - (2) Tight procedures.
 - (3) Bank far away in the city.
 - (4) Not confident of getting loans.
 - (5) Other reasons (specify.....)
16. Have you ever applied loans from other formal institution? []
- (1) Yes (2) No
17. Have you ever obtained loans from non-formal institution? []
- (1) Yes (2) No
- (If the answer is NO in question 17, skip questions 18, 19 and 20)

18. If Yes. state the main source of informal borrowing?

Before After
[] []

- (1) Local shop-owners
- (2) Local landlords
- (3) Pawnshops
- (4) Relatives
- (5) Others (specify.....)

19. State the amount borrowed from the informal source.

Before After
[] []

- (1) Below M\$50.00
- (2) M\$51.00 - 100.00
- (3) M\$101.00 - 150.00
- (4) M\$151.00 - 200.00
- (5) M\$201.00 and above

20. State the main purpose of the above borrowing.

Before After
[] []

- (1) Consumption purpose
- (2) Productive purpose
- (3) Other purposes (specify.....)

21. Type of activity pursued with Ikhtiar loans.

[]

- (1) Agricultural
- (2) Non-agricultural.

22. The actual activity.

[]

Use code below:

Agricultural:

- (11) Animal Husbandry
- (12) Padi Cultivation
- (13) Tree crop cultivation (rubber)
- (14) Other crops
- (15) Mixed agricultural

Non-Agricultural:

- (16) Hawking and distribution of food
- (17) Hawking Agricultural food
- (18) Hawking Non-Agricultural food
- (19) Other non-agricultural activities
- (20) Services
- (21) Mixed non-agricultural activities.

23. State the amount of loans taken from the Ikhtiar Programme (M\$.....) [.....]

(state the actual amount)

0300 - \$300

1000 - \$1000

24. Amount of your own capital injected into the Ikhtiar-financed project activities (M\$.....) [.....]

(state the actual amount)

00 - none

050 - \$50.00

150 - \$150.00

HOUSING CONDITIONS

25. House Ownership. Before After
[] []

(1) Own house

(2) Rent

(3) Others.....

26. Housing conditions (crude measure)

(a) Size of building: [] []

1 - Big

2 - Medium

3 - Small

(b) No. of storey: [] []

1 - One

2 - Two

(c) Structural condition: [] []

1 - Firm

2 - Average

3 - Below Average

(d) Roofing material: [] []

1 - Asbestos

2 - Zinc

3 - Zinc/attap

4 - Attap

(e) Wall: [] []

- 1 - Brick
- 2 - Wooden
- 3 - wooden/attap
- 4 - Attap or bamboo

(f) Electric supply: [] []

- 1 - Yes
- 2 - Shared
- 3 - Not available

(g) Piped water supply: [] []

- 1 - Yes
- 2 - Shared
- 3 - Not available

(h) Toilet facilities: [] []

- 1 - Pour flush
- 2 - Pit latrine
- 3 - None

(i) Total Score for housing index [|] [|]

Use the following code:

- 02 - 2 points.
- 11 - 11 points.

OWNERSHIP OF LAND

27. State the size of land that you owned (in hectare).

- (1) landless
- (2) 0.01 - 0.24
- (3) 0.25 - 0.49
- (4) 0.50 - 0.74
- (5) 0.75 - 0.99
- (6) 1.00 - 1.99
- (7) 2.00 - 2.99
- (8) above 3.00

Before After
[] []

HOUSEHOLD ITEMS

28. Do you own any of these items:		Before	After
(1) Yes	(2) No		
(a) Motorcar		[]	[]
(b) Motorcycle		[]	[]
(c) Bicycle		[]	[]
(d) Television		[]	[]
(e) Radio		[]	[]
(f) Sewing machine		[]	[]
(g) Refrigerator		[]	[]
(h) Kerosene stove		[]	[]
(i) Gas Stove		[]	[]
(j) Electric Iron		[]	[]
(k) Rice Cooker		[]	[]
(l) Lounge Set		[]	[]
(m) Dining Set		[]	[]
(n) Bed		[]	[]
(o) Cupboard		[]	[]

EMPLOYMENT (IKHTIAR MEMBERS AND HUSBAND)

29. What is your main occupation?	Before	After
(a) Ikhtiar member	[]	[]
(b) Husband	[]	[]

Use the following codes:

- 10 - Unemployed
- 11 - Animal husbandry
- 12 - Padi farming
- 13 - Tree crop cultivation
- 14 - Other mixed crop farming
- 15 - Mixed agricultural farming
- 16 - Selling/distribution of food
- 17 - Selling of agricultural good
- 18 - Selling of non-agricultural good
- 19 - Other non-agricultural activity
- 20 - Services
- 21 - Mixed non-agricultural activities
- 22 - Doing odd job
- 23 - Factory worker
- 24 - Labourer (agricultural)
- 25 - Labourer (non-agricultural)
- 26 - Others (specify.....)

HOUSEHOLD MONTHLY INCOME**Before situation (1989)**

30. What is your total household monthly income in the past [.....]
3 years? (write the actual value from M3)

After situation (1992)

(For Questions 31 to 33, please record all the detail of household income in Tables A and B to arrive at the total household Monthly income)

Table A : Income From Ikhtiar-Financed Activities - (based on 12 months incomes)

--

Table B : Income From Non-Ikhtiar Sources - (based on 12 months incomes)

-
1. Incomes from main occupation and part-time occupation;
 2. Income transfers - remittances from children and spouse, pensions, land rents and monetary assistance from the welfare department and
 3. Other sources of income.

- | |
|--|
| <ol style="list-style-type: none"> 1. 2. 3. 4. 5. 6. |
|--|

31. What is your total income from Ikhtiar-financed activities [.....]
(from Table A)
32. What is your total household income from non-Ikhtiar [.....]
sources? (from Table B)
33. Calculate the total household income (Ikhtiar and [.....]
non-Ikhtiar sources)

MONTHLY SAVING PATTERN

34. Do you have any saving? Before After
[] []
(1) Yes (2) No

35. What is your monthly savings? Before After
[] []
- (1) None
(2) M\$10.00 and below
(3) M\$11.00 - \$20.00
(4) M\$21.00 - \$30.00
(5) M\$31.00 - \$40.00
(6) M\$41.00 and above

36. Type of savings.
- (1) Yes (2) No
- (a) ASN/ASB Before After
[] []
(b) National Saving Bank (Bank Simpanan Nasional) [] []
(c) Other Means of Savings [] []

VIEW AND PERCEPTION OF LIVING CONDITION

37. Compare to the time before joining the Ikhtiar Programme, []
do you feel you are better off now?
- (1) Better off.
(2) No difference.
(3) Worse off.
(4) Don't know.

PROJECT SUSTAINABILITY

38. Are you confident that your current project will be sustainable without further Ikhtiar loan in future? []

- (1) Confident.
- (2) Not Confident

OPINIONS AND PERCEPTIONS TOWARDS THE IKHTIAR PROGRAMME

39. What is your opinion of the Ikhtiar Programme? []

- (1) Very good
- (2) Good
- (3) No good
- (4) Don't know

40. If your answer is 1, 2 or 3, state the main reason.

.....

.....

.....

41. Please choose only one:

- (1) "Agreed"
- (2) "Disagreed"
- (3) "Undecided"

relating to the following statements on the Ikhtiar's concept of Group/Centre Union, Responsibility and Supervision.

- (a) "Close supervision of 5 person per group does not any problem" []
- (b) "Combining the group into centre does not raise any problem" []
- (c) "Group responsibility as a way of policing each member while pursuing Ikhtiar loans does not raise any problem" []
- (d) "Close supervision by Ikhtiar staff over participants income generating activities does not raise any problem" []

42. Please choose only one:

- (1) Acceptable
- (2) Not Acceptable
- (3) Undecided

relating to Ikhtiar's basic rules on loan utilization.

The "Weekly" Rules:

- (a) Weekly meeting []
- (b) Weekly repayment []
- (c) Weekly saving of M\$1.00 []

Other Rules:

- (d) 5 percent of the loan to be contributed to group fund fund []
- (e) Members must project cost of M\$25.00 (1st loan), M\$50.00 (2nd loan) and M\$75.00 (3rd and subsequent loan) []
- (f) Loans are to be utilized within 7 days of disbursement []
- (g) Loans are to be given in turn []
- (h) If borrower fails to repay, other members denied a loan []

43. Please choose only one:

- 1. Agreed
- 2. Disagreed
- 3. Undecided

relating to following statement on the working relationships between Ikhtiar staff and participants.

- (a) "AIM staff are friendly and get along very well with participants" []
- (b) "AIM staff understand problems faced by the participants" []
- (c) "AIM staff accepted participants ideas" []
- (d) "AIM staff are committed to their jobs" []
- (e) "AIM staff are good source of advice" []
- (f) "AIM staff are not difficult to meet" []

44. What is your main suggestion towards the improvement of the Ikhtiar Programme in future?

.....

.....

.....

ON THE GOVERNMENT ASSISTANCE

45. For question on Government assistance use the following codes:

(1) Yes (2) No (3) Not related

Do you ever receive the following assistance from the Government?

(a) Social welfare	[]
(b) Toilet/piped water scheme	[]
(c) Mother and child milk scheme	[]
(d) Small business programme	[]
(e) Livestock project	[]
(f) Fertilizer subsidy	[]
(g) Rubber replanting grant	[]
(h) Agricultural extension services	[]
(i) Housing renovation programme	[]
(j) School's text-book scheme	[]

POSSESSION OF SKILL

46. (a) Do you possess any skill? []

(1) Yes

(2) No

(b) If yes, state the type of skill. []

(1) Agriculture/farming (specify)

(2) Non-agriculture (specify.....)

(c) Do you utilize the skill in Ikhtiar project activities? []

(1) Yes

(2) No

HOUSEHOLD MONTHLY EXPENDITURES

47. Please state the following expenditures:

(a) Food	[.....]
(b) Cigarette/tobacco	[.....]
(c) Apparel/footwear	[.....]
(d) Rent/energy	[.....]
(e) Transportation	[.....]
(f) Furniture	[.....]
(g) Health/medical	[.....]
(h) Educational	[.....]
(i) Recreational/sport equipment	[.....]
(j) Services/other expenditures	[.....]

Total Expenditure (M\$)	[.....]
-------------------------	---------

APPENDIX 6B

HOUSEHOLD SURVEY QUESTIONNAIRE : THE CONTROL GROUP (NON-PARTICIPANTS)

SOCIO-ECONOMIC BACKGROUND

1. Sample number: [.....]

2. Marital status. []

- (1) Single
- (2) Married
- (3) Widow
- (4) Other (specify.....)

3. How old are you?.....years old. []

- (1) 20 - 29
- (2) 30 - 39
- (3) 40 - 49
- (4) 50 - 59
- (5) 60 and above

4. What is your highest educational attainment? []

- (1) Never attended school
- (2) Primary school
- (3) Lower secondary
- (4) L.C.E
- (5) Upper secondary
- (6) M.C.E
- (7) Others (specify.....)

5. Are you the head of the household?

- (1) Yes (2) No

(If the answer is YES in question 5, skip questions 6, 7 and 8)

6. If the answer is No, what is your relationship with the head of a household? []

- (1) Wife
- (2) Others (specify.....)

7. What is the age of the head of household? []

- (1) 20 - 29
- (2) 30 - 39
- (3) 40 - 49
- (4) 50 - 59
- (5) 60 and above

8. Head of household level of education. []

- (1) Never attended school.
- (2) Primary school
- (3) Lower Secondary
- (4) L.C.E
- (5) Upper secondary school
- (6) M.C.E
- (7) Others (specify.....)

9. Number of household memberperson. Before After
[] []

10. General profile of household members (Fill in where relevant)

Members	Sex	Age	Educational Background	Occupation
Children no. 1				
Children no. 2				
Children no. 3				
Children no. 4				
Children no. 4				
Children no. 5				
Children no. 6				
.....				
.....				
.....				
.....				
Codes : Sex Male - 1, Female - 2; Age: (01) rep. 1 year old; Education : use the same code as that of question 8; Occupation : use same codes as that of question 29.				

KNOWLEDGE OF THE IKHTIAR PROGRAMME AND BORROWING HABITS

11. Have you been approached by the Ikhtiar staff explaining the concept of the Ikhtiar Programme? []
- (1) Yes (2) No
12. How did you come to know about the Ikhtiar Programme in the first place? []
- (1) Through Ikhtiar staff
 (2) Through friends
 (3) Through the mass media
 (4) Others (specify.....)
13. Are you interested in joining the IKHTIAR programme? []
- (1) Yes (2) No
14. If Yes. what is your plan? []
- (1) Will be joining the programme in the very near future
 (2) Still observing the programme
 (3) Undecided (wait and see)
15. If No. state the main reason. []
- (1) Hoping to get from government's PPRT.
 (2) Do not like AIM's rulings and procedure
 (3) Do not want to borrow any money
 (4) Do not have any activities to carry out with Ikhtiar loans
 (5) Not confident of repaying loans
16. Do you have any knowledge of the interest free loan from the Bank Pertanian Malaysia (Agricultural Bank)? []
- (1) Yes (2) No
- (If the answer is NO in Question 16, skip questions 17, 18 and 19)
17. If Yes. Have you tried to apply for the loan? []
- (1) Yes (2) No

18. If Yes. Did you get the loans? []

(1) Yes (2) No

19. If No. Give the main reason for not borrowing? []

- (1) Guarantor requirement.
- (2) Tight procedures.
- (3) Bank far away in the city.
- (4) Not confident in getting loans
- (5) Other reasons (specify.....)

20. Have you ever applied loans from other formal institutions? []

(1) Yes (2) No

21. Have you ever obtained loan from the non-formal institution? []

(1) Yes (2) No

(If the answer is No in question 21, skip questions 22, 23 and 24)

22. If Yes. State the main source of informal borrowing?

Before After
[] []

- (1) Local shop-owners
- (2) Local landlords
- (3) Pawnshops
- (4) Relatives
- (5) Others (specify.....)

23. State the amount borrowed from the informal sources.

Before After
[] []

- (1) Below M\$50.00
- (2) M\$51.00 - 100.00
- (3) M\$101.00 - 150.00
- (4) M\$151.00 - 200.00
- (5) M\$201.00 and above

24. State the main purpose of the above borrowing.

Before After
[] []

- (1) Consumption purposes
- (2) Production purpose
- (3) Other purposes (specify.....)

HOUSING CONDITIONS

	Before	After
	[]	[]
25. House ownership.		
(1) Own house		
(2) Rent		
(3) Others.....		
 26. Housing conditions (crude measures):		
(a) Size of building:	[]	[]
1 - Big		
2 - Medium		
3 - Small		
(b) No. of storey:	[]	[]
1 - One		
2 - Two		
(c) Structural condition:	[]	[]
1 - Firm		
2 - Average		
3 - Below average		
(d) Roof materials:	[]	[]
1 - Asbestos		
2 - Zinc		
3 - Zinc/attap		
3 - Attap		
(e) Wall materials:	[]	[]
1 - Brick		
2 - Wooden		
3 - Wooden/attap		
4 - Attap or bamboo		
(f) Electricity supply:	[]	[]
1 - Yes		
2 - Shared		
3 - Not available		
(g) Piped water supply:	[]	[]
1 - Yes		
2 - Shared		
3 - Not available		

EMPLOYMENT

29. What is your main occupation?	Before	After
(a) Female: (Wives/female headed household)	[]	[]
(b) Male: Husbands	[]	[]

Use the following codes:

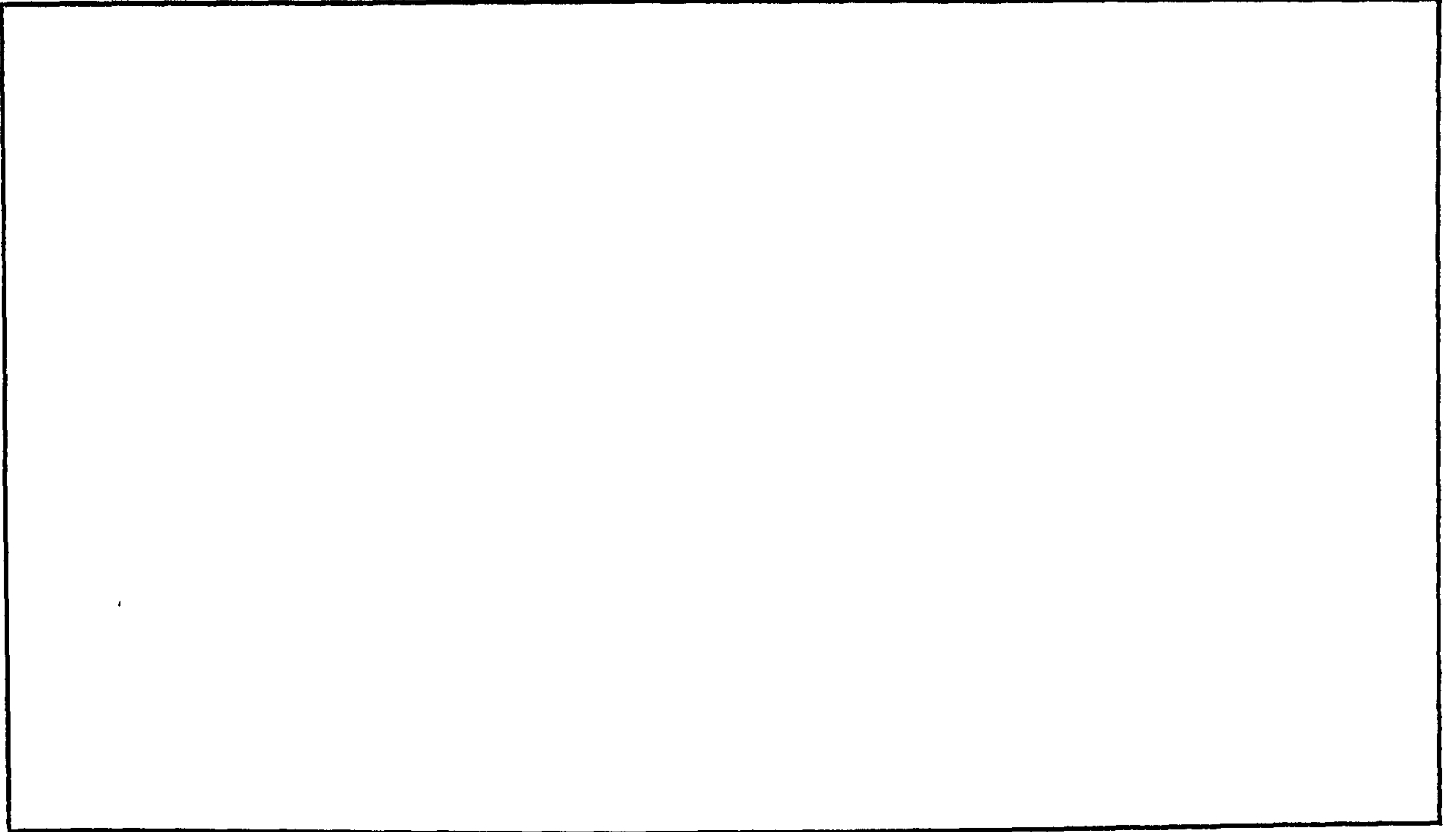
- 10 - Unemployed
- 11 - Animal husbandry
- 12 - Padi farming
- 13 - Tree crop cultivation (rubber tapping)
- 14 - Other mixed cropping
- 15 - Mixed agricultural farming
- 16 - Selling/distribution of food
- 17 - Selling of agricultural good
- 18 - Selling of non-agricultural good
- 19 - Other non-agricultural activity
- 20 - Services
- 21 - Mixed non-agricultural activity
- 22 - Doing odd job
- 23 - Factory worker
- 24 - Labourer (agricultural)
- 25 - Labourer (non-agricultural)
- 26 - Others (specify.....)

HOUSEHOLD MONTHLY INCOME**Before Situation (1989)**

30. What is your total household income (in the previous 3/4 years)	Before [.....]
---	-------------------

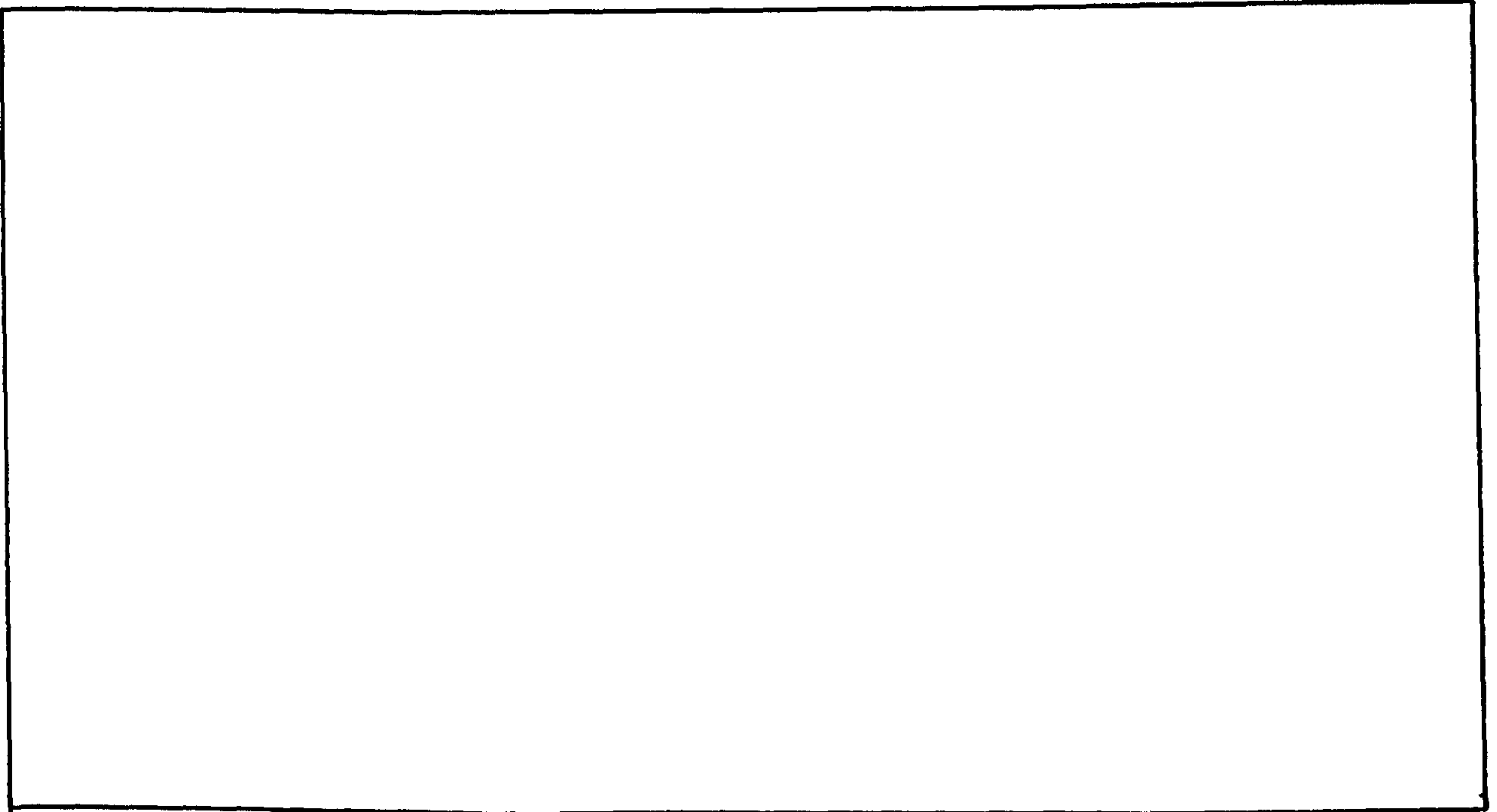
For question 30, please record all the detail of the household income in the following Table A.

-
1. Total household income from main occupation and part-time occupation.
 2. Income transfers - remittances from children and spouse, pensions, land rents, monetary assistance from the welfare department.
 3. Various other sources of income.
-



After Situation (1992)

For question 31, please record all the details in the following Table B



31. What is your current total household income?

After
[.....]

MONTHLY SAVING PATTERN

32. Do you have any savings? Before After
[] []

- (1) Yes (2) No

33. What is your monthly saving? Before After
[] []

- (1) None
- (2) Below M\$10.00
- (3) M\$11.00 - 20.00
- (4) M\$21.00 - 30.00
- (5) M\$31.00 - 40.00
- (6) M\$41.00 and above

34. Type of savings. Before After

- (1) Yes (2) No

- (a) ASN/ASB [] []
- (b) National saving bank [] []
- (c) Other means of savings [] []

PERCEPTION OF THE LIVING CONDITION

35. Compare to your living condition about 3/4 years ago, do you feel you are better off now? []

- (1) Better off.
- (2) The same.
- (3) Worst off.
- (4) Don't know.

ON THE GOVERNMENT ASSISTANCE

For question 36, use the following codes:

- (1) Yes (2) No (3) Not Related

36. Do you ever receive the following assistance from the Government?

(a) Social welfare	[]
(b) Toilet/piped water scheme	[]
(c) Mother and child milk scheme	[]
(d) Small business programme	[]
(e) Livestock assistance	[]
(f) Fertilizer subsidy	[]
(g) Rubber replanting grant	[]
(h) Agricultural extension services	[]
(i) Housing renovation programme	[]
(j) School's text-book scheme	[]

HOUSEHOLD MONTHLY EXPENDITURES

37. Please state the following expenditures:

(a) Food	[.....]
(b) Cigarette/tobacco	[.....]
(c) Apparel/footwear	[.....]
(d) Rent/energy	[.....]
(e) Transportation	[.....]
(f) Furniture	[.....]
(g) Health	[.....]
(h) Educational	[.....]
(i) Recreational/sport equipment	[.....]
(j) Services/other expenditures	[.....]

Total Expenditure (M\$)	[.....]
-------------------------	---------

**APPENDIX 7 : ACTIVITIES AT THE WEEKLY GROUP/CENTRE MEETING
IN BALING 1 - PLATE A TO D.**



Plate A : Members arriving at the group/centre meeting.



Plate B : Meeting in Progress



Plate C : Loan repayment and disbursement at the weekly meeting, supervised by Ikhtiar staff. Seen counting the money is the Centre Chief in front of the Branch Manager and Trust Assistant.



Plate D : Session in progress - this meeting was conducted by female Ikhtiar staff (seen in the foreground)

APPENDIX 8 : TYPES OF ACTIVITIES CARRIED OUT WITH IKHTIAR LOANS - PLATE E TO H.



Plate E : Leasing rubber land is very popular among Ikhtiar members.



Plate F : Member growing padi



Plate G : Petty trading - hawking of non-agricultural goods.



Plate H : Petty trading of agricultural goods.

APPENDIX 9

HOUSING INDEX

MAIN INDICATORS

In AIM's model, 7 main indicators are used to determine the housing conditions based on "crude" measures as shown below:

1. Size	Big	= 4 points.
	Medium	= 2 points.
	Small	= 0 point.
(The meaning of size is discussed later).		
2. No. of storey	2 stories	= 4 points.
	1 storey	= 1 point.
3. Structural Conditions	Firm	= 4 points.
	Average	= 2 points.
	Below Average	= 0 point.
	(The meaning of structural conditions is discussed later)	
4. Roofing Materials	Asbestos	= 2 points.
	Zinc	= 1 point.
	Mixture of zinc/attap	= 0.5 point.
	Attap	= 0 point.
5. Wall Materials	Brick	= 2 points.
	Wooden	= 1 point.
	Mixture of Wooden/Attap	= 0.5 point.
	Bamboo or attap	= 0 point.
6. Electricity Supply	Available	= 2 point.
	Shared	= 1 point.
	Not Available	= 0 point.
7. Piped Water Supply	Available	= 2 point.
	Shared	= 1 point.
	Not Available	= 0 point.

For every indicator, a numerical score ranging from 0 to 4 points is given. A household having a total score of 10 and below is considered as meeting Ikhtiar's basic requirements and those having score of above 10 can also make an appeal to be reconsidered if they are interested in joining the Ikhtiar Programme.

THE MAIN FEATURE OF MALAY RURAL HOUSES

The most common feature of the Malay rural houses in Baling are described below (Ahmad, 1983):

1. It is common to see houses built on high stilts of 5 to 6 feet (1.5 to 1.8 meters) above the ground.
2. Most of the Malay houses are made of wood. Wooden houses with palm-leave roof (or attap) are part and parcel of the rural scene.
3. Wood and related material, such as bamboo and palms, which can be used as building materials for roofs, walls and floors, are found in abundance in Baling.
4. With affluence, most of these common building materials, however, slowly give way to more durable and long lasting materials such as:
 - (a) zinc sheets, asbestos roofs replacing attap or tile and asbestos replacing worn out zinc sheets.
 - (b) cement for flooring replaces earth, or cement replaces wooden flooring material.
 - (c) concrete blocks replace wooden stilts.
5. It is a general practise for the rural Malay to gradually renovate or replace certain parts of the house when they manage to accrue a small savings or when they have extra income. It normally takes "ages" before the whole house is renovated or renewed with new materials replacing the worn-out ones such as new walls or roofing materials. But this has been the most common feature of the rural landscape. However, only for those with significant extra income will rebuild their houses totally.

In this study, there are several types of houses identified based on the building materials used:

1. Houses with zinc roofs, wooden walls and floors.
2. Houses with palm-leaf roofs with a mixture of wooden and bamboo walls and floors.

3. Houses with wooden walls, but having palm-leaf materials as roofing.
4. Houses with brick or concrete walls and zinc roofs.
5. Houses with mixture of brick and wooden walls and zinc roofs.
6. The pillars of a house are commonly made of wooden materials and in some cases, consist of a mixture of wooden material/brick.

All these are shown in Plates J to Q (See APPENDIX 10) based on photographs taken during the field study in the district. In this study most of the changes of the housing conditions among the poor rural households Ikhtiar members and the control group were mainly in the form of improvements to the worn out or old materials such as renewal of roofs or the rebuilding of certain parts of the house (extension of the kitchen or adding a verandah to the main house) or other minor repair works. The main changes have been the installation of piped water supply and electricity in some of the respondents' houses.

THE MEANING OF SIZE

Ikhtiar field staff were instrumental in explaining to the author, some of the aspects to look for in relation to the size of a house during the survey. In general, looking at the house based on general observation and visual inspection will determine roughly the size, whether it is big, small or medium. In general, the size of the houses are arbitrarily divided as follows:

1. Houses having an area of not more than 60 square feet are regarded as small.
2. Houses between 60 to 80 square feet are regarded as medium sized and
3. Those having more than 80 square feet are considered big.

THE MEANING OF STRUCTURAL CONDITIONS

Structural condition is generally referred to in this study as the structure or the whole set-up of a house, which includes the wall, roof, floor, pillar and the types of materials used in the construction.

Similarly, the Ikhtiar staff were instrumental in explaining and guiding the author the general/crude method of observing the structural conditions of a house in the villages. In general, looking at the house based on observation and visual inspection, will determine roughly and crudely its structural condition. In addition, by asking the respondents to give their recent account (i.e. the previous 3 years) of the house upgrading exercises/conditions, where necessary, were also important.

Based on photograph in **PLATE J to Q**, as shown in Appendix 10 (mentioned above), the structural conditions of the Malay houses in Baling are crudely identified as follows:

1. Houses as shown in **PLATE J and K** are regarded as "**BELOW AVERAGE**".
2. Houses as shown in **PLATE L and M** are regarded as "**AVERAGE**".
3. Houses as shown in **PLATE N and O** are regarded as "**FIRM**".

Note : ** = An added advantage for the author while observing the housing condition in Baling, was the fact that he himself was brought up in a village (in the State of Penang, i.e. the neighboring State of Kedah), where his parents currently live. Rural Malay houses in these two states have similar features as described above. The author therefore has some background knowledge, which in way contributed towards the observation.

APPENDIX 10 : MALAY HOUSES IN THE DISTRICT OF BALING - GENERAL SCENARIOS : PLATE J TO Q



Plate J : House of peasant : Zinc wall and roof. This type of house is generally seen as "below" average in terms of its structural conditions.



Plate K : House of peasant : Attap and bamboo wall. This type of house is generally seen as "below average" in terms of its structural conditions.



Plate L : House of peasant : One of the many example of the typical pattern/type of Malay peasant's house in Baling. This type of house is generally seen as "average" in terms of its structural condition.



Plate M : House of peasant : Another typical example of peasant's houses in Baling and is also seen as "average" in terms of its structural conditions.



Plate N : House of peasant (double storey) : Mixtures of wooden/cement block wall and zinc roof. This type of house is generally seen as "firm" in terms of its structural condition.



Plate O : House of peasant (single storey) : Cement wall and zinc roof. This type of house is generally seen as "firm" in terms of its structural condition.



Plate P : A house normally associated with the "better off" or rural elite. Generally seen as firm in terms of its structural condition.



Plate Q : An example of Government subsidized house, completed with electricity and piped water supply.

APPENDIX 11

IKHTIAR LOAN'S APPLICATION FORM

A. Borrower's Proposal

1. Borrower

Name :
 Name of the Group :
 Name of the Centre :
 Amount Requested :
 Purpose of Borrowing
 (Project To Be Carried Out) :
 Borrower's Signature :

2. Certification of the Group

Date of meeting :
 Time of meeting :
 Place of meeting :
 Group Decision of
 Loan Application : Accept/Reject/Postpone.
 Amount of Loan Approved
 by Group (M\$) :

3. Confirmation of the Group

Name	Signature
1. Chairwomen	:
2. Secretary	:
3. Member 1	:
4. Member 2	:
5. Member 3	:

4. Certification of the Centre

Centre Decision : Accept/Reject/Postpone
 Amount Approve by Centre
 (M\$) :
 Date :
 Signature of Centre Chief :