

EMPLOYABILITY OF THE MICRO-ECONOMIC TOOLS AND TECHNIQUES IN ENHANCING THE EFFICACY OF FINANCIAL MANAGEMENT PRACTICES

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ABSTRACT

This examination expects to take a gander at the budgetary administration practices of two gatherings of miniature business people; sahabats of AIM and asnafs business people from PPUAZ. Embracing a blended technique approach, this examination consolidates both quantitative (studies) and subjective (interviews) approaches. The studies were directed first to give the general and foundation data of the miniature endeavours and their budgetary administration rehearses. Receiving the purposive testing technique, tests were picked dependent on the members' ability to partake in the investigation. In any case, to guarantee that the inquiries were replied by the focused on respondents, members were asked on whether they were effectively associated with maintaining a business before addressing the review questions. At that point, the discoveries from the survey are confirmed in the meeting meetings with the chose miniature business visionaries. Information from the reviews and meetings were investigated, and it was discovered that even though asnafs are "without given cash" from the PPUAZ, they, for the most part, have better money related administration rehearses when contrasted with the sahabats. This examination likewise found that a more significant part of the miniature business visionaries scores low on the budgetary administration factors. This proposes the miniature business people, all in all, are not rehearsing a proper record keeping. As money related administration is fundamental for a wide range of enterprise including miniature, it is a worry as 21% of the miniature business people in this investigation are not recording anything from their business exercises.

1. INTRODUCTION

For the most part, it is accepted that there is a reliable connection between the miniature venture, enterprise idea, and destitution annihilation. As of late, on 19 March 2013, in his initial discourse during the Presentation of the National Transformation Program Annual Report, the Prime Minister of Malaysia, Dato' Seri Najib Tun Abdul Razak declared that the neediness rate in Malaysia had been altogether decreased to just 1.7% in 2012 from over 60% during the long early stretches of independence²¹. In light of the announcement, a monetary speaker from Universiti Malaysia Sarawak (Unimas), Dr Shazali Abu Mansor, accepts that the achievement is profoundly identified with the different business programs that exist in the nation. It is accepted, through the abilities and business training got under those projects, members might not have recently expanded their family unit salary, they additionally added to the nation's economy.

2. FOUNDATION OF THE STUDY

As to issues of business and destitution easing, one cannot abstain from talking about the issues of subsidizing these miniature endeavours. A small endeavour, by and large, is characterized dependent on the number of full-time representatives employed and the yearly deals turnover by the venture. In light of the definition given by the Central Bank of Malaysia, an undertaking is viewed as a miniature if it has under five full-time representatives or yearly deals turnover of under RM300,000 As Central Bank gives the specialized meaning of the miniature

endeavours, past examinations on "miniature venture" or "miniature business people" relate the terms to a business that is possessed and overseen by destitute individuals.

2. MICROFINANCE INSTITUTIONS IN MALAYSIA

For the most part, the microfinance programs in Malaysia can be separated into two classes, repayable and non-repayable miniature assets. The point, TEKUN Nasional and Yayasan Usaha Maju (YUM) are among the significant microfinance organizations (MFI) in Malaysia that offer repayable miniature assets to the qualified miniature business visionaries. Then again, the non-repayable miniature assets are given by different Zakat foundations, for example, Selangor, Penang, Negeri Sembilan, and Kuala Lumpur and nongovernment associations (NGOs, for example, Yayasan Basmi Kemiskinan. Subsequently, this examination will zero in on the two sorts of assets: AIM (repayable) and capital guide program under the PPUAZ (non-repayable) to take a gander at the monetary administration practices of the miniature business visionaries under the projects in Selangor.

2.1 Amanah Ikhtiar Malaysia

Amanah Ikhtiar Malaysia (AIM) began in 1986 as a pilot undertaking of the Center for Policy Research of Universiti Sains Malaysia (USM). It was set up with the expectation to lessen neediness in Malaysia by financing pay creating exercises using the payment of Ikhtiar Funds to poor households. To arrive at this target, AIM rehearses a gathering based model and gives a modest quantity of advance with no security to their customers (known as sahabat). Sahabat is the term utilized by the AIM for its customers. During a meeting with *Mingguan Wanita* magazine, Datuk Hajah Zabidah Ismail, the then Managing Director of AIM, said that the term sahabat took the soul of a fellowship of the friends of the Prophet Muhammad. They commonly upheld each other through various challenges. Through the passionate bond, it is expected that the AIM sahabat would uphold one another and have no uncertainty in reminding different sahabats on their issues. She further included that this fellowship idea was indispensable in AIM and one of the "mystery fixings" of the viability of the AIM programme.

All in all, to turn into the sahabat, the members must be over 18 years of age and have a base family salary of RM 3,050. After affirming their qualification to partake in AIM, the candidates are needed to frame a gathering of five from a similar neighbourhood. They are likewise needed to finish a 5-day course (1.5 hours out of every day) known as "Compositions Penurunan Kuasa" (or Handing Down Authority). During the course, the potential sahabats will be presented to the AIM rules and guidelines, credit control, and obligation of the sahabats as people, bunch individuals, and individuals from the middle. Toward the finish of the course, the potential sahabats are tried on their trustworthiness, obligation, and responsibility by the AIM officials before being acknowledged into the program. With at least two gatherings and a limit of 10 gatherings, a Center will be framed, and everything sahabats are needed to go to the Center week by week meeting. All AIM exchanges, for example, advance applications, credit reimbursements, and assortments of obligatory investment funds will be held during this Center week by week meeting. Be that as it may, dissimilar to Grameen Bank, AIM follows the Islamic standards where sahabats are just accused of 10% regulatory charges to take care of its operating expense, rather than a high premium rate. Overall, the expense of financing for AIM is around 11% per annum¹⁸. The Syariah Advisory Panel has additionally affirmed the organization expense as it did not depend on the financing cost. Also, its motivation is to make up for the expense straightforwardly spent by AIM to offer their types of assistance to the sahabat's. In AIM, the Syariah Advisory Panel was set up to guarantee that the exercises and items offered by AIM cling to the Islamic necessities. Following the Grameen Bank approach, each sahabat is needed to make a week after week instalment during the mandatory week after week community gatherings. Also, it is accepted that the number of customers in AIM was high and exceeded over 82% of the all-out poor and bad-to-the-bone helpless family units in Malaysia. With these figures, it was proposed that AIM is one of the greatest MFIs in the nation.

Moreover, until February 2015, it was accounted for that AIM had financed more than RM12 billion to its sahabats. From the figure, 70% was utilized to fund financial action while the equalization of 30% was utilized for non-monetary movement, for example, instructive and other individual needs. In 2013, AIM revealed that the reimbursement pace of their sahabats was as high as 98.09%.

3. THE IMPORTANCE OF FINANCIAL MANAGEMENT PRACTICES

Budgetary capital and the executives is a vital perspective to the endurance and prosperity of a wide range of enterprises. Besides, it is accepted that kinds of monetary capital gave are additionally one of the significant elements to decide the effectiveness of a business. It was additionally contended that hypothetically, without strain to reimburse, it might support poor or abuse of assets. As capital guide gave by the Zakat foundations are non-repayable, it was contended that the asnaf might be less capable in dealing with the assets when contrasted with the members of repayable microfinance. Comparative perspectives were additionally shared. Talking about on the new answers for zakat as salary creating program, there were worries that the non-repayable awards or sponsorship may urge members to turn out to be less dependable with the assets gave. By, it is accepted that the credit reimbursements itself may go about as an observing system for the borrower. "Credit, where it is truly observed as requiring reimbursement, has the great bit of leeway of driving the members to assume liability for the assets and to think about the financial suitability of the profitable speculation. Hence, Credit is quite often a more suitable type of help to pay age exercises than a non-repayable award or sponsorship". The worries raised by the above analysts are not without premise. Intending to take a gander at the significance of checking on miniature business visionaries in Malaysia, found that the exhibition of members under the non-repayable projects like Yayasan Basmi Kemiskinan and LZS is a lot of lower when contrasted with the repayable projects of AIM and TEKUN. In the examination, it was discovered that the mean scores of business pay after contribution in the microfinance programs at AIM, TEKUN and LZS were more prominent when contrasted with the all-out pay earlier inclusion with the projects, with AIM scored the most noteworthy. Notwithstanding, contrasting the business salaries between the members of the microfinance programs and 51 respondents from the benchmark group (the individuals who were qualified, yet chose not to participate in any of the projects), it was discovered that the LZS and YBK member's age of salary was a lot of lower when contrasted with the benchmark group. In general, the investigation inferred that the LZS and YBK programs that give the non-refundable miniature assets were less viable when contrasted with the AIM and TEKUN programs. Then again, monetary administration is predominantly concerning the viability of assets the executives in the enterprise. Agreeing, money related administration "is worried about the proficient utilization of significant monetary assets, specifically, capital assets". Past examinations on the essential achievement factors demonstrated that low or indiscreet money related administration to be the most significant variables for business failure. From the Islamic perspective, the disclosure of the Holy Quran offers direction on social and business viewpoints, including the bookkeeping and monetary administration practice. For example, stanzas 282 and 283 of Surah Al-Baqarah require the composition and recording of obligations and different business exchanges. Further broke down seven explicit bookkeeping frameworks that were rehearsed in the early Islamic states. This incorporates,

- i) stable accounting;
- ii) construction accounting;
- iii) rice farm accounting;
- iv) warehouse accounting;
- v) mint accounting;
- vi) sheep grazing accounting; and
- vii) treasury accounting.

Every one of these frameworks unavoidably shows the significance of having appropriate chronicle, interior control, planning, and responsibility which are all critical for good money related administration practice.

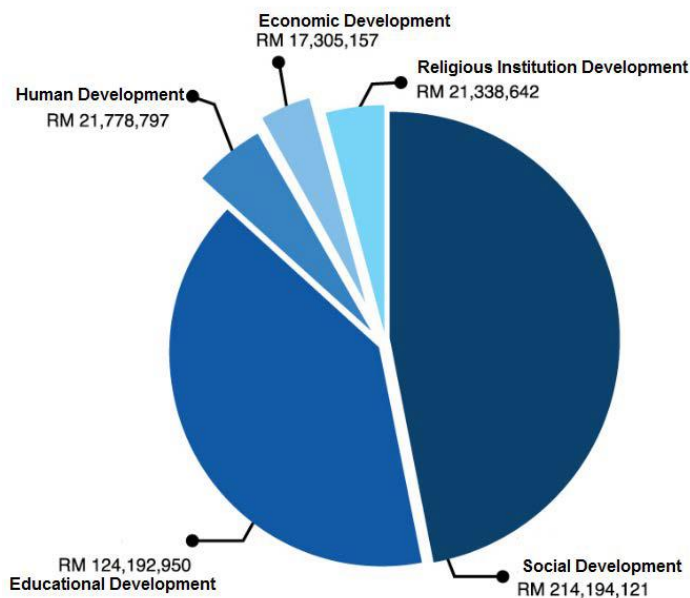


Figure 1. Zakat Distribution According to the Programs for the year ended 2013.23

Also, past examinations have likewise managed the effect of monetary administration on the presentation of a business. An investigation distinguished that a decent money related administration assists with improving the productivity of a business with the assistance of unequivocally monetary control gadgets, for instance, budgetary control, cost-volume benefit examination, and proportion analysis. Moreover, an investigation on independent venture monetary administration rehearses found that the presentation of a business is emphatically related to the proficiency of budgetary administration practices. This examination was additionally upheld by later investigations that uncovered that the fund procedure choices and account the executive's capacities are appeared to impact the development and benefit of SME. Understanding the budgetary administration practices of an association is imperative as they are exceptionally related to the responsibility of the people in the association. Past writings partner responsibility with the duties inside the association in reacting and adjusting the requirements of the partners in its emotional cycles and activities. Also, responsibility is likewise related to the desire that the dynamic cycles and exercises will be dependent upon assessment by the partners; for example, the investors, directors, clients and even the monetary providers. Besides, past writings reliably featured the significance of money related administration for a wide range of organizations, including little and miniature business people. In any case, in managing the miniature kinds of organizations, with the lion's share of the proprietors are delegated low, there are high prospects that they may have restricted information in monetary administration. Because of their impediments, different organizations, including the budgetary capital suppliers like MFIs, ought to consider giving, in any event, entire enterprise and financing information to these gatherings of individuals. By and by, through experience, it is expected that these miniature business visionaries would figure out how to appropriately deal with their organizations following the "open and shut circle learning" idea. By and large, past investigations demonstrated the significance of budgetary capital in maintaining a business for a wide range of undertakings, including little and miniature organizations. Albeit many concur that the money related capital of miniature business people is chiefly from the casual sources, for example, from their reserve funds or acquiring from relatives, one will not disregard the significance of dealing with the monetary capital. Hence, other than taking a gander at the various sorts of budgetary capital got by the miniature business people (for this situation, from the PPUAZ and AIM), it is additionally urgent to comprehend the monetary administration practices of those miniature business visionaries and the effect on their exhibitions. With the end goal of this investigation, budgetary administration rehearses spread the money related detailing, money the board, stock administration, and monetary arranging parts of the organizations.

4. METHODOLOGY

Planned to take a gander at the money related administration practices of miniature business people under the AIM and PPUAZ capital financing programs, this investigation embraces a blended strategy approach that joins both quantitative (overviews) and subjective (interviews) approaches. The reviews were led first to give the in general, and foundation data of the small undertakings and their budgetary administration rehearses. At that point, the discoveries from the poll are confirmed in the meeting meetings with the chose miniature business visionaries.

The review information is taken from 485 examples, of which 392 examples are from AIM, and the equalization of 93 examples are from PPUAZ. The review was attempted among April and June 2013 for AIM while the poll was appropriated to the miniature business visionaries of PPUAZ from July to December 2013. From the 392 examples, 76 examples (15.67%) are from Kuala Selangor, 77 examples (15.87%) are from Kuala Langat, 62 examples (12.78%) are from Hulu Langat, 67 examples (13.82%) are from Sepang, 44 examples (9.07%) are from Barat Laut Selangor, and 66 examples (13.61%) are from Hulu Selangor. In 2013, by alluding to the official AIM figure, there were 21,214 dynamic sahabat in Selangor. They were situated at 6 AIM branches, in particular, Barat Laut Selangor, Kuala Selangor, Hulu Selangor, Kuala Langat, Sepang, and Hulu Langat.

Notwithstanding, as at information assortment phase of this examination, AIM does not have official figures of sahabat engaged with small organizations. Accordingly, following the Cochran's computation, a sum of 384 examples from AIM are required for this investigation. Embracing the purposive inspecting strategy, tests were picked dependent on the members' eagerness to partake in the investigation. Nonetheless, to guarantee that the inquiries were replied by the focused on respondents, members were asked on whether they were effectively associated with maintaining a business before addressing the review questions. Then again, as the number of inhabitants in the PPUAZ miniature business visionaries is known (116 asnafs), Yamane's equation proposed 90 examples be gathered from PPUAZ. Like AIM, tests from PPUAZ were gathered dependent on their eagerness to take an interest in the investigation. Subsequently, a sum of 93 surveys figured out how to be gathered from PPUAZ miniature business people with the end goal of this examination. The meetings were then led in November and December 2014 through phone after all the information from the reviews have been completely breaking down. In light of the members' input from the poll, 17 of them were talked with; 12 are Sahabats, and the other five are from PPUAZ.

5. DISCOVERIES AND DISCUSSION

5.1 Financial Management Practices

In this examination, budgetary administration is estimated by

- i) recording or reporting activity,
- ii) frequency of recording / reporting,
- iii) usefulness of the financial recording,
- iv) financial planning, and
- v) inventory management.

To quantify their chronicle/revealing movement, respondents were approached to answer seven yes/no inquiries on resource recording, risk recording, deals exchanges recording, costs recording, estimation of benefit or misfortune, cash got and cash spent account. For every "Yes" answer given by the respondents, 1 imprint will be granted to the specific respondent, hence giving the account/detailing scores running from 0 to 7. Table 1 shows the chronicle/announcing action of the miniature businesspeople studied in this investigation dependent on the associations. In contrast, Table 2 sums up the general scores of the account/revealing action of the respondents. From Table 1, it appears to be that higher level of PPUAZ respondents in recording/revealing all the seven things when contrasted with the AIM respondents with recording business liabilities score the most reduced (62%)

among the PPUAZ respondents, and recording the cash spent score the most noteworthy (82%). Then again, the level of recording/announcing exercises of AIM respondents is a lot of lower running from 28% for recording business resources for 67% of recording the cash got. Generally, about 70% of the respondents recording the cash got, and this is trailed by recording the cash spent at 68%. About 61% of the respondents are ascertaining their benefit/misfortune month to month, and 51% account their operational expense. Then again, just 36% of the respondents are recording their business resources, while 45% and 47% of the respondents are recording their business liabilities and deals exchanges.

- i) preparing the cash budget,
- ii) determining the target cash balance,
- iii) occurring cash shortage,
- iv) occurring cash surplus,
- v) reviewing the inventory levels,
- vi) preparing the inventory budget, and
- vii) comparing between budgeted and actual results.

As appeared in Table 2, the average score of PPUAZ respondents on revealing was 5.23 while AIM respondents scored 3.45. The low rate and mean scores announced proposed that the miniature business people, as a rule, are not rehearsing a proper record keeping. This finding is steady with a past investigation by Abdul Halim, Said, Syed Yusuf, and Bahrom. In the examination, it was discovered that the account information and practice of 40 fruitful asnafs Selangor was beneath normal. Reliable with the finding in this investigation, it was likewise discovered that half of the respondents in the examination do not have a legitimate record-keeping framework.

Additionally, investigation in Table 3 uncovers that 30% of the respondents figure out how to score full checks in the revealing/recording movement proposing that they are rehearsing a legitimate book record keeping. Be that as it may, at the opposite end, around 104 respondents (or 21%) do not record anything from their business exercises.

This is disturbing as with no chronicle; the business visionaries are relied upon to confront a few budgetary issues, for example, liquidity and meeting their monetary duties, for example, paying their AIM advance or leasers, or much different operational expense, for example, paying the rent and wages of their labourers. During the meeting meetings, it was discovered that 2 out of the 17 interviewees fall under the "0" score classification. One of them is from AIM while another is from PPUAZ. Both were asked about how they are managing their everyday business exchanges without recording them. The respondent from PPUAZ, member P conceded that he could recollect all his business exchanges by heart and he can appraise his month to month benefit by taking a gander at the measure of cash left toward the month's end. For the PPUAZ respondent, the cash left is equivalent to his business benefit. The respondent anyway asserted that by a wide margin, he had never confronted any money related troubles even though he does not record his business exchanges. Then again, the interviewee from AIM, member D conceded that she does not record anything as she does not have the foggiest idea how. In this way, to meet her business monetary responsibilities, she said she simply pay with whatever cash she has, either from business or individual cash. In any case, she admitted that occasionally, she experiences issues in paying her credits or even in getting her stock. Then again, to quantify the productivity of the budgetary administration, the respondents were solicited on the recurrence from these seven exercises happen in their business.

Table 1. Reporting / Recording Activity of the Respondents (Based on the Organizations)

Items	Yes (%)	No (%)
I have records of all my business assets		
AIM	110 (28%)	282 (72%)
PPUAZ	64 (69%)	29 (31%)
	174 (36%)	311 (64%)
I have records of all my business liabilities		
AIM	160 (41%)	232 (59%)
PPUAZ	58 (62%)	35 (38%)
	218 (45%)	267 (55%)
I record all my sales transactions		
AIM	159 (41%)	233 (59%)
PPUAZ	70 (75%)	23 (25%)
	229 (47%)	256 (52%)
I record all my business expenses		
AIM	179 (46%)	213 (54%)
PPUAZ	69 (74%)	24 (26%)
	248 (51%)	237 (49%)
I calculate my profit/loss monthly/yearly		
AIM	224 (57%)	168 (43%)
PPUAZ	74 (80%)	19 (20%)
	298 (61%)	187 (39%)
I record all the money received		
AIM	264 (67%)	128 (32%)
PPUAZ	75 (81%)	18 (19%)
	339 (70%)	146 (30%)
I record all the money spent		
AIM	255 (65%)	137 (35%)
PPUAZ	76 (82%)	17 (18%)
	331 (68%)	154 (32%)

6. CONCLUSION

It is by and large accepted that the neediness rate might be diminished by urging the poor to include in the enterprise. In any case, because of the variables that they have no insurance and appropriate business records to help their credit applications in the formal budgetary foundations, it is a significant test for the poor to fund their small organizations. Hence, the presentation of microfinance idea by Prof Muhammad Yunus is viewed as an open door for the poor to approach credit and other budgetary administrations. In Malaysia, AIM and PPUAZ are the instances of associations that offer capital financing to their members. Regardless of having various components, both AIM and PPUAZ have a comparative target, which is to improve the financial states of their members. Hypothetically, as PPUAZ is "without giving cash" from the zakat assets to the asnafs business people, it is expected that they are commonly less proficient in dealing with their money. Nonetheless, this investigation

found the inverse as asnafs business people are commonly more productive in dealing with the fund when contrasted with the sahabats.

Table 2. Descriptive Analysis of Reporting/Recording Activities (Based on Organizations)

	N	Min.	Max.	Mean	Std. Deviation
AIM	392	0	7	3.45	2.651
PPUAZ	93	0	7	5.23	2.605
	485	0	7	3.79	2.731

Table 3. Overall Scores of Reporting / Recording Activities

Scores	AIM	PPUAZ	Overall
0	93 (24%)	11 (12%)	104 (21%)
1	13 (3%)	4 (4%)	17 (4%)
2	59 (15%)	4 (4%)	63 (13%)
3	47 (12%)	6 (7%)	53 (11%)
4	39 (10%)	2 (2%)	41 (9%)
5	15 (4%)	3 (3%)	18 (4%)
6	34 (9%)	8 (9%)	42 (9%)
7	92 (24%)	55 (59%)	147 (30%)