

THE EFFECT OF THE DEMOGRAPHIC FACTORS OF MICRO-ENTREPRENEUR ON FINANCIAL LITERACY: CASE OF AMANAH IKHTIAR MALAYSIA (AIM)

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ABSTRACT

Financial literacy is very important in the success of any business venture. Amanah Ikhtiar Malaysia (AIM) formed in 1987 is the largest microfinance institutions that assist in the poverty eradication for Micro Small and Medium Enterprises (MSMEs) in Malaysia. The purpose of this study is to investigate whether demographic factors such as gender, age, marital status and education have an effect the financial literacy on micro-entrepreneurs. AIM micro-entrepreneur can be an engine for the financial growth and development of economy in Malaysia. However, we need to identify demographic factors on financial knowledge, financial socialisation agents, financial attitude, financial skills and accounting practice so that appropriation actions can be taken to ensure the success of their business. This research is conducted using a survey method whereby 312 self-administered questionnaires were collected from AIM micro-entrepreneur throughout Malaysia. The analysis adopts a quantitative research approach with a descriptive research design. A random sampling technique was used for this study. Data are analysed using the Statistical Package for Social sciences (SPSS). The results showed that entrepreneurial businesses fail because they have got unsatisfactorily low financial literacy. Therefore, recommendations include awareness and usage of authorities support programmes to improve the financial literacy of micro-entrepreneurs. MSMEs are also motivated to enrol for a certificate in financial literacy to improve and enhance their financial management to run their businesses effectively. This study would guide policies and guidelines for the adoption of by the regulators and government.

Keywords: Amanah Ikhtiar Malaysia, MSMEs, Financial Literacy, Demographics, SPSS

1. INTRODUCTION

Micro Small and medium enterprises (MSMEs) are taken into consideration the actual growth engine in the economy of many countries. MSMEs play a significant function in generating up the essential macroeconomic indicators. The description of MSMEs varies in different countries, and actually in different organisations within the same condition. MSMEs in Malaysia has a significant contribution to GDP and work. According to the statement by the Department of Statistics Malaysia (2018), this sector contributes 33.1% of the national's GDP and share 56% of the total work opportunity (Sapir et al., 2020). They can become classified relating to several different requirements: for example, many workers, the invested capital, and quantity of product sales. A local cafe that comprises of Food and Beverages sector is usually positioned the initial in the number of workers and companies, while materials and weighty materials section are the second. Others consist of fabrics and clothing, wood and paper, furniture, and ceramics and bricks (Raheem & Meera, 2018). It can also be apparent that some industrial sectors possess higher development possibilities than others. This is because of their link with larger industrial sectors. This present position calls for the creation of many new entrepreneurial businesses lest the community falls into financial stagnation and crisis. Rural entrepreneurship can be central to regional financial development through the creation of work development, poverty alleviation and sustainable financial development (Nadzri et al., 2018). Malaysian's MSMEs, in general, suffer from some problems which slow down this sector to flourish. Among these problems, easy access to financing is the main one. There are many elements such as social financial, demographic and political-for the low access to funding (Ibrahim et al., 2018). This study will examine the effect of demographic factors on accessing to financial literacy in Malaysian's MSMEs.

Many research (Wahab et al., 2018; Sapir et al., 2020) showed that a firm's demographic elements, in particular its size, ownership type, age and sector impact the access to micro-enterepenure on financial literacy. These research show that micro-small companies possess more credit restrictions than large companies (Singhal, 2020). This is credited to the fact that micro-small companies are frequently owned and managed by private who possess no legal responsibility to statement economic efficiency or to audit their financial accounts frequently (Tambunan, 2017; Dzomonda & Fatoki, 2018; Khan et al., 2019). Another reason is that micro-small companies possess fewer resources to offer as security. Third, micro-smaller companies are connected with high failure rates in comparison to large companies. These three elements increase ethical risk, as well as expected risk connected with financing (Yuan et al., 2019). Concerning the age of the company, research shows that old companies have more straightforward access to funding than new companies. According to (Kadarisman, 2019), becoming in business for a more extended time indicates that the company offers founded some track record and is competitive on average. Such as also possess lower educational power outage, and any details needed by conservative organisations are easily obtainable. However, new companies may not possess accumulated sufficient resources and may not meet up with the security requirements of financiers. This makes it challenging for them to gain access to loans. Koe (2016), explains that the sector of the company impacts its gain access to funding. According to this author, financing institutions are likely to favour those organisations that are showing development (Haque et al., 2019). Service sectors also find it hard to access credit as they have much less collateral to give since the main input generally is a human being rather than physical capital. Depending on the area, the sector is an essential determinant of access to funding for SMEs (Rahim et al., 2019).

This study is structured as follows. Section 2 provides a literature review. Section 3 explains the conceptual model and develops of hypothesis. Section 4 discusses the study methodology and data. Section 5 provides information about data analysis and discussion of results, and the last section concludes the paper.

2. LITERATURE REVIEW

2.1. MSMEs and Financial Literacy in Malaysia

The definition of MSME in Malaysia (including micro business) refers to the total number of employees and the firm's sales turnover (Aziz et al., 2012; Kimiyaghalam & Yap, 2017) as tabulated in Table 4.8. The explanation of small business from SME Corporation Malaysia stated that MSME segregation is dependent on sales turnover. Since 2005, the MSME description is broader as the industries are divided into two main areas, particularly manufacturing and primary agriculture and services (Koe, 2016). The provision for manufacturing sector comprises of sales turnover of less than RM25 million or full-time workers is less than 150.

On the other hand, for primary agriculture and services, the requirement for sales turnover must become less than RM5 million or full-time workers can be less than 50 SME Corporation Malaysia. January 2014, the MSME description can be modified as the existing description offers in place for the past nine years and credited to many developments in the Malaysian economy (Fauzilah et al., 2011). As such, the cost inflation, structural changes and transformation in business styles. All of these elements have been used into accounts with the new description (SME Corporation Malaysia, 2014a). For example, MSMEs across all areas, the sales turnover must become less than RM50 million or full-time workers not going above 200 full-time workers. For more information, refer to Table 1.

Table 1 MSME Definition in Malaysia

Category	Micro	Small	Medium
		Sales turnover from RM300,000 to less than RM15 million	Sales turnover from RM15 million to not exceeding RM50 million
Manufacturing	Sales turnover of less than RM300,000	OR Full-time employees from 5 to less than 75	OR Full-time employees from 75 to not exceeding 200
Services and Other Sectors	OR Less than five full-time employees.	Sales turnover from RM300,000 to less than RM3 million OR	Sales turnover from RM3 million to not exceeding RM20 million OR
		Full-time employees from 5 to less than 30	Full-time employees from 30 to not exceeding 75

Source: (SMEs Corporation, 2019)

Financial literacy initiatives are complementary to the increase in access and use of essential financial services by the poor. According to World Bank (2012), entry of new financial services' providers into the market with more complex financial products and services calls for the need to create awareness among the poor MSMEs operator (Xu, 2012). Thus, there is a growing concern for the MSMEs to be financially literate as evidenced by the low rate of financial inclusion of poor MSMEs operator in rural areas. Poor rural MSMEs operator is faced with growing challenges in making financial decisions and choices that often tend to complicate rather than simplify their lives (Ansar et al., 2019; Sapir et al., 2020). Therefore, they require a lot of information and MSMEs in choosing among the growing number of financial products and services in the financial market in Malaysia (Acnsar et al., 2019; Chu et al., 2017; Gharleghi, 2015; Kimiyaghalam & Yap, 2017).

Financial literacy helps to improve the efficiency and quality of financial services. The poor MSMEs operator more than ever need a certain level of financial understanding and skills in order to evaluate and compare financial products, such as bank accounts, saving products, credit and loan options, payment instruments, investments, and insurance coverage (Janor et al., 2016). According to Kimiyaghalam & Yap (2017), elucidates that financial skills linked to hands-on training among poor MSMEs operator in developing countries may help them have the capacity of making a saving plan. Gharleghi (2015), revealed that financial literacy programme tailored to teach an unbanked individual in Indonesia about savings accounts led to a modest increase in the demand for savings account among those with low initial levels of financial literacy. It helped them to develop both the skills to compare and select the best products for their needs, and also empowered them to exercise their rights and responsibilities in the consumer protection equation. Additionally, Abdullah & Anderson (2015) also observed that financial literacy drive enables the poor MSMEs operator to become more informed financial decision-makers with a high sense of awareness on financial issues and choices coupled with necessary financial literacy.

Entrepreneurial businesses actively reduce poverty because they tend to employ poor and low-income workers and sometimes, they are the only way to obtain employment in rural areas and poor regions (Ibrahim et al., 2018). Another crucial function performed by entrepreneurial businesses is the decrease in the flow of individuals from rural to urban areas and can very quickly be established with the reduced skill (Qoyum & Fauziyyah, 2019). Rural areas like Fetakgomo municipality tend to benefit significantly from entrepreneurial businesses. However, the business owners in this rural area are not performing with their fullest potential. Their businesses tend to mushroom and die within a brief period, which can be a reason behind concern to policymakers. This research cites the above to poor economic management among rural business owners.

This may enable them to improve startup capital because of their business and avoid the stress of trying to get loans which are generally hard to gain access (Rahman et al., 2016). Similarly, (Qoyum & Fauziyyah, 2019) remember that in general people in Malaysia do not save at all. Slightly a significant number of people in Malaysia are sunk in customer financial obligations and identifies actual financial management behaviour as a proxy to business achievement (Zarook et al., 2013). Equally important is the reality that a significant number of small businesses are exclusively owned.

2.2. Amanah Ikhtiar Malaysia (AIM)

Amanah Ikhtiar Malaysia (AIM) is an exclusive trust established by regulations that provide as a microfinance institution (MFI) established in Malaysia on 17 September 1987 by the Deed of Contract AIM. It is registered under the Trustees (Incorporation) Act 1952 as amended in 1981 (Act 258) which gives a small mortgage to poor households and low-income households in Malaysia (Raheem & Meera, 2018). Furthermore, repayment performance is vital that you lenders because in a case where borrowers do not pay in a particular time or do not pay back the mortgage, the cyclic movement of funds could be disturbed as the liquidity of the fund of the organisations can be insufficient (Dzomonda & Fatoki, 2018). According to Zannah (2017), borrowers who are not capable of repayment or will not repay are believed as poor loan repayment efficiency. Their behaviour may lead to high default rates of the organisations on their repayment efficiency (Nadzri et al., 2018). According to Philip (2010), the lack of knowledge among college students could raise the risk in accumulating intensive debt in their research. Tambunan (2017), said that new graduates lack the knowledge if they do not have any experience of employed in the real world.

The loan schemes provided by AIM can be split into categories. The initial loan for economic reasons followed by non-commercial purpose and lastly is for recovery (Norma & Jarita, 2011). The most recent microloan that introduced by AIM is the urban micro loan in the financial category. This loan scheme is customised to poor and low-income earners surviving in urban areas. With this loan scheme, it is hoped that poor and low-income group can create a small business to improve their income and also have a better lifestyle (Rahim et al., 2019). Each loan group offers different eligible loan amount and duration of the instalment. For the economic reasons, there is a loan scheme named as i- Mesra loan, i-Srikandi loan, i-Wibawa loan and the latest one is the urban microloan (Omar et al., 2012). For the non-commercial purpose or also referred to as social loan, there are i-Bistari loan and i-Sejahtera loan, and for recovery, loan referred to as an i-Penyayang loan (Mamun et al., 2014). The operation of AIM is different from other MFIs. AIM was structured via the group- a central idea which is translated through organisations and federated into centres (Misnan & Manaf, 2015). As the membership of AIM is open for the low income and under poverty group also household who are making a living significantly less than two-third of the government poverty line, currently AIM is open to a household earning a household income equal to or less than RM2,000 or per capita below RM400 monthly (Norma & Jarita, 2011).

AIM system was designed exclusively to the poor and low-income group to help the group continue and stand by their capability (Terano et al., 2015). The delivery system created by AIM mainly to attain the target as follow; loan supplied by AIM to the client is with no collateral, no guarantor, no interest and there are no legal actions will be taken for individuals who are failing woefully to repay the loan amount (Samer et al., 2015). Besides that, for a member in group's loan, each group member stands as guarantor and credit discipline via peer pressure, each member in the group are responsible for supporting others, and peer pressure offers to donate to the maintenance of credit discipline (Asiyah et al., 2018). Other than that, members are compulsory go-to for every week meeting and donate to the group conserving. Moreover, lastly, AIM's staff will monitor every week meeting conducted by the mind of centre and loan are strictly for just about any income-generating actions, and the borrower correctly utilises loans, members in each group will show their weekly financial statement (Abid & Shafai, 2017; Haque et al., 2019; Hossain & Wadood, 2020; Uddin et al., 2020).

Malaysia has a collection by the entire year 2051 country will achieve developed country position by estimating the reduced amount of poverty and improve living requirements consistent with other developed countries (Ibrahim et al., 2018). In this instance, AIM was supplied the positive effect to the participant standard of living and raising the standard and business lead improvement in MSMEs financial literacy.

3. RESEARCH METHODOLOGY

The analysis adopts a quantitative research approach with a descriptive research design. A quantitative research approach is advisable to make use of as it can help verify the precision of the data (Ahmed & Khan, 2016). This study used a survey methodology to accomplish the objectives of the study. Survey data were collected using a structured questionnaire as an instrument to evaluate the level of financial literacy. The survey was undertaken by the face-to-face method in order to overcome issues related to low levels of literacy. The descriptive and inferential analysis is to be used to examine the extent of awareness regarding financial literacy among MSMEs in AIM. A random sampling technique was used for this study.

Data collected from the final field study was captured into SPSS 22 and analysed to produce the required statistics results.

The self-administered questionnaire was used to collect data in 312 participants without the help of the researcher. Question items had been adapted from the financial management behaviour scale produced (Aziz et al., 2012). Both measuring tools exhibited high levels of reliability and validity and also have been trusted in the literature to measure financial management behaviour seen figure 1 (Salleh et al., 2012). Likert scale questions which range from "1 strongly disagree" to "5 strongly agree" were used to measure financial management behaviour. Demographic variables regarded were gender, age and level of education (Janor et al., 2016). They were considered predicated on the indication they are possible determinants of financial management behaviour. However, they have not been examined empirically in the context of rural business owners' financial literacy

(Zannah, 2017). The convenience and random sampling methods were used to identify the study participants. Cronbach’s alpha was used as a way of measuring reliability, descriptive statistics and factor analysis.

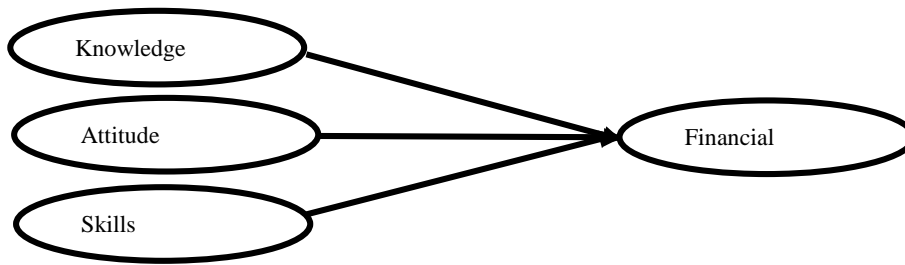


Figure 1: Conceptual Framework

Demographic information provides data regarding research participants and is necessary for the determination of whether the individuals in a particular study a representative sample of the target population for generalisation purposes are knowledge, attitude and Skills are independent variables by definition because they cannot be manipulated and will affect the outcome of financial literacy among MSMEs in Amanah Ikhtiar Malaysia (AIM).

4. DATA ANALYSIS AND DISCUSSION

It was mentioned in a total of 312 responses was collected from the distributed questionnaires representing 97.5%. The sample of the respondents was taken from the AIM stakeholders, particularly client. The respondents were classified by their gender, marital status, education level and monthly income. These classifications are discussed in the subsequent sections. According to Table 4.1, 9 respondents (2.9%) were male, and 303 respondents (97.1%) were female. One essential thing to note here is those female respondents were majority contrary.

Table 4.1 Gender

	Frequency	Per cent	Valid Percent	Cumulative Percent
Valid Male	9	2.9	2.9	2.9
Valid Female	303	97.1	97.1	100.0
Total	312	100.0	100.0	

Table 4.2 shows that 277 (88.8%) of the respondents were married, 18 (5.8%) were single and 12 of them were divorced = 3.8% indicating that the majority of these females are married. The following table also shows the number of female entrepreneurs seems to be prominent in the productive services to engage in their business activities effectively.

Table 4.2 Marital Status

	Frequency	Per cent	Valid Percent	Cumulative Percent
Valid Single	18	5.8	5.8	5.8
Valid Married	277	88.8	89.1	94.9
Valid Divorce	12	3.8	3.9	98.7
Valid Others	4	1.3	1.3	100.0
Total	311	99.7	100.0	
Missing System	1	.3		
Total	312	100.0		

Table 4.3 shows that 113 (36.2%) of the respondents were age is 40-49 years old, 107 (34.3%) were 50 years above and 75 of them were age is 30-39 years old = 24% indicating that the majority of these females are 40 years above old.

Table 4.3 Age

	Frequency	Per cent	Valid Percent	Cumulative Percent
Valid 18-29 years	16	5.1	5.1	5.1
30-39 years	75	24.0	24.1	29.3
40-49 years	113	36.2	36.3	65.6
50 years above	107	34.3	34.4	100.0
Total	311	99.7	100.0	
Missing System	1	.3		
Total	312	100.0		

Table 4.4 shows that 250 (80.1%) of the respondents were Malay and 60 (19.2%) were Indian that the majority of these entrepreneurs are Malay ethnicity. The following table also shows the number of female entrepreneurs seems to be Malay ethnicity in the productive.

Table 4.4 Race

	Frequency	Per cent	Valid Percent	Cumulative Percent
Valid Malay	250	80.1	80.1	80.1
Chinese	2	.6	.6	80.8
Others	60	19.2	19.2	100.0
Total	312	100.0	100.0	

The following table 4.5 shows that 87% (272 respondents) had a secondary level of education, 12 (3.8%) respondents had Diploma education and the rest 8 respondents (2.6%) had tertiary education which was bachelor's degree. Some of them were in their first year of study while others were in the final year of their study. It indicates that 87.2% of the total respondents from these secondary are well informed.

Table 4.5 Education Level

	Frequency	Per cent	Valid Percent	Cumulative Percent
Valid Secondary	272	87.2	91.9	91.9
Diploma	12	3.8	4.1	95.9
Degree	8	2.6	2.7	98.6
Master	2	.6	.7	99.3
PhD	1	.3	.3	99.7
Others	1	.3	.3	100.0
Total	296	94.9	100.0	
Missing System	16	5.1		
Total	312	100.0		

According to Table 4.6, 293 respondents (93.9%) had a yearly income of below RM 300 thousand (USD 75 thousand), five respondents (1.6%) had a yearly income of RM 301 thousand -1 million (USD 75.1 thousand - 250 thousand).

Table 4.6 Sales turnover per year

		Frequency	Per cent	Valid Percent	Cumulative Percent
Valid	Below 300K	302	96.8	97.7	97.7
	301 K to 1million	5	1.6	1.6	99.4
	1million to 5million	1	.3	.3	99.7
	> 5 Million to 10 Million	1	.3	.3	100.0
	Total	309	99.0	100.0	
Missing	System	3	1.0		
Total		312	100.0		

Table 4.7 Measures of Constructs and Descriptive Statistics

Items	N	Mean	Std. Deviation	Skewness	Std. Error	Kurtosis	Std. Error
Knowledge							
FK1--Savings is very important to ensure that my business will survive.	312	4.5417	.63006	-1.749	.138	5.702	.275
FK2--The higher the saving rate the higher return for my business.	311	4.1447	.88443	-1.245	.138	1.679	.276
FK3--The ability to compute interest is very important	311	4.4084	.61993	-.956	.138	2.353	.276
FK4--knowledge of the rate of inflation is important for my business decision	312	4.3205	.71265	-.985	.138	1.121	.275
FK5--Financial knowledge is important to understand products operations	312	4.5737	.55647	-1.083	.138	1.461	.275
Skills							
FS1—Financial skills are essential for entrepreneurs	312	4.6250	.49799	-.676	.138	-1.159	.275
FS2—I should visit my customers to improve my financial skills.	312	3.8558	3.08012	14.774	.138	246.202	.275
FS3—The use of financial software will enhance my financial skills.	312	4.1346	.78233	-1.295	.138	2.767	.275
FS4—I use financial skills to explain the products to customers.	312	3.9712	.83481	-.780	.138	.506	.275
FS5—Financial skills can be developed via practice	310	4.3323	.66043	-.958	.138	2.114	.276
Attitude							
AP1—I must be accurate in my accounting practices	310	4.3548	.58837	-.379	.138	-.112	.276
AP2—It is very important to keep separate personal and business expenses	311	4.5916	.51787	-.654	.138	-.950	.276
AP3—Financial statement should be interpreted accurately for business decision	311	4.4051	.55924	-.344	.138	-.132	.276
AP4—The knowledge of tax computation enables me to manage my business.	311	4.0547	.76637	-.872	.138	1.225	.276
AP5—Preparing a budget is very important for the success of my business.	311	4.4566	.57688	-.692	.138	.658	.276
Financial Literacy							
FL1--Financial literacy will ensure my business to prosper	311	4.4952	.61629	-1.313	.138	3.482	.276
FL2--Financial literacy enables me to make wise business decision	311	4.4566	.58795	-.837	.138	1.268	.276

FL3--Financial literacy has a positive impact on my business wealth	311	4.3859	.58392	-.525	.138	.490	.276
FL4--Financial literacy enables me to expand my business	311	4.4759	.59452	-.926	.138	1.322	.276
FL5--Financial literacy will lead to sustainable business	311	4.4630	.59385	-.786	.138	.647	.276
Valid N (listwise)	304						

Note. N=312 for all items. All items were measured using a 5-point Likert scale. SD is the standard deviation

The authors of this research believe that this is one of the factors which increase the loan denial rate of MSMEs by AIM. Banks usually check the credit profile of MSMEs before they can grant those loans. In comparison with other similar findings (Zannah, 2017) remarks that good MSMEs improves the financial standing of a business. Similarly, (Kadarisman, 2019) argues that people with positive MSMEs are less likely to be affected by a recession because they could have saved well enough. This is because MSMEs has a bearing on one’s knowledge, attitude and skills (Sapir et al., 2020). An inability to financial literacy has severe repercussions for MSMEs (Ansar et al., 2019).

Table 4.8 Factor Analysis Results of Financial literacy

Rotated Component Matrix				
	Component			
	1	2	3	4
FK1--Savings is very important to ensure that my business will survive.			.918	
FK2--The higher the saving rate the higher return for my business.			.834	
FK3--The ability to compute interest is very important			.824	
FK4--knowledge of the rate of inflation is important for my business decision			.870	
FA1--I will always maintain healthy cash flow to manage my business successfully.		.996		
FA2--I should not allow my business to incur expenses unnecessarily		.949		
FA3--My business should achieve the targeted profit it has set for.		.888		
FA4--I should constantly monitor my business performance to achieve my target		.844		
FA5--Positive financial attitude is essential for to achieve profit.		.820		
FS3--The use of financial software will enhance my financial skills.				.879
FS4--I use financial skills to explain the products to customers.				.849
FS5--Financial skills can be developed via practice				.813
FL1--Financial literacy will ensure my business to prosper	.819			
FL2--Financial literacy enables me to make wise business decision	.832			
FL3--Financial literacy has a positive impact on my business wealth	.803			
FL4--Financial literacy enables me to expand my business	.795			
FL5--Financial literacy will lead to sustainable business	.820			
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.			.923	
Approx. Chi-Square			3279.204	
Bartlett’s Test of Sphericity	df		300	
	Sig.		.000	

In terms of Factor analysis for financial literacy, four factors with Eigenvalues greater than one were extracted. Factor 1 was labelled financial literacy. Factor 2 was labelled attitude. Factor 3 was labelled financial knowledge. Factor 4 was labelled financial skills. The Kaiser-Meyer-Olkin Measure of Sampling Adequacy is .923, indicating high reliability of the scales. More importantly, Bartlett’s Test of Sphericity is .001; it is also significant the factor analysis. It can be deduced that all the variables sufficiently measured the underlying financial literacy in MSMEs in AIM.

5. CONCLUSION

The benefits connected with rural entrepreneurship, especially in developing and developed countries, cannot be overestimated. Malaysia is challenges, for example, high unemployment, poverty and income inequality. Micro-entrepreneurship is central to local financial development through the creation of work growth, poverty alleviation and sustainable economic development. However, micro-enterprises exhibit a higher level of business discontinuance. Active financial literacy can enhance the survival and development rate of micro-enterprises. Financial literacy is among one of the critical aspects necessary for the achievement of a new venture. The purpose of this research was to investigate the financial literacy of Amanah Ikhtiar Malaysia micro-entrepreneurs which focus on demographic factors such as gender, marital status, age and race. The results indicated that in terms of financial knowledge, the three top important factors are that it is essential for the understanding of products, savings is critical to ensure that their business will survive and it is also essential to know how to compute interest

As for attitude, the top three factors are to keep separate personal and business expenses; preparing a budget is very important for the success of a business and accurate in accounting practices. The rotated component factor is maintained healthy cash flow, should not allow the business to incur expenses unnecessarily and positive financial attitude among MSMEs in Amanah Ikhtiar Malaysia micro-entrepreneurs by encouraging them to use financial products that suit their economic condition and status in order to be financially included. Also, in terms of skills, the top three factors are essential for entrepreneurs, can be developed via practice, and financial software will enhance financial skills. Factor analysis is that financial software will enhance financial skills, to explain the products to customers and can be developed via practices among MSMEs in Amanah Ikhtiar Malaysia micro-entrepreneurs by encouraging them to use financial literacy. Lastly, in terms of overall financial literacy top, three factors are ensuring business to prosper, enable to expand the business and financial literacy will lead to sustainable business. On the other hand, it not in isolation because people learn from one another through observation, imitation, and modelling in social interaction.

Functional financial literacy is among the essential abilities required by entrepreneurs to be able to manage their financial problems well to prolong the lifespan of their businesses. Hence, issues to cope with financial literacy among micro-entrepreneurs need to be determined and improved. The results showed that entrepreneurial businesses fail because they have got unsatisfactorily low financial literacy. Therefore, recommendations include awareness and usage of authorities support programmes to improve the financial literacy of micro-entrepreneurs. Municipalities may also be involved in providing training for micro-entrepreneurs. MSMEs are also motivated to enrol for a certificate in financial literacy to improve and enhance their financial management to run their businesses effectively.

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