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## **Determinants of Inefficient Financial Management among Women Entrepreneurs in Amanah Ikhtiar Malaysia**

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### **Abstract**

Effective financial management is a critical factor in the success of small and medium-sized enterprises (SMEs). However, a lack of financial management skills can hinder business performance and sustainability. This study aims to identify the factors contributing to inefficient financial management among women entrepreneurs affiliated with Amanah Ikhtiar Malaysia. Data were collected through semi-structured interviews and analysed using a thematic analysis approach. The findings highlight key areas of concern and offer insights that could support the development of a new generation of competitive, financially literate entrepreneurs equipped to navigate future challenges.

**Keywords:** Financial Management; Small and Medium Enterprises (SMEs); Women Entrepreneurs

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### **1.0 Introduction**

Globally, small and medium-sized enterprises (SMEs) are defined and classified according to various criteria, with annual sales turnover and number of employees being the two most commonly used indicators, as illustrated in Figure 1. For instance, an enterprise may be categorised as a microenterprise if it has a small workforce, even if its sales turnover falls within the medium range. In such cases, the lower classification is typically applied when an enterprise meets different criteria across categories. SMEs are vital in most economies worldwide, serving as key drivers of economic growth, employment, and innovation.

In the Malaysian context, the GDP growth of SMEs has historically outperformed that of the national economy, as shown in Figure 2. However, in 2020, this trend reversed for the first time since 2003, with SMEs recording a contraction of 7.3% in GDP growth (Chart 1). Additionally, their contribution to national GDP declined from 38.9% (RM553.5 billion) to 38.2% (RM512.8 billion) (Chart 2). The manufacturing and services remain the dominant contributors, accounting for over 80% of total SME economic output. This decline reflects the profound impact of the COVID-19 pandemic, particularly on these key sectors, and underscores the vulnerability of SMEs to economic shocks. It also highlights the urgent need for enhanced financial resilience and targeted support mechanisms.

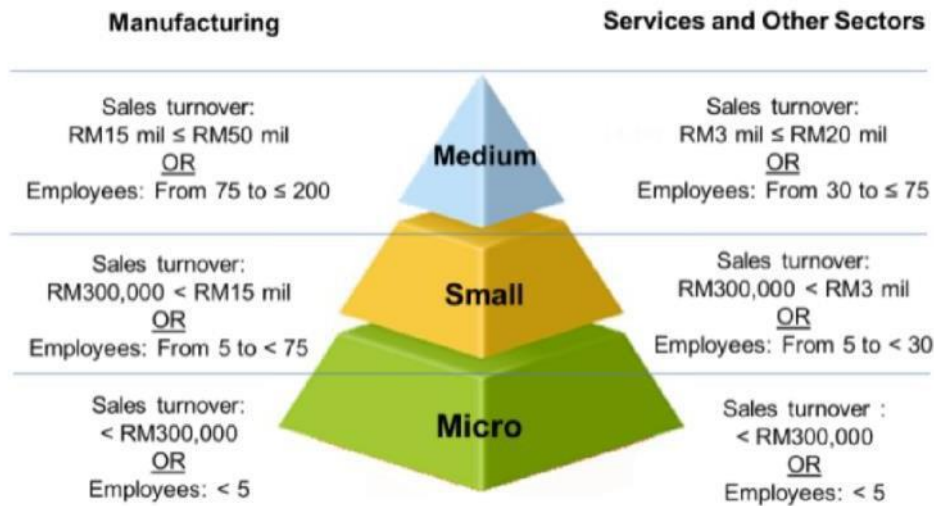


Fig. 1: Category, micro, small and medium  
(Source: SME Corporation Malaysia Official Website)



Fig. 2: Performance of SMEs GDP 2020  
(Source: Official Statistics)

Further compounding these challenges, data from the Malaysian Insolvency Department (Mdl) reveal a rising trend in corporate liquidations between 2018 and 2022, primarily due to debt repayment difficulties. This trend indicates widespread financial distress among SME entrepreneurs, particularly those in the trade, wholesale, and retail sectors. The inability to service existing debts restricts their access to new financing from banks and other financial institutions. A key barrier is the difficulty stakeholders face in assessing the financial health of SMEs, primarily due to disorganised accounting records, limited use of audit services, and inadequate documentation of sales transactions (Nurul Huda & Ramlee, 2009; Suraiya, Ahmad Rafli, & Azhar, 2012). These challenges highlight the importance of sound financial management practices, which SME entrepreneurs must prioritise, as they directly influence profitability, creditworthiness, and long-term sustainability (Ahmad et al., 2021).

The Malaysian government has launched various initiatives to support and empower small business owners. These programs provide entrepreneurs with the support, training, and funding they need to succeed in their ventures. "For instance, Amanah Ikhtiar Malaysia (AIM) has provided RM195.2 million in financing to 31,828 Sahabat Usahawan (Entrepreneurial Friends), giving them access to the capital needed to expand their businesses (Nabalu News, 2023). AIM is a non-profit organisation in Malaysia that supports individuals with special needs in advancing their socioeconomic status. It also contributes to state and community development, focusing on

empowering women and other active entrepreneurs. Its efforts serve as a role model for microfinance initiatives. AIM has played a significant role in helping many women entrepreneurs grow their businesses.

To achieve this goal, AIM has developed a unique delivery method. According to Amanah Ikhtiar Malaysia (2024), its loans are free from interest, collateral, and guarantor requirements. The New Straits Times (2024) also reported that RM50 billion was allocated by the government through AIM to support Indian women micro-entrepreneurs. News reports also note that AIM-supported SMEs have demonstrated good repayment behaviour, which has led the government to continue disbursing substantial funds through this channel.

According to the Global Gender Gap Index 2023, Malaysian women in SMEs rank 102nd out of 146 countries, which is relatively lower compared to other ASEAN countries. In Malaysia, women operate various types of enterprises, including retail shops, restaurants, childcare centres, beauty and hair salons, tailoring services, and tuition centre. Previous research by Nur Afifah and Norhidayah (2021) indicates that the limited number of women entrepreneurs is mainly due to a lack of knowledge and opportunity. Moreover, Bumiputera entrepreneurs often demonstrate only moderate levels of financial knowledge and management skills, which presents a significant challenge for SME development, particularly for women entrepreneurs in Malaysia.

Although numerous studies have explored the success of microfinance programs, few have examined the issue of inefficient financial management following loan disbursement. Therefore, this study aims to fill that gap by examining the extent to which women entrepreneurs under Amanah Ikhtiar Malaysia apply financial reporting and analysis methods. Despite the importance of financial management, the sector has received limited attention, even though poor financial practices are a significant contributing factor to SME failures. The objective of this study is to examine the factors that contribute to inefficient financial management among women entrepreneurs supported by Amanah Ikhtiar Malaysia.

## 2.0 Literature Review

In Malaysia, small and medium-sized enterprises (SMEs) serve as a major engine of economic growth, benefiting the nation and its citizens. SMEs have generated substantial employment opportunities, contributing to national income and the broader socioeconomic development agenda. They have also fostered the emergence of successful entrepreneurs, particularly in the post-independence period (Nor et al., 2024). Malaysian SMEs operate across various of industries, with manufacturing and services being the two dominant sectors. Within the manufacturing sector, enterprises with annual sales below RM50 million and a workforce of fewer than 200 employees are designated as small and medium-sized enterprises (SMEs).

Researchers have identified the moderate financial knowledge and management skills of Bumiputera entrepreneurs as key barriers to SME sustainability and growth. (Ahmad & Yusop, 2021). The Malaysian government actively aligns SME growth with its goal of attaining high-income status, driven by innovation and productivity, despite the sector's generally stable performance. Policymakers have shaped this trajectory through five essential components: strategic action plans, clearly defined goals, priority development areas, institutional support mechanisms, and a long-term vision. Central to this framework is the need to improve financial accessibility. To support SMEs throughout their lifecycle, the government has introduced various targeted financial assistance programs.

According to the Malaysian Insolvency Department, of the 1,331 companies that filed for winding up in 2022, 684 completed the process. An additional 1,336 companies were required to register for winding up, with 375 finalising the procedure. Notably, 59% of the affected businesses were non-Bumiputera-owned, and in approximately 99% of cases, the leading cause was loan non-repayment. In 2021, 1,113 businesses ceased operations—an increase from 1,191 the previous year (New Straits Times, 2023). The data indicate that the primary reason for business closure was the inability to repay debts, often stemming from poor financial practices such as the failure to separate personal and business finances.

Ishak et al. (2022) identify ineffective business management and limited financial expertise as key contributors to entrepreneurial failure. Moreover, factors such as small business scale, weak financial infrastructure, labour shortages, and limited economic resources further hinder long-term performance. Previous studies by Bakhtiar et al. (2020), Akoh (2020), and Gherhes et al. (2021) support these findings, showing that financial and operational challenges significantly limit SME owners' ability to sustain and expand their businesses, thereby reducing overall performance. These challenges reduce the economic contributions of SMEs, including job creation and income generation. Abdull Rahman et al. (2023) emphasize that owners of small and medium-sized enterprises must enhance their financial literacy and business management skills to establish stable, competitive businesses. This study aims to address the knowledge gap by identifying and evaluating the factors that contribute to inefficient financial management among Malaysian SMEs, with a specific focus on women entrepreneurs affiliated with Amanah Ikhtiar Malaysia.

## 3.0 Methodology

This study employed a qualitative research approach, with six respondents selected from among SME owners in Perlis, Selangor, and Johor. The researcher conducted the interviews between April 2024 and September 2024. To ensure relevance and consistency, the study included only SMEs that had been operational and registered for at least five years. The researcher selected respondents using purposive sampling, applying the following inclusion criteria: participants had to be between 20 and 40 years old and must have started their businesses within the last five years. The selected businesses operated in various sectors, reflecting the diversity of entrepreneurial activities supported by Amanah Ikhtiar Malaysia (AIM).

The researcher conducted semi-structured interviews to collect data, enabling an in-depth exploration of participants' experiences while addressing specific key topics. A structured interview protocol guided the data collection process. For example, one of the open-ended questions asked, 'What are the biggest obstacles you face in managing your business finances?' To enhance the study's

credibility, two academic experts in financial management and qualitative research reviewed the interview guide. Their feedback ensured clarity, relevance, and alignment with the study's objectives. The researcher refined the questions based on their input to more effectively capture participants' experiences and elicit detailed responses. Voice recordings were used during the interviews to ensure that all information was accurately captured. Prior to each session, the researcher obtained consent from participants to record the conversations using a digital voice recorder. Each interview lasted approximately 90 minutes, allowing for in-depth exploration of the topics discussed.

The collected data were analyzed using thematic analysis. This process began with transcription of the recorded interviews. Once transcribed, the data were examined to identify recurring themes and topics. These themes were then categorised and grouped based on patterns observed across participant responses. The analysis revealed several significant themes related to financial management practices and the key factors contributing to inefficiencies. These findings were used to provide insights into the challenges faced by women entrepreneurs in managing their business finances.

## 4.0 Findings

This section presents the key themes that emerged from interviews with six women entrepreneurs under Amanah Ikhtiar Malaysia (AIM). An overview of the products produced by the respondents is shown in Table 1:

Table 1. Products Produced by The Respondent

Respondents	Products
Respondent 1	Food and beverage services
Respondent 2	Cleaning services
Respondent 3	Printing services
Respondent 4	Food and beverage services
Respondent 5	Wedding planning services
Respondent 6	Food and beverage services

### 4.1 Contributing Factors and Strategies to Overcome Inefficient Financial Management

The study identified six key factors contributing to inefficient financial management among SME entrepreneurs: lack of customers, weak financial record-keeping, rising raw material costs, insufficient capital, limited access to financial courses, and supplier fraud. This section also highlights strategies proposed by respondents and supported in the literature to address these issues.

#### 4.1.1 Lack of Customer

Respondent 1 reported that intense competition among food vendors offering similar meals in residential areas had reduced customer traffic to her store. This competitive pressure illustrates the challenge of product differentiation in saturated markets, where consumers tend to prioritise price over other factors when making purchasing decisions. In the current business environment, entrepreneurs must prioritise innovation and effective marketing to remain competitive. Long-term success requires a clear understanding of customer needs and the delivery of relevant, high-quality offerings (Sulistyaningsih et al., 2024; Pambudi et al., 2023). To attract and retain customers, SME owners can adopt various strategies, such as offering cash-on-delivery services and promoting their products via social media platforms.

#### 4.1.2 Weak Financial Record -Keeping

Respondent 3 reported that she tracks her business's cash flow using traditional methods, citing simplicity and low sales volume as the main reasons. This reflects a broader trend among SMEs that rely on informal or manual financial systems due to limited capital and inadequate financial literacy. Accurate bookkeeping is essential for SMEs. Mohammadi (2024) found that maintaining proper records helps entrepreneurs avoid unrealistic financial assumptions and supports informed decision-making. Similarly, Ardila et al. (2024) and Dlamini and Schutte (2021) emphasized that detailed financial documentation enhances competitiveness, prevents failure, and improves operational efficiency. Although many SME owners are aware of the need for annual financial statements, they often neglect to monitor product costs, return on capital, and key performance indicators, leading to poor financial decisions. As such, maintaining consistent and organised records is vital for long-term sustainability.

#### 4.1.3 Rising Raw Material Costs

Respondent 4 explained that rising raw material prices limit her ability to manage working capital, particularly in the food and beverage sector. As suppliers increase their prices, SMEs often turn to alternative sources that may be less reliable, in an effort to remain operational. Although rising input costs are a common feature of the current economic climate, SME owners must accurately estimate production expenses and set prices that are both competitive and profitable (Mohd Noor et al., 2024). This process involves calculating the cost of production, profit margins, and market value to ensure the final price reflects the product's true worth. Inaccurate pricing strategies may result in operational inefficiencies, reduced profitability, and eventual business failure.

#### 4.1.4 Insufficient Capital

Respondent 6 stated that offering a diverse menu involves significant risk, as unsold perishable items result in financial losses and waste. Limited sales further restrict her ability to replenish working capital, which in turn hinders operational improvements and business expansion. Capital plays a critical role in both the establishment and growth of a business (Garina et al., 2020). Insufficient funding

prevents SMEs from sustaining daily operations, investing in innovation, and responding effectively to market demands (Ompusunggu et al., 2024). Dominic et al. (2023) highlight that revenue forecasting and cost planning are central to short-term financial strategy and crucial for maintaining financial stability. In addition, financial management planning enables entrepreneurs to assess debt risk and develop long-term financing strategies (Aliamutu & Mkhize, 2024)

#### 4 1.5 Limited Access to Financial Courses

Respondent 2 observed that only a small number of entrepreneurs are selected to attend financial training courses, often favouring those already deemed successful. As a result, many entrepreneurs lack exposure to essential business planning and financial management techniques. She also highlighted the limited variety of available courses and the absence of participant input in designing the training content. Existing research emphasises the need for collaboration between policymakers and educational institutions to integrate digital and financial literacy into entrepreneurial training programmes (Fransiska et al., 2024). Initiatives such as workshops and online courses can equip SME owners with practical skills, including cost-benefit analysis, credit management, and the selection of appropriate financial products (Nyagope & Nyagope, 2024). Integrating financial data into accessible digital systems can further support SMEs in making informed business decisions and enhancing their financial resilience.

#### 4 1.6 Supplier Fraud

Respondent 5 highlighted cases of supplier fraud, particularly involving multiple suppliers and the absence of formal agreements. In some instances, suppliers failed to deliver goods that had already been paid for using borrowed funds, resulting in financial losses and inventory shortages. These incidents left entrepreneurs burdened with debt and unable to operate effectively. Supplier fraud remains a well-documented risk in the procurement cycle, often involving overpricing, theft, and false transactions (Baltas & Linares-Zegarra, 2024). Such issues reduce productivity, increase operational costs, and contribute to poor customer service due to inaccurate records. To mitigate these risks, managers must closely monitor high-risk processes, including order handling and payment approvals. Lin et al. (2024) recommend adopting blockchain technology and smart contracts to verify transactions and minimise fraud. Automated validation through Oracle systems and blockchain-based storage can help SMEs secure orders, prevent pricing discrepancies, and track supplier performance effectively.

Figure 3 illustrates the thematic analysis of the key factors contributing to inefficient financial management among women entrepreneurs.

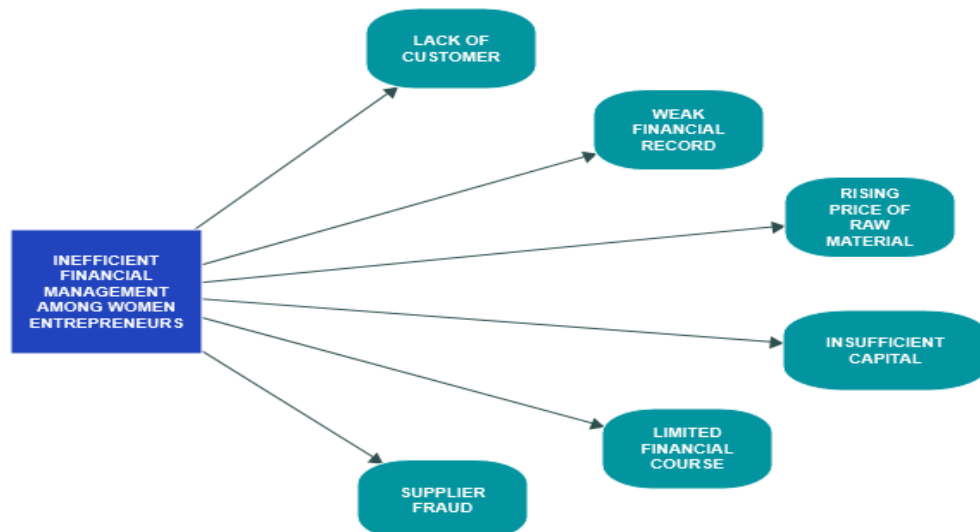


Fig. 3: Inefficient Financial Management Factors Among Women Entrepreneurs

## 5.0 Discussion

The study directly addresses the primary research question: 'What are the biggest obstacles you face in managing your business finances?' The findings reveal various financial management challenges, including external pressures such as supplier fraud and rising raw material costs, as well as internal issues such as weak financial record-keeping and insufficient capital. These factors impede business growth and the achievement of financial stability. In response to the gaps identified in the literature, the study highlights the need for targeted interventions to improve financial management practices among SMEs. Policymakers, financial institutions, and support organisations must prioritise initiatives that strengthen financial capacity, expand access to resources, and reduce external risks. Addressing these issues will help businesses build financial resilience, allocate resources more efficiently, and contribute meaningfully to Malaysia's economic development.

The findings also emphasise the potential to develop a new generation of competitive, financially literate entrepreneurs who are prepared to navigate global challenges. This vision aligns with the National Education Philosophy, which promotes the cultivation of

knowledgeable, skilled, ethical, and responsible individuals capable of achieving personal well-being and reducing financial stress. By applying these insights, communities can adopt more structured approaches to entrepreneurship, moving away from dependence on government support. These efforts also align with the goals of the National Entrepreneurship Policy 2030 (DKN 2030), which aims to foster entrepreneurship across all segments of society

## 6.0 Conclusions and Recommendations

In conclusion, this study contributes to improving financial management practices among SME owners and directly addresses the research objectives. The findings provide practical insights that can help small business owners overcome financial challenges and achieve long-term sustainability. Future research should explore industry-specific financial issues and examine how technology can support more effective financial management. Tackling the root causes of poor financial practices remains critical to strengthening the sustainability and growth of Malaysian SMEs. Researchers are also encouraged to include a more diverse group of informants, considering variables such as age, gender, and religion, to gain broader perspectives. Employing grounded theory and a mixed-methods approach—combining both quantitative and qualitative data—would enhance data robustness and deepen understanding of the financial strategies adopted by SME owners.

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