

**TRAINING NEEDS ANALYSIS FOR MICROFINANCE SERVICE  
PROVIDERS IN BRUNEI DARUSSALAM**

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An academic exercise submitted in partial fulfilment  
of the requirements for the degree of  
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**Faculty of Business and Management Sciences  
Sultan Sharif Ali Islamic University  
Brunei Darussalam**

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# SUPERVISION

## TRAINING NEEDS ANALYSIS FOR MICROFINANCE SERVICE PROVIDERS IN BRUNEI DARUSSALAM


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## DECLARATION

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## ABSTRACT

### TRAINING NEEDS ANALYSIS FOR MICROFINANCE SERVICE PROVIDERS IN BRUNEI DARUSSALAM

Microfinance Institutions (MFIs) has been considered as one of the effective ways in reducing poverty. This research will focus on the four MFIs in Brunei Darussalam that is JAPEM, MUIB, BEDB and YSHHB with the aims to identify the Training Needs Analysis (TNA) of the microfinance officers. A qualitative research method is used in doing the research. Interview has been done to all four MFIs in order to find the roles and tasks of these microfinance officers as well as the challenges and difficulties faced by the microfinance officers while holding their job. The finding of this study shows that there is no initiative had been taken in order to do a detailed Training Needs Analysis (TNA) for the microfinance officers to identify the exact training needed by the microfinance officers. Hence, there is a lack of training specifically provided to the microfinance officers in respect of their roles and tasks. Thus, analysis is done in order to identify the training needed by microfinance officers in respective to their roles and tasks.

**Keywords:** Training Needs Analysis, Microfinance Institutions

## ABSTRAK

### ANALISA KEPERLUAN LATIHAN BAGI PENYEDIA KEWANGAN MIKRO DI NEGARA BRUNEI DARUSSALAM

Institusi Kewangan Mikro (MFIs) telah dianggap sebagai salah satu cara yang efektif bagi mengurangkan gejala kemiskinan. Kajian ini lebih menjurus kepada empat buah Institusi Kewangan Mikro di Negara Brunei Darussalam iaitu JAPEM, MUIB, BEDB dan YSHHB dengan tujuan untuk mengidentifikasi Analisa Keperluan Latihan (TNA) bagi pegawai-pegawai kewangan mikro. Kaedah penyelidikan kualitatif telah digunakan untuk tujuan penyelidikan. Temubual telah diadakan dengan keempat-empat Institusi Kewangan Mikro untuk mengetahui tugas-tugas dan peranan pegawai-pegawai kewangan mikro serta cabaran-cabaran dan kesulitan yang dihadapi semasa melaksanakan tugas mereka. Hasil kajian mendapati bahawa tiada inisiatif yang telah dilakukan untuk mengidentifikasi jenis latihan yang diperlukan oleh pegawai-pegawai kewangan mikro. Oleh itu, tidak banyak kursus latihan yang diadakan bersesuaian dengan tugas-tugas dan peranan pegawai-pegawai kewangan mikro. Dengan itu, analisa telah dijalankan untuk mengidentifikasi kursus latihan yang diperlukan bersesuaian dengan tugas-tugas dan peranan mereka.

**Kata Kunci:** Analisa Keperluan Latihan, Institusi Kewangan Mikro

## ملخص البحث

### تحليل الاحتياجات التدريبية لموظفي التمويل الأصغر في بروناي دارالسلام

قد اعتبرت مؤسسات التمويل الأصغر (MFIs) باعتبارها واحدة من أكثر الطرق فعالية في تقليل من الفقر. وسيركز هذا البحث على أربع مؤسسات التمويل الأصغر التي توجد في بروناي دارالسلام وهي (JAPEM)، و(MUIB)، و(BEDB)، و(YSHBB) بهدف تحليل الاحتياجات التدريبية (TNA) للموظفين لتلك المؤسسات. تستعمل الباحثة في هذا البحث منهج البحث النوعي عن طريق المقابلة مع الموظفين من كل أربع هذه المؤسسات لمعرفة أعمالهم وقضاياهم التي توجد أثناء قضية التمويل الأصغر. من نتيجة التي توصلت إليها الباحثة أنها لا توجد أي مبادرة من أجل القيام تحليل الاحتياجات التدريبية (TNA) للموظفين. وبالتالي، هناك قليل في تدريب موظفي التمويل الأصغر فيما يتعلق بالأدوار والمهام ومسئولياتهم. يتم هذا التحليل بتحديد التدريب اللازم على أيدي موظفي التمويل الأصغر في كل الأدوار والمهام الخاصة بأعمالهم.

الكلمات الرئيسية : تحليل الاحتياجات التدريبية, مؤسسات التمويل الأصغر



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## TRANSLITERATION

TRANSLITERATION	ARABIC
Allāh Subaḥānahu wa Taālā	الله سبحانه وتعالى
<i>Allāh</i>	الله
<i>Ribā</i>	ربا
<i>Sharī'ah</i>	شريعة
<i>Zakāh</i>	زكاة

## ABBREVIATIONS

ACED	AQBA community and Economic Development
AIM	<i>Amanah Ikhtiar Malaysia</i>
BEDB	Brunei Economic Development Board
BIBD	Brunei Darussalam Islamic Bank
BRAC	Bangladesh Rural Advancement Committee
CIPD	Chartered Institute of Personnel and Development
CSI	Civil Service Institute
ed.	Edition
Ed.	Editor
FBMS	Faculty of Business and Management Sciences
FPC	Funding the Poor Cooperative
HR	Human Resource
<i>ibid</i>	<i>ibidem</i>
<i>JAPEM</i>	Department of Community Development
KPI	Key Performance Index
MFI	Micro Finance Institutions
MIPR	Ministry of Industry and Primary Resources
<i>MUIB</i>	Brunei Darussalam's Islamic Religious Council
n.d	No date publish
n.pl	No place of publications
<i>Op.cit.</i>	<i>opus citatum est</i>
p.	page
pp.	pages
TNA	Training Needs Analysis
UNISSA	<i>Universiti Islam Sultan Sharif Ali</i>
Vol.	Volume
YDR	Youth Development Resources
YSHHB	Yayasan Sultan Haji Hassanali Bolkhiah

# CHAPTER 1

## INTRODUCTION

This chapter will give a brief overview on Microfinance as well as Microfinance Institutions (MFIs). This chapter also will introduce to the reader a brief overview on Training Needs Analysis (TNA). This chapter also will discuss on the research objectives, research question and the limitations while doing the research.

### 1.1 Microfinance

Microfinance is one of the branches in the subject of Microeconomics. It has been introduced to the world of economics as one approach to provide the poor and needy the funding to set up their own micro business. The rise of financial services during the early 1990's was mainly dealing with the deposits and small loans that is microfinance<sup>1</sup>. The world has seen the breakthrough of microcredit during the year 1970's and 1980's which leads to the understanding that the poverty issues may be reduced with the approach of microcredit financing method.<sup>2</sup> Tawat Noipon (2013), define microfinance as the supply of loans, savings, insurance and other financial services to target towards low-income people<sup>3</sup>.

#### 1.1.1 Microfinance Institutions (MFIs)

Nowadays, microcredit has been recognised as one way to provide financial support to the poor and needy and has been credited as an effective ways to reduce poverty issues<sup>4</sup>. According to Arun, Hulme, Matin and Rutherford (2009) the main function on why the Microfinance Institutions (MFIs) are being developed is based on the assumption that the poor have the ability to implement income-generating economic activities, but they have limited access to credit, savings as well as insurance facilities<sup>5</sup>.

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<sup>1</sup> Susan Johnson. "Impact on Local Social Market". *Money with a mission: Microfinance and poverty reduction*.(2005) United Kingdom:ITDG Publishing.Vol 1, p126

<sup>2</sup>David Hulme.(2007).*What's Wrong With Microfinance?:Is microdebt good for poor people? A note on the dark side of microfinance*. Thomas Dicher and Malcon Harper. United Kingdom:Intermediate Technology Publications Ltd.p21

<sup>3</sup> Tawat Noipon. "Who demands for Islamic Micro-Financing in Thailand: An Exploratory Study". *Papers Roundtable Discussion on Financial Inclusiveness of The Poor: "Beyond Microfinance"*. 21-22 October 2013. p1

<sup>4</sup> *ibid*

<sup>5</sup> Arun,T, Hulme,D, Matin,I, Rutherford,S (2009). "Finance For The Poor:The Way Forward". *Microfinance:A Reader,Finance for the poor:The Way Forward*. Hulme,D and Arun,T.New York:Routledge.p7



The roles of MFI cover wide range of functions for every different country. For instance, Bangladesh large not-for-profit development organisation, Bangladesh Rural Advancement Committee (BRAC), aims to alleviate the poverty as well as the empowerment of the poor, especially women, in rural areas. While on the other hand, the Funding the Poor Cooperative (FPC) provides the poor in the rural area in Henan and Hebei Provinces the access to financial services by using the group lending methodology.<sup>6</sup>

Due to its main focus on elevating the poverty, it raises the question on the definition of poverty. According to Al-Qardawi cited in Rose Abdullah (2012), poor and needy is defined as “one whose wealth and income are far from satisfying his or her essential needs, while a needy person is one who wealth and income fall not much short of the satisfaction of essential needs”<sup>7</sup>. Thus, with this main aim, many countries around the world make an initiative to help the poor and needy by giving them microcredit.

However, Muslim countries seems have a difficulty in implementing microfinance system in their countries. According to Hasanah Morsid and Rose Abdullah (2013), the difficulty may due to some limitations and problems such as the problem of interest (ribā).<sup>8</sup> With such problems arise, Muslims countries came up with their own microfinance system in order to tackle the issues of poverty. As what have been mentioned in Nurhasanah Morsid and Rose Abdullah (2013), Islamic Microfinance is defined by Dogarawa (2009), Harran (2008) and Nazirwan (2009) as the provision of financial services and products to those whose low economic standing excludes them from Shari’ah compliant financial institutions or programmes<sup>9</sup>. Thus, Islamic Microfinance has been introduced in many Muslim’s countries without the existence of ribā.

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<sup>6</sup>Copestake, J., Simanowitz, A and Knotts, K. “Introduction”. Copestake, J., Greely, M., Johnson, S., Kabeer, N., & Simanowitz, A. *Money with a mission: Microfinance and poverty reduction*. United Kingdom: ITDG Publishing, pp17-19

<sup>7</sup> Rose Abdullah. (2012). “Zakat Management in Brunei Darussalam: Funding The Economic Activities of The Poor”. Brunei Darussalam: Universiti Islam Sultan Sharif Ali, p8

<sup>8</sup> Nurhasanah Morsid and Rose Abdullah. “The Effectiveness of Islamic Microfinance In Brunei Darussalam: A Case Study”. 5<sup>th</sup> iCEONS: Sustainable Development Through The Islamic Economic System. Kuala Lumpur Malaysia: n.pb. 5<sup>th</sup> September 2013. p896

<sup>9</sup> Nurhasanah Morsid and Rose Abdullah. “The Effectiveness of Islamic Microfinance In Brunei Darussalam: A Case Study”. 5<sup>th</sup> iCEONS: Sustainable Development Through The Islamic Economic System. Op cit. p897

### 1.1.2 Microfinance in Brunei Darussalam

During the opening ceremony of Legislative Council, His Majesty Paduka Seri Baginda Sultan Haji Hassanal Bolkiah Mu'izzaddin Waddaulah ibni Al-Marhum Sultan Haji Omar 'Ali Saifuddien Sa'adul Khairi Waddien, Sultan of Brunei Darussalam emphasised that it is important to implement the knowledge on business especially for the young generations in Brunei Darussalam. His Majesty said that:

*"...With the increasing trend in today's world business, our young generations need to be equipped with more knowledge and skills. With such knowledge and skills, they will be able to become more creative and able to compete. Thus, it is important to include these issues during this Legislative Council.*

*I am pleased with the efforts taken by the Ministry of Educations and other government agencies in implementing the entrepreneurship modules in the curriculum of Brunei Darussalam's education as one approach to increase the business literacy level among the young generations and students. It is the time for us to produce more local young successful entrepreneurs in Brunei Darussalam..."<sup>10</sup>*

In response to His Majesty titah's, the second prime minister of the Ministry of Finance, The Honourable Pehin Orang Kaya Laila Setia Dato Seri Setia Haji Awang Abdul Rahman bin Haji Ibrahim while presenting the Law Bill (2014) Provision 2014/2015 during the Brunei Legislative Council 2014 stated that some initiative has been taken in order to encourage the micro and small business in Brunei Darussalam<sup>11</sup>.

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<sup>10</sup> Hajah Norliha. 19<sup>th</sup> March 2014. "Lahirkan lagi lebih ramai lagi ahli perniagaan Berjaya". *Pelita Brunei*. Retrived at 10<sup>th</sup> April 2014 from: <http://www.pelitabrunei.gov.bn/rencana/item/9542-lahirkan-lebih-ramai-lagi-ahli-perniagaan-berjaya>

"Dengan trend perniagaan dan perdagangan dunia hari ini, para belia kita sangatlah perlu meningkatkan diri sendiri dari segi kemahiran dan ilmu pengetahuan. Dengan kemahiran dan pengetahuan yang tinggi, insya-Allah, mereka akan menjadi lagi lebih kreatif dan mampu untuk bersaing. Oleh itu, perbincangan di Dewan ini perlulah juga untuk turut memikirkan isu-isu strategik seperti ini.

Dalam hal ini, beta gembira dengan usaha yang diambil oleh Kementerian Pendidikan dan agensi-agensinya lain dalam Kerajaan untuk meningkatkan lagi tahap literasi bisnes kepada para belia dan penuntut dengan menerapkan unsur-unsur entrepreneurship di dalam kurikulum pendidikan di negara ini. Memang sudah tiba masanya untuk negara melahirkan ramai lagi ahli perniagaan yang berjaya di kalangan anak-anak tempatan."

<sup>11</sup> *ibid*

Several agencies in Brunei Darussalam has been initiated several programmes and policies to help the poor and needy in Brunei Darussalam. Those agencies include Ministry of Religious Affairs, Department of Community Development (JAPEM), Ministry of Education as well as the Prime Minister Office. Other non-governmental organisations (NGOs) also have their own initiative in poverty alleviation<sup>12</sup>.

Among those agencies, there are few MFIs that provide microfinance specifically for the poor and needy to set up microbusiness. Among the functions of these MFIs are to provide loans as well as financial assistance to whom unable to access the mainstream financial services due to certain circumstances such as lack of collateral available as an assurance for the fund given to them. BEDB for instance, has provided micro-grant scheme since 2012 and as of January 2014, around 102 micro businesses has been set up through its youth Development Resources (YDR). Most of the microbusinesses are involved in various home businesses such as food catering, hair styling as well as tailoring<sup>13</sup>.

## 1.2 Training Needs Analysis (TNA)

Many people has been talking about how to work effectively and efficiently but however failed to fully understand on how to do their tasks efficiently. Many organisations have provide such training to improve their employees' efficiency often unable to provide the right training for their employees.

The effectiveness of an organisation is depends on the efficiency of the employees in doing their tasks. However many organisations failed to look the needs for their employees in order to be as efficient as possible. Indeed, employees are considered as the organisation's most valuable assets<sup>14</sup>. Thus, every organisation needs to know the needs and how well their employees are performing for the organisations and take actions if their employees are not performing according to their

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<sup>12</sup> Brunei Darussalam Country Report.

*"Human Resource Development in the sectors of Welfare and Health: with a focus on capacity building of service providers and employability promotion of vulnerable people"*. Ministry of Health, Labour and Welfare of Japan. Retrieved at 18<sup>th</sup> February from: [http://www.mhlw.go.jp/bunya/kokusaigyomu/asean/2011/dl/Brunei\\_CountryReport.pdf](http://www.mhlw.go.jp/bunya/kokusaigyomu/asean/2011/dl/Brunei_CountryReport.pdf)

<sup>13</sup> Al-Haadi Abu Bakar. 29<sup>th</sup> January 2014. "Small Businesses get BEDB Grant". *The Brunei Times*. Retrieved at 18<sup>th</sup> February 2014 from <http://www.bt.com.bn/business-national/2014/01/29/small-businesses-get-bedb-grant>

<sup>14</sup> Paul Boselie.(2010).*Strategic Human Resource Management: A Balance Approach*. United Kingdom:McGraw-Hill Education.p2

expectations. It is very important to conduct Training Needs Analysis (TNA) in order to give the correct training activities to the employees.

According to Brown (2002), TNA is an on-going process of gathering data to determine what training needs exists so that training can be developed to help the organisation to accomplish its objective<sup>15</sup>. TNA help to identify the gap between the required performance of the employees and the actual performance that they show towards the organisation<sup>16</sup>. In other way, the organisation can determine the training needs for each employee. All the knowledge and skill gained from the training given will allow them to increase their own ability to the tasks given to them. In general terms, TNA will highlight the subject matter needing to be covered during the instruction<sup>17</sup>.

### 1.3 Research Scope

In conducting the research, the researcher has identified the research scope for this study. There are actually many MFIs around the world that provides loan or capital assistance but this research will only focus specifically on the MFIs in Brunei Darussalam. While focusing on the MFIs in Brunei Darussalam, the researcher has identified several institutions that provide loan or capital assistance to the poor and needy in Brunei Darussalam. Among these institutions includes Brunei Darussalam's Islamic Religious Council (MUIB), Jabatan Pembangunan Masyarakat (JAPEM), Yayasan Sultan Haji Hassanal Bolkiaah (YSHHB), Ministry of Industry and Primary Resources (MIPR) and Brunei Economic and Development Board (BEDB).

With regards to the characteristic of microfinance itself which highlight that the loan given are free from collateral<sup>18</sup>, the researcher will only focusing four MFIs namely, MUIB, JAPEM, YSHHB and BEDB. This is because according to Rose Abdullah (2013), MIPR use the microcredit financing scheme provided by Brunei Darussalam Islamic Bank (BIBD) and this microcredit financing scheme comes with

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<sup>15</sup> Judith Brown. (2002). *Public Personnel Management, Training Needs Assessment: A must for developing an effective training programme*. n.pl:EBSCO Publications. Vol 3.p569

<sup>16</sup> Gary Kroehnert (2001). *Basic Training For Trainers:A Handbook for new trainers*. 3<sup>rd</sup> ed. Kuala Lumpur, Malaysia: SAM Publishing sdn.bhd. p15

<sup>17</sup> *ibid*

<sup>18</sup> Abdul Rahim Abdul Rahman. "Islamic Microfinance: A Missing Component in Islamic Banking". *Kyoto Bulletin of Islamic Area Studies*.2007.p38

collateral in the form of deposits and guarantors<sup>19</sup>. As a guarantor, the applicants must be government servants with net salary of at least \$450 and as collateral, there is a fixed deposit of 25% of the amount of financing approved by MIPR.

Among the four MFIs that has been chosen above, there are some officers and staffs who are responsible in assisting all the applicants. As for this research, the researcher will only focus on the microfinance officers in each MFIs. This is because, these officers are the one who responsible in choosing the right applicants for the MFI's to give the loan or capital assistance as well as monitoring their clients. These officer required skills and knowledge in order to fulfil the objective of MFIs to provide assistance to the poor and needy. Thus, this research will focus on the TNA for microfinance officers of MUIB, JAPEM, BEDB and YSHHB.

#### 1.4 Problem Statement

The existence of MFIs in Brunei Darussalam is to provide loan or capital assistance to the poor and needy in order to setup their micro businesses. However, despite the need for loan or capital assistance, the poor and needy also need some guidance from the microfinance officers in setting up and running their micro businesses. The micro-services providers need to be aware that these people may have not enough knowledge and the ability to identify the market, how to acquire finance from certain agencies, how to conduct effective marketing, how to navigate through any regulations and other aspects of starting and running micro-business<sup>20</sup>.

The problems mentioned above can contributed to the failure of the micro businesses thus at the end finished up the entire loan that are given to them by the MFIs. During an interview with Brunei Times at the International Conference on Islamic Finance 2010, Hajah Rose binti Abdullah said that every MFIs need to establish one unit to assist their clients in doing their businesses<sup>21</sup>. Depend solely on the officers and staffs that involve in the process and evaluating the application from

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<sup>19</sup> Rose Abdullah. "Islamic Microfinance Institution in Brunei Darussalam". *Papers Roundtable Discussion on Financial Inclusiveness of The Poor: "Beyond Microfinance"*. 21-22 October 2013. P9

<sup>20</sup> Fairlie and Holleran. "Entrepreneurship training, risk aversion and other personality traits: Evidence from a random experiment". *Journal of Economic Psychology*. Vol1 (2011), p 367.

<sup>21</sup> Goh De No.2<sup>nd</sup> March 2010. "Finance Startups with Zakah Fund". *The Brunei Times*. Retrieved at 20<sup>th</sup> February 2014 from <http://mail.bruneitimes.com.bn/business-national/2010/03/02/finance-startups-zakah-fund>

the applicants is not enough. The MFIs needs to appoint knowledgeable officers or staffs to assist their clients (the poor and needy).

According to Hajah Rose again, it is true that the MFIs may visit their clients occasionally but still they are unable to cater to their client's problems<sup>22</sup>. She added that these are due to the problem on business operations itself. MFIs need to be aware that they also have to provide some training for their microfinance officers<sup>23</sup>. According to Glisovic and Martinexz (2012), about 59% survey they made towards MFIs did not have dedicated staff nor a dedicated department to serve the small business<sup>24</sup>

Thus with the above problem statements, this research study is aim to identify the training that are needed by these MFIs officers in respective of their tasks in providing services to the poor and needy.

### **1.5 Significant of the study**

This study will enable us to realise the important of TNA to the Microfinance services providers specifically in Brunei Darussalam. Brunei Darussalam is one of the Muslim countries that implemented the microfinance programme for the poor and needy to set up their microbusiness in Brunei Darussalam. There are actually many studies and researches are directed especially on the effectiveness of the MFIs and to add up the studies and research that has been made, this study will discuss and analyse on the training needed by these MFIs.

This study will help us to find out the services that are provided by the MFIs in Brunei Darussalam, their role in helping the poor and needy as well as provide the insight on how the problem faced by MFIs while assisting the poor and needy in setting up and running their microbusinesses. This study will also help us to look further into the important in doing TNA for each MFIs and how TNA may help the MFIs to provide the right training that are needed by the microfinance officers. Furthermore, it is hope that this study will improve the current practices for both MFIs as well as microbusiness in Brunei Darussalam.

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<sup>22</sup> Goh De No.2<sup>nd</sup> March 2010. "Finance Startups with Zakah Fund". *The Brunei Times*. Retrieved from at 20<sup>th</sup> February 2014 <http://mail.bruneitimes.com.bn/business-national/2010/03/02/finance-startups-zakat-fund>

<sup>23</sup> *ibid*

<sup>24</sup> *ibid*

## **1.6 Research Objectives**

The Research objectives are as below:

1. To identify the roles and tasks of Microfinance Officers
2. To know the skills needed by the Microfinance Officers in delivering their services
3. To identify the training needed by Microfinance officers in accordance to their respective tasks

## **1.7 Research Questions**

The research questions are as below:

1. What are the roles and tasks of the Microfinance officers?
2. What are the skills needed by Microfinance Officers?
3. What are the types of trainings that needed by the Microfinance officers in order to do their tasks?

## **1.8 Research Limitations**

There are few limitations while doing this research. Firstly, this research will only focus on the MFIs side and their efforts on giving the microfinance to the poor and needy. The researcher did not take into account on the poor and needy sides, their efforts on making the microbusinesses successful as well the problems or challenges that they may encounter while doing their microbusinesses.

Secondly, the researcher is having difficulty to find as much information regarding TNA as there are actually few resources and studies on TNA. Thus, the researcher has to rely on few resources and information on TNA. This resource includes the information on the process of TNA that has been conducted by several companies and organisations.

Another limitation that the researcher encounters is the difficulty to organise 'focus group' for the MFIs as part of this research due to unforeseen circumstances. Therefore, as a solution, the researcher use the interview method to gather the information needed from the respective MFIs officers.

## CHAPTER 2

### LITERATURE REVIEW

This chapter will discuss and highlight the studies on MFIs as well as TNA. The discussions will base on the previous studies and journal from different authors. There are two parts in this chapter. The first part will discuss on microfinance while the second part will touch on TNA.

#### 2.1 Microfinance

Microfinance has become the important component of world development, poverty reduction and economic regeneration strategies since the year 1980's<sup>25</sup>. Nurhasanah Morsid and Rose Abdullah (2013) stated that microfinance is one of the effective tools for poverty alleviation<sup>26</sup>. The idea of implementing microfinance has been a global phenomenon. According to microfinance market outlook 2013 cited in Zeinab Zouari and Mahmoud Sami Nabi (2013), during the last decade, the global microfinance industry showed a remarkable growth of around 20% coming mainly from South and East Asia and Africa<sup>27</sup>.

Abdul Rahim Abdul Rahman (2008) stated that one of the features of microfinance is giving small loan to selected recipients that are mostly micro entrepreneurs and the poor<sup>28</sup>. He added that the loan that given to the poor is free from collateral guarantor, which means that the loan given is based on trust between the microfinance institutions and their client. He continued by saying that microfinance's primary mission is to help the poor people in assisting themselves to become economically independent.

##### 2.1.1 Definition

Ajez Ahmed Khan (2008) define microfinance as helping the poor people by giving small amount of loan especially for people who are excluded by financial institutions

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<sup>25</sup>Thankom Arun, David Hulme.(2009). "Introduction". *Microfinance A Reader*. New York:Routledge.p1

<sup>26</sup> Nurhasanah Morsid and Rose Abdullah. "The Effectiveness of Islamic Microfinance In Brunei Darussalam:A Case Study".<sup>5<sup>th</sup></sup> *Islamic Economic System Conference (iCEONS):Sustainable Development Through The Islamic Economic System*. Kuala Lumpur Malaysia: n.pb. 5<sup>th</sup> September 2013. p896

<sup>27</sup> Zeinab Zouari and Mahmoud Sami Nabi. "Enhancing The Enforceability of Islamic Microfinance Contracts in OIC Countries". *Papers Roundtable Discussion on Financial Inclusiveness of The Poor: "Beyond Microfinance"*. 21-22 October 2013. P2

<sup>28</sup> Abdul Rahim Abdul Rahman. "Islamic Microfinance: A Missing Component in Islamic Banking". *Kyoto Bulletin of Islamic Area Studies*.2007.p 38



through programmes that are designed specifically to meet their particular needs and circumstances<sup>29</sup>. During the microcredit summit, microfinance has been identified as “programme that extends small loans to very poor people for self-employment projects that generate income in allowing them to take care of themselves and their families”.<sup>30</sup> Kartiko A. Wibowo (2013) also held the same view whereby MFIs provide the credit services to those businesses which have barriers to capital from other financial institutions<sup>31</sup>.

From the definition mentioned above, many agreed that microfinance always associated with the poor and needy people with the aim to provide small amount of loan in order to set up their own micro businesses. This refers to the provision of financial services to low-income clients, including the self-employed<sup>32</sup>. With such aims, many countries have implemented the microfinance scheme in order to help the poor and needy. Thus, the world has seen the rose of MFIs in the recent years.

### 2.1.2 Microfinance Institutions (MFIs)

MFIs played an important role in helping the poor and needy that unable to get the loan from other financial institutions due to their inability to repay back the loan that has been given to them<sup>33</sup>. Hardy, Holden, and Prokopenko (2002) define MFIs as institutions that are committed to assist the poor and needy people to gain access to financial service<sup>34</sup>.

Indeed, the development of MFIs around the world especially in Muslim countries is in line with the Islamic goal for human and socio-economic development which should be through the ultimate satisfaction of Allāh Subaḥānaḥu *wa Ta’āla* like what has been stated in the Al-Quran in surah Al-Maida:

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<sup>29</sup> Ajaz Ahmed Khan. “Islamic Microfinance: Theory, Policy and Practice”. United Kingdom: Islamic Relief Worldwide. 2008. p6

<sup>30</sup> Microcredit Summit. (n.d) “What is Microfinance?”. *Microcredit Summit Campaign*. Retrieved at 3<sup>rd</sup> March 2014 from <http://www.microcreditsummit.org/what-is-microfinance.html>

<sup>31</sup> Kartiko A. Wibowo. “Providing Financial Services to People Who do not Qualify Banking in Indonesia”. *Papers Roundtable Discussion on Financial Inclusiveness of the Poor: “Beyond Microfinance”*. 21-22 October 2013. p1

<sup>32</sup> Rose Abdullah. “Islamic Microfinance Institution in Brunei Darussalam. *Papers Roundtable Discussion on Financial Inclusiveness of the Poor: “Beyond Microfinance”*. 21-22 October 2013. P4

<sup>33</sup> Abdul Rahim Abdul Rahman. “Islamic Microfinance: A Missing Component in Islamic Banking”. *Kyoto Bulletin of Islamic Studies*, Vol.1(3), 2007. p 39

<sup>34</sup> Daniel C. Hardy, Paul Holden and Vassili Prokopenko. “Microfinance Institutions and Public Policy”. *IMF Working Paper*. 2002. p4

﴿وَتَعَاوَنُوا عَلَى الْبِرِّ وَالتَّقْوَىٰ وَلَا تَعَاوَنُوا عَلَى الْإِثْمِ وَالْعُدْوَانِ ۗ وَاتَّقُوا اللَّهَ ۖ إِنَّ اللَّهَ شَدِيدُ الْعِقَابِ ۝﴾

Means: “Help you one another in Al-Birr and At-Taqwa (virtue, righteousness and piety); but do not help one another in sin and transgression. And fear Allāh. Verily Allāh is severe in punishment”<sup>35</sup>

With the same aims to alleviate poverty, Muslim countries also implemented their own MFIs which operate in a more Islamic way. This is to ensure that the loan given to the poor and needy are free from Ribā which is prohibited in Islam. Allah prohibited ribā in surah Al-Baqarah, Ayah 275:

﴿الَّذِينَ يَأْكُلُونَ الرِّبَا لَا يَقُومُونَ إِلَّا كَمَا يَقُومُ الَّذِي يَتَخَبَّطُهُ الشَّيْطَانُ مِنَ الْمَسِّ ۚ ذَٰلِكَ بِأَنَّهُمْ

قَالُوا إِنَّمَا الْبَيْعُ مِثْلُ الرِّبَا ۗ وَأَحَلَّ اللَّهُ الْبَيْعَ وَحَرَّمَ الرِّبَا ۗ فَمَنْ جَاءَهُ مَوْعِظَةٌ مِّن رَّبِّهِ فَانتَهَىٰ فَلَهُ مَا

سَلَفَ وَأَمْرُهُ إِلَى اللَّهِ ۗ وَمَنْ عَادَ فَأُولَٰئِكَ أَصْحَابُ النَّارِ ۗ هُمْ فِيهَا خَالِدُونَ ۝﴾

Means: “Those who eat Ribā will not stand (on the Day of Resurrection) except like the standing of a person beaten by satan leading him to insanity. That is because they said ‘Trading is only like Ribā’, whereas Allāh has permitted trading and forbidden Ribā. So whosoever receives an admonition from his Lord and stop eating Ribā, shall not be punished for the past; his case for Allāh (to judge); but whoever returns (to Ribā), such are dwellers of the fire-they will abide therein forever.”<sup>36</sup>

### 2.1.3 Roles of MFIs in helping the poor and needy

As what have been mentioned above, the main objective of the MFIs is to give the financial assistance to the poor and needy in setting up microbusinesses. However, despite the fact that conventional MFIs did help the poor and needy people to gain access on money, Hulme (2000), argued that it is more reliable if we use the term ‘microdebt’ rather than ‘microcredit’ due to the fact that not all poor people can

<sup>35</sup> Al-Maida, 5:2 (All Qur’ānic translations in this writing are based on: Dr. Muhammad Taqī-ud-Dīn al-Hilālī and Dr. Muhammad Muhsin Khān. (1417H). *The Noble Qur’ān English Translation of the Meanings and Commentary*. Madinah: King Fahd Complex.)

<sup>36</sup> Al-Baqarah, 2:275

manage to repay their loans which in the end left the poor in debt<sup>37</sup>. According to Hulme (2000), the existence of MFIs actually have created a myth that poor people are able to repay their loans due to their ability to exploit business in which according to him, it does not work that way<sup>38</sup>. This is mainly because the poor and needy people do not have knowledge and skills to operate and maintain their own business.

Karan and Valvida (2007) had a different view on MFIs. They held the opinion that the poor and needy people may able to be successful in developing their business provided that they are given training to do business by MFIs<sup>39</sup>. They stated that the training may bring a positive outcome to the MFIs in the long run. This is because if the poor and needy people are given training, then they will be able to improve their businesses as now they have the knowledge and skills to do business. If their businesses improve then they will be able to repay the loans that are given by the MFIs. This indirectly stated that MFIs actually had a bigger responsibility than just giving loan to their client. It suggested that MFIs also had the responsibility to provide other services such as training to their clients.

With regards to the role of MFIs in helping the poor and needy, *Amanah Ikhtiar Malaysia* (AIM) is one of the MFIs that have successfully implemented the microfinance scheme for the poor and needy in Malaysia. Among the reasons why this scheme is very successful is due to the way the AIM approach their clients and the services that they offer. Their strategies and roles as MFIs in Malaysia are as below<sup>40</sup>:

- i. Instead of just waiting for applications from the poor and needy, AIM microfinance officers do their own survey and research by going to the rural area. AIM will focus on one rural area from time to time.
- ii. The shortlisted applicants will be interview by AIM officers in order to find out whether they are suitable applicant to get the microfinance or not.
- iii. AIM also given their applicants a mandatory training for one week before the applicants are accepted under the scheme

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<sup>37</sup> David Hulme. "Is microdebt good for poor people? A Note to the dark side of microfinance". *Small Enterprise Development Vol.1*.United Kingdom.(No1).March 2000.p26

<sup>38</sup> *ibid*

<sup>39</sup> See: Dean Karlan and Martin Valvida. (2010). *Teaching Entrepreneurship:Impact of Business Training on Microfinance Clients and Institutions*.

<sup>40</sup> Rosman Mahmood and Mohd Rosli Mohamad.(2011).*Perusahaan Kecil dan Dilema Usahawan Melayu*. Kuala Lumpur:Penerbit Universiti Malaya.pp95-97

- iv. AIM officers will have meetings with their clients every week in order to discuss any problems that may arise and hence, to find the solutions for the problem.
- v. AIM, under the Entrepreneur Development Department (UPU), also provides trainings to their clients in order to help them become more independent and able to manage their own business successfully.

Thus, with the approach that has been implemented by AIM it enables them to get closer to their clients. The microfinance officers also played an important role in ensuring the program to become more successful. Starting from doing their own survey to the rural area to organise meetings every week with their clients does bring an impact to the program itself. Thus, as of July 2010, the total clients have increased to 261,801 from 160,407 clients in 2006<sup>41</sup>.

#### **2.1.4 Role and Tasks of Microfinance Officers**

Indeed, there are several roles and tasks of microfinance officers. Siwale and Juliana Nangogo (2006) in doing their e-theses had interviewed one of the branch managers. In the research, the branch manager has identified loan officer/microfinance officers as:

*“A person who acts as a bridge between the organisation and clients. He/she is in constant touch with clients and should know what’s happening in clients groups and pass on information to the branch manager and then the senior management. So a loan officer is a key person.”<sup>42</sup>*

Siwale et.al (2006) also stated that microfinance officers are the one who deal the most with their client (the poor and needy) by organising the meetings and business visit<sup>43</sup>. As what have been stated by Isabelle Agier and Juliano Assuncao (2011), there are two major roles of microfinance officers:<sup>44</sup>

<sup>41</sup> Rosman Mahmood and Mohd Rosli Mohamad.(2011).*Perusahaan Kecil dan Dilema Usahawan Melayu. Op.Cit.*p99

<sup>42</sup> Siwale, Juliana Nangogo. “The role of loan officers and clients in the diffusion of microfnance: A study of PRIDE Zambia and CETZAM in Zambia” Durham theses, Durham University. p180.retrieved at 2<sup>nd</sup> April 2014 from Durham E-Theses Online: <http://etheses.dur.ac.uk/2647/>

<sup>43</sup> Isabelle Agier, Juliano Assuncao. “The role of credit officers in the performance of Micro Loans: evidence from Brazil”.p4

<sup>44</sup> Siwale, Juliana Nangogo. “The role of loan officers and clients in the diffusion of microfnance: A study of PRIDE Zambia and CETZAM in Zambia” *op.cit.* p180.

- i. To collect any information of the applicants solvency and present it to the credit committee for approval
- ii. Check the ex-post state of nature and enforced the contract in case of payment delayed

Meanwhile Siram (2002) cited by Siwale et al. (2006) stated that there are three functional roles of microfinance officers<sup>45</sup>:

- i. Helping the client to overcome their reluctance to participate in microbusiness due to their pervious failure experience
- ii. The microfinance officers may act as personal advisors as well as the facilitators to their clients.
- iii. In the absence of peer-information in urban settings, the actions of loan officers contribute to diminishing the probability of any wrongdoing by their clients and any other problems.

According to Churhill, (2002), Heyns (1996) and Tembo (2003), cited in Siwale, et al. (2006), in order to do the tasks given, it is important for the microfinance officers to portray several personality values and attitudes such as “patients, listening skills, interpersonal sensitivity, team work and integrity, self-confidence without arrogance, empathy, commitment, respectfulness, diplomacy and perseverance.”<sup>46</sup>

Isaia (2005), cited in Siwale et al. (2006), stated that the microfinance officers not only need to be “Well trained, responsible and motivated, but also able to understand and manage groups and sometimes the shrewdness of the human soul<sup>47</sup>”

#### **2.1.5 Challenges Faced by Microfinance Institutions (MFIs)**

There are several challenges faced by the MFIs:

- i. Inefficient of the Microfinance Officers

Glisovic and Martinez (2012) said that it is important for MFIs to have specialized staff and dedicated department to serve small business successfully<sup>48</sup>. This is essential

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<sup>45</sup> Siwale, Juliana Nangogo. “The role of loan officers and clients in the diffusion of microfnance: A study of PRIDE Zambia and CETZAM in Zambia” *op.cit.*.p44

<sup>46</sup> *ibid.*p46

<sup>47</sup> Siwale, Juliana Nangogo. “The role of loan officers and clients in the diffusion of microfnance: A study of PRIDE Zambia and CETZAM in Zambia” *op.cit.* p46

as there is need for the MFIs to monitor the progress of each of their clients and it requires officers and staffs who are very dedicated to their tasks. Yet, according to Glisovic and Martinexz (2012), about 59% survey they made towards MFIs did not have dedicated staff nor a dedicated department to serve the small business<sup>49</sup>.

Claudio Gonzalez-Vega (1998) stated that, many Microfinance officers are still inefficient because<sup>50</sup>:

- They think in terms of the speed of disbursement of the loan and capital assistance for the poor and needy and not in terms of levels of operational costs. As long as they can provide the financial assistance, then it will be enough for them.
- They think only in terms of outreach, not in terms of both outreach and sustainability

ii. Collection of information from clients especially in remote area

According to Muhamad Yunus, the founder of Garmeen Bank cited in Tapan Parikh (n.d), "The first principle of Garmeen banking is that the client should not go to the bank, it is the bank which should go to the people<sup>51</sup>". However, there is a challenge in doing so. Conducting a research in a rural area might be difficult as the microfinance officers have to travel from village to village and they have to collect data, conducting meetings, resolving problems and all the basic tasks upon which the entire microfinance industry relies upon<sup>52</sup>.

Thus, with the above, problems and challenges faced by the microfinance officers, the MFIs might want to consider giving the microfinance officers training with respect to their tasks and role.

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<sup>48</sup> Glisovic, Jasmina, and Meritxell Martinez. 2012. "Financing Small Enterprises: What Role for Microfinance Institutions?" *Focus Note 81*. Washington, D.C.: CGAP.p5.

<sup>49</sup> *ibid*

<sup>50</sup> Claudio Gonzalez-Vega. "Microfinance: Broader Achievement and New Challenges". *Economics and Sociology Occasional Paper No. 2518*. October 1998.p5

<sup>51</sup> Tapan S. Parikh.(n.d) "Rural Microfinance Service Delivery: Gaps, Inefficiencies and Emerging Solutions". Retrieved at 9<sup>th</sup> April 2014 from: <http://people.ischool.berkeley.edu/~parikh/papers/ictd2006-parikh.pdf>

<sup>52</sup> *ibid*

## 2.2 Training

A number of large companies such as Ford, Cadbury and Lever has implemented their own training units far before the Second World War<sup>53</sup>. Bolisi cited in Boselie (2010) defines training as “the process of change use to develop specific skills, usually for a job”<sup>54</sup>.

According to A study of the Work of Industrial Training Officers (1971) cited by Reid and Barrington (1991), training will enable a better use of human resources in an organisation as training will develop people so that they can meet the requirement of their job<sup>55</sup>. Ali Ghufli (2012) stated that training is important as it may help in building skill, qualified and capable people which enable the organisations to improve their performance and hence to adapt any new changes<sup>56</sup>. Boselie (2012) also argue that training may bring some positive outcomes to the employees of an organisation which includes new knowledge, skills and abilities to do certain job<sup>57</sup>.

Poor performance of the employees has always been related to the lack of training given by the organisation itself. However, according to Lawson (1998), it is not always the case that poor performance is related to the training issues<sup>58</sup>. Lawson (1998) argued that there might be other issues that might resulted to the poor performance such as the poor management practices, organizational barriers or inadequate system or equipment<sup>59</sup>. Thus, the organisations have to identify the main reasons behind the poor performance of their employees before deciding to give their employees such training or not.

According to Chartered Management Institute, if an organisation just simply provides any training to the individual without any analysis, the trainings that are given may not covers the need of the individual. It may become a waste for the

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<sup>53</sup> R.A, Magret and B, Harry (1991). *Training Interventions: Promoting Learning Opportunities*. 6<sup>th</sup> ed. Landon: Institute of Personnel and Development. p120

<sup>54</sup> Paul Boselie. (2010). *Strategic Human Resource Management: A Balance Approach*. Op cit. p213

<sup>55</sup> Reid, M. A., and Barrington, H. (1986). *Training Interventions: Promoting Learning Opportunities*. 6<sup>th</sup> ed. (1991), United Kingdom: Institute of Personnel and Development. p121

<sup>56</sup> Ali Ghufli. “Training Needs Analysis: An empirical study of the Abu Dhabi Police” . *Brunel Business School - Doctoral Symposium 27th & 28th March 2012*. pp3-4

<sup>57</sup> Paul Boselie. (2010). *Strategic Human Resource Management: A Balance Approach*. Op cit. p213

<sup>58</sup> Lawson, K. (1998). *The Trainer's Handbook*. United States of America: Jossey-Bass/Pfeiffer. p2

<sup>59</sup> *Ibid*. p2

organisation to provide any training if it does not bring any benefit to both parties<sup>60</sup>. Shapiro (1995) also stated that the quality of training may depend on the effectiveness of the training itself<sup>61</sup>. He continued his argument by saying that the training will be considered as effective if it can produce the desired outcome behaviour from the people that are being trained. It is considered as effective if the training enables the employees to produce the results on the job using the skills and knowledge taught<sup>62</sup>. Therefore, an organisation needs to ensure that the training is effective for their employees and this can be done by using TNA.

### 2.3 Training Needs Analysis (TNA)

Many organisations consider TNA is very important analysis before they can conduct any training activities. Reed (2003), in her dissertation defined TNA as the process of gathering, assessing and analysing data to determine the training needs for an organisation<sup>63</sup>. Drummond (2008) define TNA as a “thorough review of the training which can affect improvement in the knowledge, skills, or attitude of individuals or teams in the workplace”<sup>64</sup>. Prof Dr. Otilia Stefania Pacurari (2012) defines TNA as a “process or activities that are conducted to identify problems or other issues in the workplace and to determine what kind of training is an appropriate response”.<sup>65</sup> In other words, conducting TNA will identify the gap that may exist between the achieved performance and the required standard performance. The same view was held by Kroehnert (2001) where he defined TNA as “one method of determining whether a training need exists, and if it does, what training is required to fill the gap”<sup>66</sup>.

Through the definitions mentioned above, many have agreed that the main purpose of TNA is to fill in the gap between the required performances by the employees to the performance required by the organisation. TNA plays a vital role for

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<sup>60</sup> Chartered Management Institute. November 2006. “Training Needs Analysis”. Retrieved at 3<sup>rd</sup> March from: [http://www.london.ac.uk/fileadmin/documents/staff/staff\\_development/tna.pdf](http://www.london.ac.uk/fileadmin/documents/staff/staff_development/tna.pdf)

<sup>61</sup> Lester T. Shapiro. (1995). *Training Effectiveness Handbook*. United States of America: Mc-Graw-Hill. p1

<sup>62</sup> Lester T. Shapiro. (1995). *Training Effectiveness Handbook*. *Op.cit.*, p1

<sup>63</sup> Jacqueline Reed. (2003). *What Role Can A Training Needs Analysis Play in An Organisational Change?*. Thesis submitted in fulfilment of the requirement for the award of Master Degree, p5.

<sup>64</sup> Ken Drummond. (2008). *How to Conduct A Training Needs Analysis*. 6<sup>th</sup> ed. Australia: Gull Publishing PTY.Ltd. p4

<sup>65</sup> Prof. Dr. Otilia Stefania Pacurari. (2012) “Training Needs Analyses”. *The European Judicial Training Network (EJTN) meeting*. Retrieved at 3<sup>rd</sup> March 2014 from: [http://www.ejtn.eu/PageFiles/6343/needs\\_analyses.pdf](http://www.ejtn.eu/PageFiles/6343/needs_analyses.pdf)

<sup>66</sup> Gary Kroehnert (2001). *Basic Training For Trainers: A Handbook for new trainers*. 3<sup>rd</sup> ed. Kuala Lumpur, Malaysia: SAM Publishing sdn. bhd. p15



an organisation to make a detail analysis on the problem occurs and finds possible training solutions to fill the gap.

MMIS Management Consultants for AECOM International Development (2008) define the “gap” as below<sup>67</sup>:

- Current Situation

They define the current situation as the current status of the employees’ skills, knowledge as well as the abilities of training providers.

- Desired Situation

They define the desire situation as the condition needed for the success organisation and employees. It is necessary to identify the required job tasks, the skills, knowledge and abilities needed to accomplish both organisational and employees’ goal.

### **2.3.1 The Levels of Training Needs**

Reid and Barrington (1999), and Chartered Institute of Personnel and Development (2006) stated that training needs occurs at three levels:

- i. At the organisational level

The training need at this level was due to the result of technology development or new legislative requirements or major restructuring of the business. The organisations might want to identify the training needs at the organisation level to ensure a supply of the individual have the necessary skills and knowledge require by the organisations.

- ii. At the occupational level

The training needs at this level as a result of new requirement or specifications of the job itself.

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<sup>67</sup>MMIS Management Consultans for AECOM International Development. “Skills gap and Training Needs Analysis of the constructions sector and related supporting services in AQBA”. *USAID*. 2008.p29.Retrieved at 6<sup>th</sup> March from: [http://pdf.usaid.gov/pdf\\_docs/Pnadp814.pdf](http://pdf.usaid.gov/pdf_docs/Pnadp814.pdf)

iii. At individual level

The training needs at this level was due to sub-standard performance or skills that needed by an individual when starting a new job, having promotion or a transfer.

### 2.3.2 The Importance of Conducting TNA

According to Boydell and Leary (1996) cited by Jacqueline Reed (2003), in order to deliver appropriate, effective training which meets the needs of individuals and the organisation and represents value for money a training needs analysis is essential<sup>68</sup>. The same view also has been held by the Chartered Management Institute (2009) where analysing the training needs is very important before any training activities can be conducted by an organisation<sup>69</sup>. Both views suggest that TNA is indeed very important for an organisation before they can carry out any training activities. If an organisation did not conduct their training needs analysis thoroughly, they might not be able to carry out definite and correct training activities for their employees.

According to Brown (2002), there are four main reasons on why an organisation should do TNA.<sup>70</sup>

i. To identify specific problem areas in the organisation.

Brown (2002) argues that the organisation must be aware on the problem that may arise so that appropriate training solution might be possible to be introduced.

ii. To obtain management support.

Brown (2002) stated that The Human Resource (HR) needs to prove to the management that training may bring benefits to the employees as well as the organisation. If a thorough analysis is done, then the HR team will be able to clearly show the positive impacts of training and hence, the management will consider providing the training to their employees. Without a thorough analysis on training needed, the management may find it very difficult to provide the training as it may require some costs in order to provide the training.

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<sup>68</sup> Jacqueline Reed.(2003). *What Role Can A Training Needs Analysis Play in An Organisational Change?*.Thesis submitted in fulfilment of the requirement for the award of Master Degree, p11

<sup>69</sup> Chartered Management Institute.November (2006). "Training Needs Analysis". Retrieved at 20<sup>th</sup> March 2014 from: [http://www.london.ac.uk/fileadmin/documents/staff/staff\\_development/tna.pdf](http://www.london.ac.uk/fileadmin/documents/staff/staff_development/tna.pdf)

<sup>70</sup> Judith Brown. (2002).*Public Personnel Management, Training Needs Assessment: A must for developing an effective training programme*.n.pl:EBSCO Publications. Vol 3.pp 569-570

- iii. To develop data for evaluation.

Brown (2002) suggest that an organisation need to collect the all the data that are needed before they can conduct a suitable training programme. This data may include the skills and knowledge that needed by the employees for the organisation to conduct the specific training. It might be useless for the organisation to evaluate the training programme if no information is developed prior to the training programme.

- iv. To determine the cost and benefits of the training.

According to Brown (2002), an organisation especially the Human Resource Professional (HR) must be aware that training is not a “cure” for all organisational problems. He stated that the main aim of training is to increase the necessary skills of the employees in order to achieve the organisational goals. He continued his argument by saying that training is appropriate if the organisation can achieve more benefit than the cost that has been invested by the organisation.

Lawson (1998), has identified two more reasons to why an organisation should do TNA. The two reasons are<sup>71</sup>:

- i. To determine content and scope of training

The organisation also needs to determine what types of training that is necessary for the employees. It may include workshop, on-the-job training or self-study. TNA will help to identify the period of time that the organisation should do the training and the content structure of the training program itself. Therefore, a more structure training program can be proposed by the organisation.

- ii. To provide a basis of measurement

TNA will also provide a baseline which the organisation can measure results or changes. TNA will become the starting point for the organisation itself.

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<sup>71</sup> Lawson, K. (1998). *The Trainer's Handbook*. United States of America: Jossey-Bass/Pfeiffer.p3

### 2.3.3 Stages in conducting TNA

Conducting a TNA is not an easy task. It involved a merely huge responsibility to the organisation where a thorough analysis needs to be done. Before TNA can be carried out, an organisation must first carry out a thorough analysis on the training needed by the employees based on the competency needed by the organisation at that time.

Rae (1986) stated that an effective training is start from the identification the training needs<sup>72</sup>. The identification of training needs means to do a detailed analysis on the missing factors (expertise) of the employees and hence find out suitable training to fill the missing factors. Rae (1986) continue her statement by stated that there are actually various form of training needs depending on the nature of the job itself as well the people who performed the job<sup>73</sup>. The training needs can be in terms of skills, attitudes and knowledge. She then explained that the process of identification of training needs covers for stages.

The figure below shows the stages of the process according to Rae (1986).

**Figure 1: Stages of TNA**



Source: Leslie Rae. *How To Measure Training Effectiveness*.p16

There are four stages involved in order to identify the training needs.<sup>74</sup>The stages involved are:

- i. Suggestion or the suspicion that a problem may exists.

According to Rae (1986), there are many possible ways where the organisation may suspect that there is the need for training and one of it is when there is a decrease in the service or production in an organisation. The decrease in the service or production might be because the jobs are not being performed correctly due to lack of skills, knowledge or attitudes of the job performers. Rae stated it may or may not relate to

<sup>72</sup> Leslie Rae. (1986). *How to measure training effectiveness*. England:Gower Publishing Company Limited.p11

<sup>73</sup> *ibid*.p12

<sup>74</sup> *ibid*.p16

the problem of training depending on the nature of the problem itself but as soon as the organisation foreseen

Held the same opinion with Rae, Kroehnert (2001) also stated that the first stage in conducting TNA is to identify if the performance problem exists<sup>75</sup>. According to Kroehnert (2001), management of an organisation may be the first one to recognise that performance problem is exists<sup>76</sup>.

ii. The recognition that a training exist

The organisation recognise that training exist for their employees. The organisations needs to understand that not all the problem that exists have to be overcome by giving trainings to the employees. Rae (1986) stated that there are two causes which related to the failure to perform effectively. The first reason is due to the lack of training or ineffective training and secondly is due to the individual itself failed to execute their own knowledge and ability for their job<sup>77</sup>. The AQBA community and Economic Development (ACED) Programme (2008) suggested that in order to identify the problem that are related to performance by firstly asking these two questions<sup>78</sup>:

- Are members of the workforce doing their job effectively?
- Do they know how to do their jobs?

Kroehnert (2001) also stated that there is a need for the organisation to first identify clearly exact nature of the problem, that is whether it is a training problem and not a problem that are caused by something else<sup>79</sup>. Brown (2002) stated that training is not the solution if the problem is related to employee morale such as the problem of attitude, lack of motivation, or inability to learn. The organisation may have to find another solution for these types of problems<sup>80</sup>.

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<sup>75</sup> Kroehnert, G. (2001). *Basic Training For Trainers*. 3<sup>rd</sup> ed..Kuala Lumpur: Synergy Books International.p17

<sup>76</sup> *ibid*

<sup>77</sup> Leslie Rae. (1986). *How to measure training effectiveness*. England:Gower Publishing Company Limited.p17

<sup>78</sup> See:The AQBA Community and Economic Development (ACED) Program. "Skills gap and Training Needs Analysis of the constructions sector and related supporting services in AQBA". *USAID*. 2008. P29. Retrieved at 8<sup>th</sup> April 2014 from:[http://pdf.usaid.gov/pdf\\_docs/Pnadp814.pdf](http://pdf.usaid.gov/pdf_docs/Pnadp814.pdf)

<sup>79</sup> Kroehnert, G. (2001). *Basic Training For Trainers*. 3<sup>rd</sup> ed.*Op.cit.*.p17

<sup>80</sup> Judith Brown. (2002).*Public Personnel Management, Training Needs Assessment: A must for developing an effective training programme*.n.pl:EBSCO Publications. Vol 3.p571

### iii. Identification of the Problem

The third stage is the way the organisation identify source of the problems. The organisation may identify the source of the problem in a routine inspection or survey. Kroehnert (2001) also suggest that there are other ways that may help the organisation in identify the exact nature of the problem. Some of the ways are as below<sup>81</sup>:

- i. accident report;
- ii. company plan;
- iii. policy or projections;
- iv. quality control report;
- v. market research report;
- vi. observation;
- vii. job analysis;
- viii. Testing and other various forms.

Thus, the organisation may also look carefully through these various sources in order to find the root of the problem that exists in the organisation. Brown (2002), explained that each method identify above have a certain characteristic that may be affect the quality of the information obtained. He suggested that it is better if the organisation did not focus on one method only. Instead, it may be helpful if the organisation used a different kind of method to help validate the data.

### iv. Confirmation of the training needed

The fourth stage is where analysis of training is done. The organisation will be identify and find the possible and suitable training method for the employees. The training that may be proposed by the organisation is according to the need of the employees as well as the need for the organisation itself.

The (ACED) Programme (2008) stated that the types of training programme that an organisation wants to implement depend on several things<sup>82</sup>:

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<sup>81</sup> Kroehnert, G. (2001). *Basic Training For Trainers*. 3<sup>rd</sup> ed. *Op.cit.*.p17

<sup>82</sup> See: The AQBA Community and Economic Development (ACED) Program. "Skills gap and Training Needs Analysis of the constructions sector and related supporting services in AQBA". *USAID*. 2008. P29. Retrieved at 8<sup>th</sup> April 2014 from: [http://pdf.usaid.gov/pdf\\_docs/Pnadp814.pdf](http://pdf.usaid.gov/pdf_docs/Pnadp814.pdf)

- i. The availability of the training personnel that have the required managerial, professional and technical skills.
- ii. They also must have the required knowledge and experience so that they are able to plan, design and operate the needed training system.
- iii. Another factor that an organisation must be look upon is the availability of adequate space, equipment and other facilities that are needed to conduct a training programme.
- iv. The cost of conducting such training also must be considered.

### 2.3.4 Linking TNA to the Organisation Strategy

From the above discussion on TNA, it can be seen that TNA does play a role for an organisation to define the required training for their employees. The organisations will also be able to make a thorough analysis before carried out any training for their employees. TNA will act as a systematic approach to which organisation use several steps to provide a better training to their employees.

However, the organisation need to ensure that all the training and development activities resulted from conducting the TNA earlier are linked to the organisation real strategy. According to Chartered Institute of Personnel and Development (CIPD) (2006), it would be a waste of money and time if the organisation failed to link the training and development of their employees with the organisation strategy<sup>83</sup>. Siobhan Sheridan, the head of resource and capability at capital one bank in his speech during the 2006 CIPD Human Resource Department conference agreed that any evaluation of training should focus on real benefits delivered to a business<sup>84</sup>.

CIPD (2006) stated that in order to achieve this, the managers of the organisations need to<sup>85</sup>:

- i. Identify the key stakeholders and involve them in shaping the learning and development strategy
- ii. Identify the current and future business priorities

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<sup>83</sup> See: Chartered Institute of Personnel and Development. December 2006. *CIPD*. Retrieved at 24<sup>th</sup> April 2014 from: <http://www.cipd.co.uk/nr/rdonlyres/bae22874-1d3c-4912-bbd9-1c14803e8a44/0/1843981645sc.pdf>

<sup>84</sup> *ibid*

<sup>85</sup> *ibid*

- iii. Turn these business priorities into appropriate learning needs

Thus, it is very important for an organisation to develop its employees to utilise its full potential in alignment with the organisation's overall strategy. With such implementation, the organisation will then be able to achieve their target and plans.



## CHAPTER 3

### RESEARCH METHODOLOGY

This chapter discusses the methodology used as well as the step that has been taken in doing the research. The researcher will provide a specific reason on why such method of research has been used. The sources of data that are used by the researcher also will be discussed in this chapter. The two sources of data include the primary data and the secondary data. This will help the reader to learn the basic structure on how the researcher conducting the research in order to meet the objectives that has been set earlier.

#### 3.1 Research Design

This research will look upon the TNA for Microfinance Services Providers in Brunei Darussalam. This research is based on the case study of four MFIs in Brunei Darussalam namely, MUIB, YSHHB, JAPEM and BEDB. One of the purposes of doing case study is so that the researchers can “systematically gathers in-depth information on a single entity – an individual, a group, an organisation or a community”<sup>86</sup>.

In doing the research, researcher chooses the qualitative method as qualitative method will provide the researcher on the information that is needed from the “human” side view. Maykut and Morehouse (1994) cited in Robert Y.Cavana, Brian L.Delahaye and Uma Sekaran (2001) stated that Quantitative research “places emphasis on understanding through closely examining people’s words, actions and records”<sup>87</sup>.

The researcher believe that using this method is important as the researcher needed to analyse the training needed by the microfinance services providers’ officers and hence, will able “to get the insight as well as the behaviours, beliefs, opinions, emotions and relationship of individuals”. Qualitative research also enables the researcher to ‘understand how participants experience and explain their

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<sup>86</sup> Robert Y. Cavana, Brian L.Deahaye and Uma Sekaran.(2000).*Applied business research: Qualitative and Quantitative Methods*. Singapore; Markono Print Media Pte Ltd.p112

<sup>87</sup> *ibid*.p134

own world'.<sup>88</sup> Indeed, the researcher needs to gather in depth information and need to understand the objective of each MFIs in alleviating poverty. The researcher also needs to identify the job description of microfinance officers as well as the difficulties and challenges that they faced in doing their job. Thus, case study will help the researcher to achieve the objective earlier.

### 3.2 Sampling

Researcher chooses to interview the microfinance services providers in Brunei Darussalam in order to complete this research study. Four MFIs in Brunei Darussalam has been interview namely MUIB, JAPEM, YSHHB and BEDB. The four samples of MFIs are chose as the four MFIs are the one that provide loan or capital assistance to the poor and needy in Brunei Darussalam. The interviewees' samples are:

- i. Microfinance officers from MUIB:
  - Hartina Binti Haji Mohd Ariffin (Special Gred Officers Level II)
- ii. Microfinance officers from JAPEM:
  - Noryani binti Haji Abdul Rani (Acting Deputy Director, Entrepreneurship and Employment Department, JAPEM)
  - Norzaridah binti Haji Zainal (Officers of Entrepreneurship and Employment Department, JAPEM)
- iii. Microfinance officers from BEDB:
  - Lela Suhailee (Business Development Manager, BEDB & Acting Managing Director ,Youth Development Resources (YDR) )
  - Emma Rashida Agaki (Senior Officer, Human Resouces)
- iv. Microfinance Officers from YSHHB
  - Ahmad Rithauddin bin Haji Sabtu (Special Gred Officer)

The microfinance services' officers from each MFIs are chosen so that the researcher would be able to extract any information directly from the microfinance services providers' officers. This sample has been used as to identify the job description of the microfinance services providers in Brunei Darussalam as well as the

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<sup>88</sup> Robert Y. Cavana, Brian L.Deahaye and Uma Sekaran.(2000).*Applied business research:Qualitative and Quantitative Methods.Op.Cit.*p34

training that they needed in order to perform their job. Therefore, it would be essential for the researcher to get any insight information from these officers themselves.

### 3.3 Sources of Data

The sources of data for this study are compiled from both of primary and secondary sources. This is to ensure that the researcher is able to gain as much data as possible from different sources.

#### 3.3.1 Primary Data

This study will focus on the primary and secondary data as the sources of the research. Sekaran (2003) define primary source data as “information obtained first-hand by the researcher on the variables of interest for the specific purpose of study”<sup>89</sup>. Any information that gathered from interviewing the microfinance officers is considered as the primary source for this research.

Sekaran (2003) explained that by using interview, information on the issues of interest can be obtained. Interview is one method where there is a face to face interaction between the researcher and the other parties therefore it would be easier to obtain any information that are needed by the researcher on the spot. Thus, by doing interview, the researcher would be able to get the information directly from the sight of the microfinance officers.

As part of the process, before any interview is done, a letter of permission has to be obtained from Faculty of Business and Management Sciences (FBMS) from Sultan Sharif Ali Islamic University (UNISSA). All the letters were then submitted to each MFIs for approval in order to interview their microfinance officers.

In conducting the interview, the researcher is using semi-structure interview. A semi-structure interview means that the researcher has a set of predetermine questions to be asked to the interviewees. The questions are sent via email to each MFIs as well as by hand while giving the letter of permission. Despite predetermine questions has been sent to the respective MFIs, additional questions had been asked whenever the researchers need more information. While conducting the interviews, the researcher recorded and noted down all the answers that are given by the interviewees. This is to

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<sup>89</sup> Uma Sekaran.(2003). *Research Methods For Business:A skill building Approach*. 4<sup>th</sup> ed. United State of America:John Wiley & Sons,Inc.p219

ensure that all the information given can be safely obtained. The recorded interview will be played back to ensure all the information are correct.

As for the interview questions, there are five major parts for the interview questions given to the MFIs. The researcher first started the questions by asking on the services provided by the MFIs in Brunei Darussalam. The first part is essential as the researcher need to know the brief overview on the services that has been provide by MFIs in Brunei Darussalam.

The second part of the question concentrated on the roles and tasks of microfinance officers. It is important as the researcher needs to know the exact job description of the microfinance officers so that the researcher will be able to analyse the exact tasks of the microfinance officers in Brunei Darussalam before suggesting the training needed by them. The job description can only be gathered from the interview as there is no information provided on MFIs website regarding the job description of microfinance officers in Brunei Darussalam.

Meanwhile, the third part of the questions is to get a close understanding on the skills and knowledge of microfinance officers as well as the challenges and difficulties face by them. The third part of the question may help the researcher to analyse the training needed by microfinance officers with regards to their skills and knowledge so that they can perform well and do their tasks more effectively and efficiently.

The forth part of the question asking on the training that has been given by the MFIs to the microfinance officers as well as some thought by the microfinance officers on the training needed by them. This is essential so that the researcher will be able to get the insights on what the training that microfinance officers need with regards to their own experience.

The last part of the questions enables the microfinance officers to give their own suggestions on how to improve MFIs in Brunei Darussalam.

### 3.3.2 Secondary Data

This research also used secondary data as the sources of research. Sekaran (2003) Secondary data refers to “the information gathered from sources already exists”<sup>90</sup>. As for the secondary data, the researchers are using different sources which include the Holy Quran, books, journals, newspapers, dissertation and company journals. Conference proceeding on MFIs also has been used as references in this research. All these secondary sources will help the researcher to gain more information regarding microfinance as well as TNA.

### 3.4 Data Analysis

The data analysis for this research study will compromised on both the primary and the secondary data. All the data that are gathered are based on the research objective of this research study.

The primary data gathered will be used as one of the sources to evaluate the training needed by the microfinance officers, while the secondary data focuses on the ‘textbook’ example of the process of TNA. The data gathered from this research will be further analysed to meet the research objective earlier. Analyse will be based on the answer for the interview with the microfinance officers and will be compare to the secondary data gathered earlier. All the information and findings from both sources will enable the researcher to propose the solutions as well as give recommendation that will help to improve on the services given by microfinance services providers in Brunei Darussalam.

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<sup>90</sup>Uma Sekaran.(2003). *Research Methods For Business:A skill building Approach*. 4<sup>th</sup> ed. *Op.cit*.p219

## **CHAPTER 4**

### **FINDINGS AND DISCUSSIONS**

In this chapter, the researcher will explain on the findings which focusing on the four MFIs in Brunei Darussalam. Then the researcher will continue discussing on the procedure as well as the initiative that has been taken by the MFIs in assisting the poor and needy. The researcher will continue discussing on the problems and challenges faced by these microfinance officers and finally the knowledge and skills needed by these microfinance officers in order to do their tasks.

#### **4.1 MFIs in Brunei Darussalam**

With regards to the objective of MFIs to provide loans or capital assistance to the poor and needy, Brunei Darussalam also has the initiative in helping the poor and needy to set up microbusiness by providing microfinance. Among the MFIs that persistently provide microfinance to the poor and needy are YSHHB, BEDB, JAPEM and MUIB. From the interview, it has been found out that the way that these four MFIs provide microfinance is different. The difference will be discussed below.

##### **4.1.1 The Sultan Haji Hassanal Bolkiah Foundation (YSHHB)**

Established on 5 October 1992, Sultan Haji Hassanal Bolkiah Foundation (YSHHB) had several divisions which include the Welfare Division. The Welfare division provides the financial assistance to the unfortunate such as the poor and needy people as well as the victims of natural disasters. As for now, there is no specific micro financing scheme that YSHHB provided to the poor and needy. However, YSHHB did provide the poor and needy with capital assistance (in-kind) for them to set up their own micro businesses.

##### **4.1.2 Brunei Darussalam's Islamic Religious Council (MUIB)**

Brunei Darussalam's Islamic Religious Council (MUIB) was established on the year 1956. In order to help the poor and needy in Brunei Darussalam, MUIB also provide financial assistance to for them to set up their own micro businesses. In the case of MUIB, the capital assistance is solely coming from zakah. MUIB has actually allocated part of the zakah fund as capital assistance to help the poor and needy in setting up their microfinance businesses. Some of the capital assistance that provided

by MUIB are sewing equipment, equipment and material for cultivation, inventory and other equipment needed for business.

#### **4.1.3 Brunei Economic and Development Board (BEDB)**

In the year 2008, BEDB has established a non-profit making organisation, Youth Development Resources (YDR) with the objective to minimise the problem of unemployment as well as to increase the pool of young entrepreneurs by helping the young people to start small businesses.

Under this programme, BEDB has collaborated with few corporate bodies which act as their sponsors and has provide grants to the poor and needy to set up the micro businesses. Among the corporate sponsors are Alcoa Foundation, Citi Foundation as well as Bank Islam Brunei Darussalam (BIBD)<sup>91</sup>. According to Lela Suhailee, the acting Managing Director, YDR the amount given to the poor and needy as the grant is up to B\$ 2000..According to Lela Suhailee again, the corporate bodies may give BEDB in the form of cash but BEDB will give the poor and needy micro financing in terms of in kind.

#### **4:1.4 Community Development Department (JAPEM)**

Community Development Department (JAPEM) is a department under The Ministry of culture, Brunei Darussalam. With the vision to “Strengthen the capacity of individuals in socio-economic challenges present and future”, JAPEM main target are the children, problematic teenagers, family, women, special needs individuals, the elderly and the poor and needy.<sup>92</sup>

In the year 2006, the Job and Entrepreneurship division has been established with the aims to provide a micro financing scheme to the poor and needy in which no interest or service charge imposed nor collateral or guarantor required.

Different from MUIB and BEDB, JAPEM provide loan to the poor and needy under the PERKASA programme. According to Noryani binti Abdul Rani, JAPEM

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<sup>91</sup> See: BEDB Brunei Darussalam (2012). “Assistance Schemes for Business Start-ups and SMEs”. The Brunei Economic Development Board (BEDB).

<sup>92</sup> Rose Abdullah.(2012). *Zakat Management in Brunei Darussalam: Funding The Economic Activities of The Poor*. Brunei Darussalam: Universiti Islam Sultan Sharif Ali.p37

will give the loan also in terms of in-kind and the poor and needy have to repay back the loan as low as B\$ 50 per month to JAPEM.

Therefore, even though the main objective of the MFIs in Brunei Darussalam is to alleviate poverty by providing financing for the poor and needy to set up the micro-business, the skim of financing that are provided by them is different. Three of the MFIs (YSHHB, MUIB and BEDB) provide capital assistance to the poor and needy to set up the microbusinesses.

On the other hand, only JAPEM had provided loan (with no interest charge) to the poor and needy which actually meet with the definition of the 'microfinance' whereby it is defined as "programme that extends small loans to very poor people for self-employment projects that generate income in allowing them to take care of themselves and their families"<sup>93</sup>.

However, even though the main objective of the MFIs is to alleviate the poverty, it has been found out that there is actually not much effort given by the MFIs in helping their clients managing the microbusinesses. Most of the MFIs stated that their main concern is just to give the financial assistance to their clients and nothing else matters. JAPEM for instance, did not put much effort to ensure that their clients pay back the loan given on time. Compare to *Amanah Ikhtiar Malaysia* (AIM), they will involve with their clients in every process so that their clients will be able to manage their business well and hence, their clients will be able to repay back their loan on time<sup>94</sup>.

#### **4.2 Roles and Tasks of the Microfinance Officers in Brunei Darussalam**

From the interviewed conducted, it has been found out that the role for microfinance officers for the four MFIs are the same. The roles and tasks of the microfinance officers in Brunei Darussalam are as below:

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<sup>93</sup> Microcredit Summit. (n.d). "What is Microfinance?". *Microcredit Summit Campaign*. Retrived from: <http://www.microcreditsummit.org/what-is-microfinance.html>

<sup>94</sup> Rosman Mahmood and Mohd Rosli Mohamad. (2011). *Perusahaan Kecil dan Dilema Usahawan* *Op.cit.*.p97



i. Evaluate the applicants who apply for micro financing

As a standard operation of the MFIs in Brunei Darussalam, the poor and needy firstly need to apply for the micro-financing schemes that are provided by MFIs in Brunei Darussalam. The microfinance officers will then evaluate all the forms that have been filled by the applicants. Among the four MFIs that has been interviewed, only YSHHB has the initiative to do their own survey and to find the right applicant. This survey has been implemented stage by stage whereby YSHBB make their survey '*mukim by mukim*'.

ii. Investigate on the applicants

The microfinance officers will then go on investigating on the applicants who applied for the micro-financing. The microfinance officers will first review the applicants' forms and will go to the house of the applicants. The officers will ask several questions to the applicants in order to see whether their clients have the experience in business or not. The microfinance officers also checked on the applicants' background whether it meets the requirements and guidelines given by the institutions. For instance, the microfinance officers will check upon the cleanliness of the applicants' house if the applicants wanted to set up their microbusiness from their home (especially food and beverages business). The Meetings between Boards of Members will be held in order to select the right applicants.

iii. Monitoring the clients

The tasks of microfinance officers also involve in monitoring all the progress of their clients. This includes in monitoring the progress of the microbusinesses. In this case, the microfinance officers will go and meet their client at their home or business place in order to check the progress of their clients, whether their client are doing well in their business or not. During the interview, it has been found that JAPEM's microfinance officers will monitor their clients once every three months or once every six months. In the case of MUIB, it has been found out that there was no monitoring provided by MUIB, before the year 2009. MUIB only started to monitor their clients once every three months after the year 2009. As for BEDB, they monitor their clients once every six months and there is actually no specific monitoring period for YSHHB.

This is because according to YSHHB, there are not enough officers and staffs to monitor the progress of the poor and needy.

Meanwhile, officers from BEDB also said that BEDB now has been considered an 'exit point' towards their client. This means that BEDB will not monitor their client anymore at a certain point especially whenever they feel that their clients are successful enough in doing their business.

iv. Giving advice and motivation to the poor and needy.

The microfinance officers also responsible in giving advices to the poor and needy as well as motivate them. The microfinance officers will act as counsellor to the poor and needy by giving them moral support so that their clients can do their business very well.

Thus, from the above role and tasks of the microfinance officers, it seems that the microfinance officers have a more focused task in managing the poor and needy. However, all the tasks are mostly managed by the same person. Every stage may require different ways and skills and speciality so that the microfinance officers would be able to handle and understand the requirements that they need to fulfilled for every stages.

However, the MFIs procedure on monitoring their clients once every three or six months seems to be very ineffective as the microfinance officers might not know what will happen to their clients within the three or six months period. Compare to what have been done by one of the MFIs in Malaysia, *Amanah Ikhtiar Malaysia* (AIM), whereby they will organised the meetings with their clients every week to discuss any problems faced by their clients<sup>95</sup>.

If the MFIs holding a meeting with the clients frequently the microfinance officers will have update information on their clients but neither MFIs in Brunei Darussalam have do so.

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<sup>95</sup> Rosman Mahmon and Mohd Rosli Mohammad. (2011). *Perusahaan Kecil Dan Delima Usahawan Melayu*. Op.cit.p97

### 4.3 Challenges and difficulties faced by the Microfinance Officers in Brunei Darussalam

From the interview conducted, the microfinance officers has identified some challenges and difficulties faced by them. Among the challenges and difficulties faced by the Microfinance Officers in Brunei Darussalam are:

i. Difficulty in reaching the poor and needy

The microfinance officers find it difficult for them to reach the poor once they get the microfinance from the MFIs. This includes difficulties in contacting them as some of the clients are unable to be reach through their phone as their phone are not active anymore. Sometimes, if the microfinance officers go to their clients' house, they might find that their clients are not leaving in the area anymore<sup>96</sup>.

Among the reasons why that the poor and needy are difficult to reach are due to they are unable to pay back their loan<sup>97</sup>. Some of them are trying to avoid the microfinance officers whenever the microfinance officers wanted to contact them once they failed their business.

However, looking at the problem that faced by microfinance officers in reaching the poor suggesting that they are actually failed to have the updated data on their clients. Apart from that, the microfinance officers actually did not know the problem that has been faced by their clients. This is merely because they did not do their monitoring as frequent as possible. Without frequent monitoring on their client, they might not be able to gather the new information and data on their clients.

ii. Not enough officers and staffs

It has been found that all the four MFIs also faced the same problems whereby there are not enough officers as well as staffs in order to monitor all the progressed by the poor and needy. Up until now, there are a lot of poor and needy people that has been already given the loan or capital assistance by MFIs.

The problem of not enough officers and staffs had led MFIs officers have to be multi-tasks in order to get the entire job done. Indeed, MFIs need specific officers and

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<sup>96</sup> Hartina Binti Haji Mohd Ariffin, Special Gred Officers Level II, MUIB

<sup>97</sup> Norzaridah binti Haji Zainal, Officer Entrepreneurship and Employment, JAPEM

staffs in order to choose the right applicants, to monitor their progress as well as to give advice to the poor and needy. As what have been mentioned before, some of the poor and needy are hard to be reached, therefore, the MFIs need more officers and staffs in order to handle the tasks.

iii. Difficulty in handling the poor

Majority of the microfinance officers also addresses that they have difficulty in handling the poor and needy. This includes on the difficulty that they faces when they are trying to communicate with the poor and needy. Indeed, dealing with the poor and needy is not easy as they have different ways in thinking. The microfinance officers also complained that sometimes their clients are refused to give full cooperation especially when the microfinance officers wanted to check upon their financial statements book and according to the YSHHB's officer, no further actions has been taken to this matter.

However, there are actually need to have their own initiative on how they should handle their clients. There might be some reasons why the poor and needy are unable to present their financial statements to the microfinance officers. Even though they said that they cannot communicate very well with the poor and need, the microfinance officers need to approach them and understand the poor and needy.

iv. Getting the sponsors

While majority of the microfinance officers mentioned the difficulties and challenges that they are facing, BEDB has mentioned another challenge that they are facing as well. This is in the case of BEDB. As what have been mentioned before, BEDB, under the YDR program is collaborated with other companies as sponsors. Norlela Suhilee in her interview said that it was not easy for BEDB to get the sponsors. They need to convince the sponsors to donate to the YDR program.

BEDB had to keep in mind that this program is a non-profit program which solely based on the money given by the sponsor. Without a good paperwork or proposal, no corporate bodies would will to sponsor in this program. As an exchange on the money that has been sponsored by the corporate bodies, BEBD will allowed the officers from the sponsors organisations to attained the meeting and take part in

choosing the right applicants. For instance, BEDB will allow officers from BIBD to take part during any meeting to choose the applicants.

v. Reaching the target

As a semi-government company, BEDB has a more competitive environment. Being assist with the Key Performance Indicators (KPI), every employee had to reach a certain target and to reach that certain target is not easy. The officers have to ensure that they have the right program for the MFIs. Thus, the microfinance officers have to make sure that each program that they managed can run effectively as their performance are measure by the target that they achieve.

Thus, from the above discussions, it can be seen that majority of these microfinance officers did have the difficulties which directly related to their tasks in handling and managing the poor and needy. Only BEDB has other difficulties due to the nature of the organisations itself which is more competitive compare to other government agencies.

#### **4.4 Training for the microfinance officers**

The majority of the microfinance officers that has been interviewed informed that there was only few training provided for them that directly related to their jobs. For instance, BEDB has provided financial training to their microfinance officers so that their officers have the competency on financial aspects. Even so, one of the officers from BEDB said that she has been given training on Social Media in Kuala Lumpur, Malaysia<sup>98</sup>. Though the training given was not directly relevant to the job that she's holding, but through the training given, she will be able to share her knowledge to BEDB clients.

\* One of the officers from YSHHB also stated that they have been send to Malaysia to be given an exposure to the one of the successful micro financing scheme in Malaysia, AIM. Now, YSHHB also doing their proposal to implement the micro financing scheme in Brunei Darussalam taking AIM as their main references.

As what have been mentioned before, the main objectives for these MFIs is to alleviate poverty by providing financial assistance to their poor and needy. However,

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<sup>98</sup> Norlela Suhailee, Business Development Manager and Acting Managing Director, YDR

it has been found out that there is a rather high rate of failure of micro-businesses and thus, make the MFIs unable to reach their target. For instance, officers of MUIB stated that 3 out of 10 microbusiness are successful<sup>99</sup>. Meanwhile only 60% of the microbusinesses that are finance under BEDB are successful<sup>100</sup>.

The finding above suggested that and even though MFIs actually provide training to their microfinance officers, only few training provided are related to their tasks and job as microfinance officers. Also, from the findings, it can be seen that there is no proper and detailed TNA has been carried out by the MFIs or any relevant agencies to these microfinance officers. Thus, make a gap between the required performance and the actual performance of the MFIs.

#### **4.4.1 Skills and knowledge needed by the microfinance officers in Brunei Darussalam**

From the interview that has been conducted, it is found that the microfinance officers needed some other skills and knowledge in doing their jobs. Most of the interviewees gave the same answer to the skills that they needed in order to do their tasks well.

##### **4.4.1.1 Skills Needed by the Microfinance Officers**

Some of the skills and knowledge that they think needed by them are:

###### **i. Interpersonal skills**

The tasks of the microfinance officers involve in communicating with the poor and needy. According to officers of BEDB, dealing with the poor and needy is different from dealing with ordinary people. As what has been mentioned before, the poor and needy are mostly low educated people and the way that they thinking and understanding things are different from others and as microfinance officers they need different approached in dealing with these people.

###### **ii. Financial Skills**

The microfinance officers from JAPEM and BEDB had acknowledge the need for the microfinance officer to have a basic knowledge in accounting or finance so they may

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<sup>99</sup> Hartina Binti Haji Mohd Ariffin, Special Gred Officers Level II, MUIB

<sup>100</sup> Norlela Suhailee, Business Development Manager and Acting Managing Director, YDR

handle their client well by assisting and providing the information that their client need. Sometimes, there might be poor and needy who did not have the skills in doing accounting or anything related to financial and might refer to the microfinance officers for any information regarding accounting or financial statements. Therefore, the microfinance officers need to be prepared with this skill so that they are able to assist their clients on doing financial statements.

iii. Counselling skills

As one of the tasks of microfinance officers is to give advice and motivation to the poor and needy, the microfinance officers feels that they need skills in counselling. This is because most of the microfinance officers did not have the specific qualification as a counsellor. Without this specific skill in counselling, sometimes the microfinance officer would not be able to approach their client in an efficient and effective ways and hence, it will lead to miscommunication between two parties.

#### **4.4.1.2 Knowledge needed by the microfinance officers**

Most of the knowledge mentioned by the microfinance officers is as below:

i. Business knowledge

During the interview, it also found that the microfinance officers wanted some basic knowledge in business. As they involve with poor and needy who are lack in business knowledge, some of their clients may asked for their help regarding on how to manage business as well as how to do financial statements. Apart from that, it is the microfinance officers who involved in choosing the right applicants for the MFIs to give the microfinance scheme.

Thus, it can be clearly seen that all four MFIs in Brunei Darussalam put interpersonal skills, financial skills and business knowledge as their priority. This is basically due to their tasks are mainly involved in communicating with the poor and needy. The need to understand the poor and need makes them to set interpersonal skills as their priority. The same goes to the knowledge in business, dealing with the financing for microbusiness makes them to put the knowledge in business as their priority.

#### **4.4.1.3 Other skills and knowledge needed by BEDB microfinance officers**

While most of the microfinance officers only focusing on two specific skills and knowledge in order for them to do their tasks, BEDB had provide more broader skills and knowledge that they think important for them as a microfinance officers. The skills and knowledge are as below:

##### **i. Coordination Skills**

With respect of the tasks of BEDB microfinance officers, Norlela Suhaillee and Emma Rashida Agaki agreed that they also need coordination skills. This is because according to Norlela Suhailee, due to her job as program manager, she needs to have coordination skills as her job involve in managing the YDR program as a whole. Without the coordination skills she might not be able to handle the job very well and hence will lead to the failure of the program itself.

##### **ii. Knowledge on Brunei business context**

According to the BEDB microfinance officers, just a basic knowledge on business is not enough. The microfinance officers need broader knowledge in business especially in Bruneian context. There are actually a lot of aspects to be considered before a person can open a business in Brunei Darussalam. This includes on how to register a business as well as how to get halal certifications for anyone who wanted to open a business related to food and drink.

Being a semi-government institution, BEDB are more competitive as compare to other MFIs in Brunei Darussalam. Thus, BEDB might have different perspective on the skills that they need.

#### **4.4.1.4 Other skills and knowledge needed by MUIB**

Meanwhile, MUIB also needed another specific skills and knowledge for their microfinance officers. The skills and knowledge are as below:

##### **i. Islamic Knowledge**

Being an institution that dealing with the provision of zakāh, MUIB sees the important for their microfinance officers to have more Islamic knowledge especially those related on zakāh. This is because, the money given by MUIB to the applicants is



solely come from zakāh fund and there are specific way to handle all the fund that are coming from zakāh according to Islamic ways. That is why, the microfinance officers need to have knowledge on zakāh so that they can do their tasks very well.

Thus, with the above skills and knowledge mentioned above, it can be seen that majority microfinance officers really need those skills and knowledge in order to deal with the problems that have been mentioned earlier. Some of the problems mentioned earlier actually due to the lack of skills and knowledge of the microfinance itself. For instance, the microfinance officers have difficulties in handling the poor and needy is because they did not have the specific interpersonal skills to handle the poor and needy.

## CHAPTER 5

### CONCLUSION AND RECOMMENDATIONS

In this chapter, the researcher will discuss on the outcomes of the research and would end this chapter by making some recommendations for the benefits of the MFIs, the Microfinance officers as well as the scheme itself. The researcher also will give the recommendation on the training that should be provided by MFIs to the microfinance officers.

#### 5.1 Conclusions

From the research that has been conducted, it can be concluded that majority of the microfinance officers faced the same difficulty and challenges especially in dealing with the poor and needy. This finding suggested that the microfinance officers may not have the right skills in dealing with the poor and needy. The microfinance officers need to have a deep understanding on the need of the poor and needy before they can communicate with them very well.

There are no initiative has been made by the MFIs or any relevant agencies in trying to provide the Training Needs Analysis (TNA) for the microfinance officers. Thus, the training given might not be the one that is needed by the microfinance officers.

There is also lack of training provided to the microfinance officers by the MFIs itself. Though training are provide to these microfinance officers but it still cannot meet the required skills and knowledge needed by the microfinance officers especially when it comes to dealing with the poor and needy.

All the four MFIs in Brunei Darussalam have the problem of not enough officer and staffs. Majority of the microfinance officers are involved in doing multi-tasks job whereby sometimes they are doing the tasks that are actually not in their area of specialisations. The MFIs also did not have enough officers and staff to monitor the progress of the poor and needy, thus the reason why the monitoring is only be carried out once every three or six months.

## **5.2 Recommendation**

There are several recommendations for MFIs in Brunei Darussalam. The recommendations are as below:

### **5.2.1 General recommendation on MFIs and microfinance officers in Brunei Darussalam**

There is a need for the MFIs to do a thorough TNA for the microfinance officers so that the MFIs can identify the exact training for the microfinance officers. The MFIs need to be aware on how the process of TNA might help them to become a more effective organisation. Though doing TNA might require some times but TNA will help the MFIs to identify the problems encountered by these microfinance officers and hence they will be able to provide the solutions to the problems by giving the require training or maybe any other approached that is possible.

There is also a need for the MFIs to provide training to the microfinance officers in alignment with the organisation's overall strategy and objectives. With such implementation, the MFIs will then be able to provide the require training to the microfinance officers and hence, achieve their target and objectives to alleviate poverty in Brunei Darussalam.

The microfinance officers should monitor the progress of the poor and needy as frequent as possible. The microfinance officers should organised meetings with the poor and needy at least once a week to discuss any problem that might be encounter by them and find the solutions with the poor and needy. By doing so, the microfinance officers are now more close to their clients and hence, they will be able to understand their clients more.

The MFIs also should appoint specific unit to assist the poor and needy. For every unit, the MFIs should allocated group of officers and staff that are responsible in different tasks. For instance, one group of officers and staff are responsible in choosing the right applicants while the other group are responsible in monitoring the applicants.

The MFIs also should have the initiative whereby they should go and do their own survey to find their potential clients instead of just waiting for the application forms. This is because not all poor and needy know that there are microfinance

scheme that are available to help them set up the microbusinesses. There might be some potential clients out there that might be neglected by MFIs.

It is also suggested that the MFIs provide training on Islamic knowledge for the poor and needy. This is because, as a Muslim country, Brunei's MFIs should be aware that the microbusinesses that are being setup are within the Islamic basis. Providing the poor and needy with Islamic knowledge will help them to manage their microbusinesses in accordance to Islamic ethics. Thus, it is important for the MFIs to provide the training to their clients.

### **5.2.2 Training needed by Microfinance officers**

From the finding and analysis, there are several training that MFIs should be considered for the microfinance officers with regards to the skills and knowledge needed by them. Among the trainings that needed by them are:

i. Training on monitoring

It has been found out that the microfinance officers really need training on monitoring. Majority of them said that they need the skills in monitoring as they are lacking in those skills. The training on monitoring are needed so that the microfinance officers will have the knowledge on how to monitor their clients well and hence will be able to approach their client better.

ii. Training in Financing and Accounting

The MFIs also should consider providing and equipped their microfinance officers with the training in Financing and Accounting as one of their tasks is to look upon the financial statements of their clients. Without those training, they would not be able to monitor the financial statements of their clients as well as to guide their client very well.

iii. Training in Managing Business

As the main focus of the microfinance officers is dealing with the poor and needy in setting up and running the microbusinesses, there is a need for these microfinance officers to be provided the training on managing the business. They should know how business works as well as the nature of microbusiness.

#### iv. Training in Counselling

Training in counselling should also be provided by the MFIs to the microfinance officers as their tasks also involve in giving counselling to the poor and needy. Without the right skills on how to give counselling to the poor and needy, they would not be able to give the advice and motivation that are effective to help the poor and needy.

#### v. Training on how to select the required applicants

As one of the tasks of the microfinance officers to select the right applicants, they also need to know on the requirement needed to choose the right applicants. This training will help them to understand on how they should select the right applicants. According to one of the officers in MUIB, it has been found out that only 3 out of 10 microbusinesses are successful<sup>101</sup>. Thus, this finding suggested that the microfinance officers might did not choose the right applicants to do the microbusinesses.

#### vi. Training on effective communications

Training on how to do effective communications with the poor and needy also needed by the microfinance officers. Majority of the microfinance officers have difficulties in communicating with the poor and needy, thus, they need the training on effective communication so that they will be able to do the right approach in communicating with the poor and needy.

#### vii. Training on Psychology and Sociology

One problem that has been found out from this research is that most of the microfinance officers has their difficulties in understanding the poor and needy. This is mainly due to the lack of knowledge in understanding the behaviour of poor and needy.

Thus, it is also suggested that the microfinance officers have the training on psychology and sociology. Before the microfinance officers can communicate with the poor and needy very well, they firstly need to understand how the poor and needy behave and how their background may affect the way they are thinking, views and perspectives. Training on psychology and sociology may help them to get an insight

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<sup>101</sup> Hartina Binti Haji Mohd Ariffin, Special Gred Officers Level II, MUIB

and have a better understanding on the behaviour of the poor and needy. Hence, it will enable them to approach their client better.

viii. Training in Islamic Knowledge

Among the four MFIs that has been interview, only MUIB mentioned on the important of Islamic knowledge within the microfinance officers. It is suggested that all the four MFIs should put emphasis for the microfinance officers to have Islamic knowledge background. This is to ensure so that the operations of the MFIs are according to the Islamic principles. With such knowledge, the microfinance officers will be aware on the Islamic regulations on the prohibitions of ribā. The microfinance officer will also be able to share their Islamic knowledge to the poor and needy and hence, this will enable the poor and needy to manage their businesses in more Islamic way.

All these training can be provided by the MFIs with the collaboration of other organisations such as the Civil Service Institute (CSI) of Brunei Darussalam or any other relevant agencies. CSI provides training courses to government servants and since most of the MFIs are government organisations, then it would be possible for these MFIs to collaborate with CSI in trying to provide the right training courses for the microfinance officers.

It is hope that with the training provided to the microfinance officers enables them to give their best services to the poor and needy and will help to overcome all the problems and challenges encountered by the microfinance officers. It is also hope that with the suggestions given, the MFIs in Brunei Darussalam will be able to reach their target and objectives to alleviate poverty in the near future.

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## **Appendix A**

### **Sample of Interview Questions**

#### **Questions:**

##### **Part I – Services Given by MFIs**

1. What are the services given by the Microfinance Institutions to the poor and needy in set up and running their business?

##### **Part II – Roles and Tasks of Microfinance Officers**

2. What are the main tasks that you have done as a Micro-Finance Services Officers?
3. What are the other tasks that you have done as a Micro-Finance Services Officers?

##### **Part III – Skill, Knowledge and Challenges Encounter**

4. What are the competency/skills needed for Micro-finance Services Officers?
5. What are the knowledge that a Micro-finance Services Officer must have?
6. What are the difficulties that you have encounter while holding the job?

##### **Part IV- Training**

7. Have you given any training for the job? If yes, what are the kind of training that has been given to you?
8. What are the trainings that you needed in order to perform efficiently for the job that has been assigned to you?
9. What are the training that are most important and urgently needed by Micro-Finance Services Officers?

##### **Part V - Suggestions**

10. Suggestion on improving the Microfinance Services in Brunei Darussalam