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MICROFINANCE AS A CATALYST FOR SUSTAINABLE MICRO AND SMALL ENTERPRISES (MSE) PERFORMANCE: A STUDY OF AMANAH IKHTIAR MALAYSIA (AIM)

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Abstract:
This study examines the impact of microcredit accessibility, microfinance training and financial literacy and group support mechanisms on sustainable MSEs performance among Amanah Ikhtiar Malaysia (AIM) borrowers in seven targeted zones in Sarawak. Data from 173 active AIM clients were gathered using a cross-sectional survey approach, and SPSS Version 26 was used for analysis. Significantly positive correlations between all independent factors and sustainable performance were shown via correlation analysis. Microcredit accessibility was found to be the most significant predictor (β =.407, p <.001), with group support mechanisms coming in second (β =.205, p <.05). Financial literacy and microfinance training, on the other hand, did not exhibit any significant predictive value in the regression model, indicating possible inadequacies in the delivery of teaching or its applicability to business requirements. These findings deepen understanding of microfinance effectiveness in underserved regions and suggest that sustainable MSE performance depends on accessible and continuous disbursement, with adequacy of loan size and supportive knowledge sharing and networking opportunities rather than on standalone training programs. The study advances microfinance research by providing empirical evidence from a rural context and offers critical recommendations for enhancing microfinance program design to foster sustainable microenterprise development in emerging economies.

Keywords: microcredit accessibility, continuous disbursement, loan-size adequacy, microfinance training, financial literacy, entrepreneurial skills and financial management, group support mechanisms, networking opportunity, knowledge sharing, sustainable MSE performance

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1. Introduction

In Malaysia, Amanah Ikhtiar Malaysia (AIM) has emerged as the country's largest and most impactful microfinance institution, established with a mandate to alleviate poverty and stimulate entrepreneurship among low-income households. Over the past few decades, AIM's microcredit interventions have been widely documented as instrumental in enhancing microenterprise outcomes. A 2015 empirical study found that AIM's microcredit access significantly boosted business performance, allowing entrepreneurs to expand operations, improve capital assets, and increase profitability. Recent studies conducted between 2024 and 2025 continue to affirm AIM's socioeconomic impact but also identify critical structural constraints, including loan repayment challenges, operational inefficiencies, and overdependence on public or external funding sources. These issues raise concerns about the long-term sustainability of AIM's model, particularly as the microfinance landscape evolves toward more integrated and sustainable enterprise development. Emerging scholarship further emphasizes that sustainable MSE performance now depends not only on access to credit but also on strategic factors such as financial literacy, business capability, and the adoption of sustainable management practices—factors often influenced by contextual variables like market access and geographic location. Given AIM's central role in Malaysia's microenterprise ecosystem, there is an increasing need to investigate how its financing mechanisms, support programs, and group-based model contribute to sustainable MSE performance. This study seeks to advance this understanding by examining the combined influence of microcredit accessibility, training and financial literacy, and group support mechanisms on the sustainable performance of AIM borrowers in rural Sarawak. It aims to address existing research gaps and provide insights to guide more effective and sustainable microfinance policy and practice.

1.1 Rationale for the Study

Despite AIM's contribution and success in delivering microfinance to low-income communities and improving household livelihoods, critical gaps remain in understanding how AIM functions as a catalyst for sustainable MSE performance in the contemporary microfinance landscape. While past studies have confirmed positive correlations between AIM's microcredit access and microenterprise performance, they offer limited insight into the sustainability dimensions of these outcomes—particularly in terms of financial viability, operational resilience, and long-term enterprise stability. Emerging evidence also highlights great challenges affecting AIM's effectiveness, including loan repayment difficulties, operational inefficiencies, and reliance on external financial support, all of which may compromise both AIM's institutional sustainability and the sustained performance of the MSEs it serves. Moreover, although recent research examines the combined effects of sustainability practices and microfinance on MSE performance in Malaysia, empirical research specifically linking AIM's microfinance model to sustainable MSE outcomes remains limited. There is a lack of understanding of whether AIM's current financing mechanisms, support structures, and program design sufficiently enhance the long-term financial and non-financial performance of microenterprises in a rapidly changing economic environment. These gaps necessitate a focused investigation into the effectiveness of AIM's microfinance services in fostering sustainable MSE performance, thereby informing policy, institutional strengthening, and the future direction of microfinance-driven development, particularly in Sarawak.

2. Literature Review

2.1 Sustainable MSE Performance

In micro and small businesses, sustainability means not just being financially viable but also being operationally stable, managing resources effectively, and being resilient to changes in the market. Financial management techniques, including cost control, resource allocation, and budgeting, have a positive correlation with sustainable MSE performance, according to a recent 2025 study that used rigorous statistical measures (Rahman *et al.*, 2025). These results support the expanding body of research that suggests sustainability evaluations need to use multifaceted metrics that account for both financial and non-financial performance. The development of measurement frameworks for sustainable microenterprise performance is further aided by complementary research on organisational capability, environmental management, and resource efficiency (Ali & Kumar, 2025; Lee & Mustafa, 2023). When taken as a whole, these studies demonstrate that good financial governance, well-informed decision-making, and flexible management techniques are the main drivers of sustainable performance.

2.2 Microcredit Accessibility: Continuous Disbursement and Loan-size Adequacy

Access to microcredit is still a crucial factor in determining the success of microenterprises, particularly for low-income business owners who rely significantly on outside funding. Microenterprises can sustain steady cash flow, grow, and successfully manage business risks when they have access to suitable loan sizes and ongoing disbursement cycles. According to an empirical study done in Nigeria, a number of structural factors, such as household size, income stability, business value, education level, and borrower awareness, influence access to microcredit (Adebayo *et al.*, 2015). The results highlight how increasing financial literacy and providing focused training can greatly increase loan availability and lower poverty, especially for microbusinesses that operate in resource-constrained settings. This illustrates how microfinance institutions (MFIs) must guarantee adequate funding and expedite disbursements in order to promote long-term business expansion. Access to microcredit, including sufficient loan amounts and continuous disbursements, boosts enterprise capital availability, fortifies working capital cycles, and increases the potential for business growth. Higher access to microcredit has been shown in previous research to have a positive impact on operational growth, income stability, and business performance (Adebayo *et al.*, 2015). MSEs can control risks, make wise investments, and continue to run sustainably when they have access to dependable funding. Based on the aforementioned investigation, we developed the following initial hypothesis:

H1: Microcredit accessibility has a significant positive relationship with sustainable MSE performance.

2.3 Microfinance Training and Financial Literacy: Entrepreneurial Skills and Financial Management

Two key interventions that influence the efficacy of microfinance programs are financial literacy and entrepreneurial training. Structured financial literacy programs significantly enhance clients' financial behaviours, such as budgeting, loan repayment, savings accumulation, and investment decision-making, according to recent studies (Singh & Devi, 2024). Borrowers can increase enterprise sustainability, lower financial vulnerabilities, and make better use of loan capital when they have higher literacy. Asserting that capacity-building programs empower microfinance clients and staff by enhancing decision-making competencies and promoting informed financial choices, complementary research in 2025 highlights the transformative role of training (FasterCapital, 2025a). Furthermore, there is growing evidence that financial literacy reduces fraud in the microfinance industry. Clients who possess this knowledge are better equipped to spot fraudulent schemes, protect their savings, and make wise borrowing choices (Boateng, 2025). As a group, Microfinance training equips entrepreneurs with managerial, entrepreneurial, and financial competencies. Evidence suggests that well-structured training enhances financial decisions, income utilization, and repayment behavior, ultimately leading to healthier and more sustainable enterprise performance (Singh & Devi, 2024). Training also enhances business survival capacity by strengthening managerial efficiency and strategic planning. Financial literacy is a crucial capability that enables entrepreneurs to budget effectively, manage debt, avoid fraud, and make informed investment decisions. Studies confirm that financial literacy improves financial outcomes, ensures responsible borrowing, and enhances overall business resilience (Boateng, 2025). Entrepreneurs with strong financial knowledge utilize loans more productively and adopt better financial management practices, which are central to sustainable performance. Based on the discussions above, we can develop a hypothesis as follows:

H2: Microfinance training has a significant positive relationship with sustainable MSE performance.

H3: Financial literacy has a significant positive relationship with sustainable MSE performance.

2.4 Group Support Mechanisms: Networking Opportunity and Knowledge Sharing

Group-based microfinance models continue to gain prominence due to their ability to enhance social capital, collective learning, and information-sharing among MSEs. Networking within microfinance associations strengthens collaboration, provides technical support, improves access to funding opportunities, and ultimately enhances operational effectiveness among member institutions (FasterCapital, 2025b). Beyond institutional networks, community-level savings groups also play a significant role in supporting microentrepreneurs. Plan International (2025) reports that democratic, self-managed savings groups help members develop financial discipline, savings habits, lending capabilities, and mutual accountability. These peer-led structures promote collective problem-solving, build confidence, and create supportive environments that reinforce business continuity and resilience. Thus, group mechanisms function as complementary pillars to microfinance services, enriching both knowledge ecosystems and enterprise performance outcomes. Group-based mechanisms—such as savings groups, networking platforms, and peer-learning structures—build social capital that enhances business stability, knowledge exchange, and resource-sharing. Networks strengthen collaboration, expand market access, and provide collective problem-solving that supports enterprise growth (FasterCapital, 2025b; Plan International, 2025). These social structures enable MSEs to operate more sustainably by improving access to information, skills, and financial discipline. Based on the literature review, we established the third hypothesis as follows:

H4: Group support mechanisms have a significant positive relationship with sustainable MSE performance.

3. Material and Methods

3.1 Research Design

The study employed a quantitative cross-sectional survey design. Reasons being that the nature of this study seeks to gather data from a group of subjects at only one point in time. The goal is to examine the relationships between microcredit accessibility, microfinance training, financial literacy, group support mechanisms, and sustainable MSE performance among Amanah Ikhtiar Malaysia (AIM) borrowers. Data were collected across seven AIM zones in Sarawak, namely Kanowit, Sibu, Bawang Assan, Nibong Tada, Sekuau, Tamin, and Selangau. Prior to distribution, the researcher met with each zone leader to brief them on the study's purpose and obtain approval for engaging the members. The proposed conceptual model is shown below:

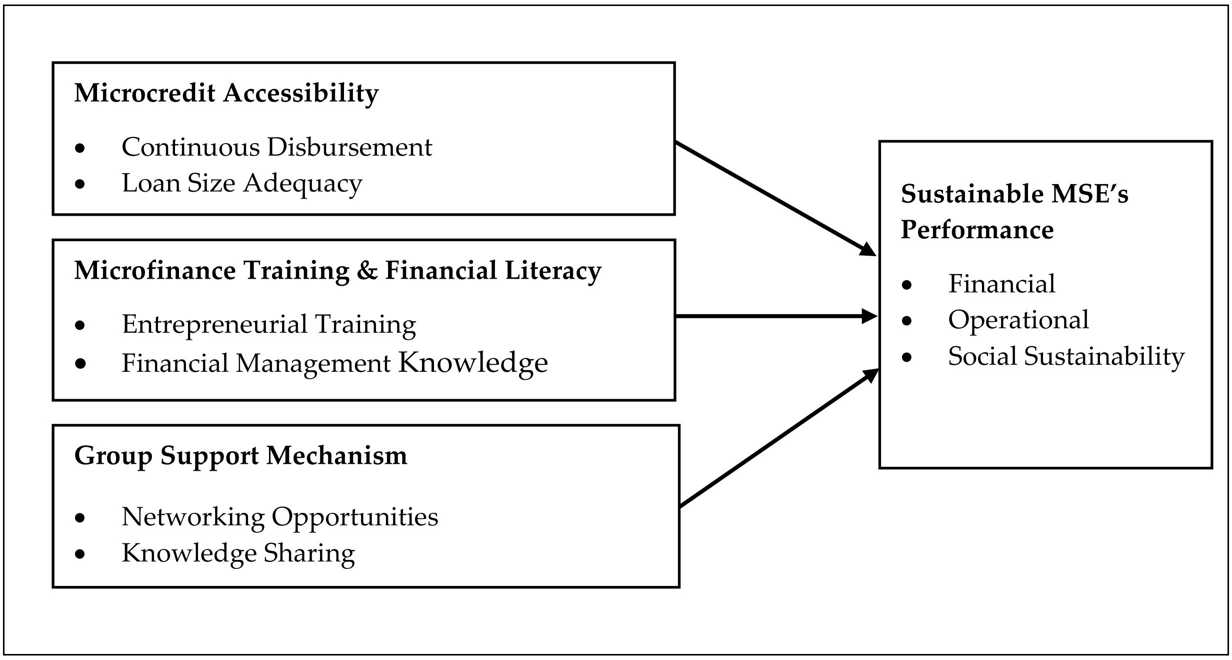

Figure 1: Catalyst MSE Model: Microfinance as a catalyst for Sustainable MSE Performance at Amanah Ikthiar Malaysia (AIM)

3.1 Population and Sample

The population for this study comprised approximately 2,100 microfinance borrowers who are members of Amanah Ikhtiar Malaysia (AIM) across seven zones in the Sibu Division of Sarawak, namely Kanowit, Sibu, Bawang Assan, Nibong Tada, Sekuau, Tamin, and Selangau. Each zone operates under a designated leader who oversees the members' activities and serves as a communication liaison between AIM and the borrowers. Prior to the distribution of questionnaires, the researcher conducted briefing sessions with each zone leader to explain the study's objectives and obtain approval for data collection. Following the validation of the questionnaire, the researcher coordinated subsequent meetings for the distribution and collection of the instruments from the members. This entire process was completed within a period of three to four weeks. Out of the total population, 173 valid responses were received and deemed usable for data analysis. This sample size was considered adequate for the study, as it provided sufficient representation across all seven zones and met the recommended standards for quantitative research reliability and statistical analysis.

3.2 Measurement Instrument

In this study, a structured and validated questionnaire was employed to measure the study variables: microcredit accessibility, microfinance training, financial literacy, group support mechanisms, and sustainable MSE performance, along with demographic characteristics. Data were coded and analyzed using descriptive and inferential statistics, including regression analysis, to test the hypothesized relationships between the independent variables and sustainable MSEs performance. The study employed a quantitative descriptive survey design, and data were analyzed using SPSS version 26. A structured questionnaire was developed to capture respondents' perceptions across all study variables. The independent variables were adapted from recent, reliable literature and selected for their theoretical and empirical relevance to sustainable MSE performance. Prior to distribution, the questionnaire items were reviewed and approved by the zone leaders to ensure clarity, relevance, and logical association with the dependent variable. The questionnaire consisted of five items measuring sustainable MSE performance and four items for each independent variable. All items were measured using a five-point Likert scale (1 = strongly disagree to 5 = strongly agree) to facilitate respondent understanding and maximize response accuracy. The collected data were subjected to descriptive analysis and reliability testing, with results indicating high internal consistency. This instrument design supports regression-based analysis, allowing for model-based inference under the assumption that the regression model is correctly specified, ensuring the proposed conceptual model is appropriate for examining the relationships between the selected variables.

4. Results and Discussion

4.1 Reliability Analysis

Table 1 presents the statistical reliability findings, derived from a reliability analysis and the evaluation of Cronbach's coefficient α. According to Hair *et al.* (1998), a Cronbach's α value exceeding 0.7 is considered acceptable. The three microfinance determinants exhibited minimum acceptable α values: microcredit accessibility (α = 0.741), microfinance training and financial literacy (α = 0.667), and group support mechanism (α = 0.539), while MSEs sustainable performance demonstrated an α of 0.938. Only the group support mechanism (α = 0.539) indicated a weak association with MSEs sustainable performance. Nevertheless, the overall Cronbach's α for all variables, encompassing 17 items assessed in this study, remained acceptable, reflecting a strong correlation among the various item responses. Consequently, it is concluded that all four variables possess reliability.

Table 1: Reliability Statistics of the Leadership Challenges

No	Variable	Cronbach's Alpha (α)	Items
1	Microcredit Accessibility	.741	4
2	Microfinance Training & Financial Literacy	.667	4
3	Group Support Mechanism	.539	4
4	Sustainable MSEs Performance	.938	5

Source: Author.

4.2 Validity Test

In this validity test of the correlation table below, the question items linked to variables with values higher than the critical value from the r-table (0.149) indicate that the question items are valid in explaining the variables. Tables 2 to 5 show that all 17 question items used in the variables are valid. The calculated data for the correlation tables of question items to variables, which have values above the critical value from the r-table, indicate that all question items are valid in explaining the MSEs' sustainable performances.

Table 2: Validity Test for Microcredit Accessibility (CDL)

Items	r-item	Criteria 1 (>0.3)	r-table	Criteria 2 (>r-table value)	Criteria 3 (Sig at 0.05/0.01)	Result
CDL 1	.626**	Yes	0.149	Yes	Yes	Valid
CDL 2	.510**	Yes	0.149	Yes	Yes	Valid
CDL 3	.643**	Yes	0.149	Yes	Yes	Valid
CDL 4	.699**	Yes	0.149	Yes	Yes	Valid

Table 3: Validity Test for Microfinance Training & Financial Literacy (MTFL)

Items	r-item	Criteria 1 (>0.3)	r-table	Criteria 2 (>r-table value)	Criteria 3 (Sig at 0.05/0.01)	Result
MTFL 1	.516**	Yes	0.149	Yes	Yes	Valid
MTFL 2	.704**	Yes	0.149	Yes	Yes	Valid
MTFL 3	.687**	Yes	0.149	Yes	Yes	Valid
MTFL 4	.499**	Yes	0.149	Yes	Yes	Valid

Table 4: Validity Test for Group Support Mechanism (GSM)

Items	r-item	Criteria 1 (>0.3)	r-table	Criteria 2 (>r-table value)	Criteria 3 (Sig at 0.05/0.01)	Result
GSM 1	.607**	Yes	0.149	Yes	Yes	Valid
GSM 2	.673**	Yes	0.149	Yes	Yes	Valid
GSM 3	.220**	Yes	0.149	Yes	Yes	Valid
GSM 4	.574**	Yes	0.149	Yes	Yes	Valid

Table 5: Validity Test for Sustainable MSEs Performances (SP)

Items	r-item	Criteria 1 (>0.3)	r-table	Criteria 2 (>r-table value)	Criteria 3 (Sig at 0.05/0.01)	Result
SP 1	.728 **	Yes	0.149	Yes	Yes	Valid
SP 2	.747**	Yes	0.149	Yes	Yes	Valid
SP 3	.728**	Yes	0.149	Yes	Yes	Valid
SP 4	.705**	Yes	0.149	Yes	Yes	Valid
SP 5	.710**	Yes	0.149	Yes	Yes	Valid

4.3 Frequency Analysis

A total of 173 respondents from seven AIM zones participated in this study. The majority of respondents were between 41 and 60 years of age, with 52 (30.1%) aged 41–50 and 50 (28.9%) aged 51–60, while only 15 (8.7%) were above 60 years old. Most participants were married (69.4%), followed by those who were single (19.7%) or divorced (11.0%). In terms of education, SPM/MCE holders made up the largest group with 68 respondents (39.3%), followed by those with SRP/PMR qualifications (24.3%) and primary education (19.1%). Only 5.8% had STPM-level education. Regarding AIM membership duration, 50 respondents (28.9%) had been members for 1–3 years, while 44 (25.4%) had participated for 4–6 years, and 38 (22.0%) for more than 6 years. Approximately 41.6% of borrowers earned monthly revenues between RM2,001 and RM3,000, while only 6.4% reported incomes above RM4,000. Most respondents were engaged in processing-related businesses, particularly in food production (53.8%), followed by retail (19.7%), services (17.9%), and agriculture (8.7%). Business experience was distributed fairly evenly, with 56 (32.4%) having 4–6 years of experience, while 35 (20.2%) had less than 1 year. As for loan cycles, 41 respondents (23.7%) were in their first cycle, 43 (24.9%) in their fourth cycle, and 36 (20.8%) had participated in more than four cycles. Loan amounts varied, with 45 borrowers (26.0%) taking loans between RM5,000 and RM10,000, and a similar proportion (21.4% and 18.5%) taking amounts between RM10,001–RM15,000 and RM20,001–RM25,000, respectively.

Table 6: Summary of the Respondents According to Their Profile (N=173)

Demographic Variable	Category	Frequency (n)	Percentage (%)
Age	Below 30	26	15.0
	30-40	30	17.3
	41-50	52	30.1
	51-60	50	28.9
	Above 60	15	8.7
Marital Status	Single	34	19.7
	Married	120	69.4
	Divorced	19	11.0
Educational Level	Primary School	33	19.1
	SRP/PMR	42	24.3
	SPM/MCE	68	39.3
	STPM	10	5.8
	Others	20	11.6
Year with AIM	less than 1 year	41	23.7
	1-3 years	50	28.9
	4-6 years	44	25.4
	More than 6 years	38	22.0
Monthly Revenue	RM1,000-RM2,000	46	26.6
	RM2,001-RM3,000	72	41.6
	RM3,001-RM4,000	44	25.4
	Above RM4,000	11	6.4
Types of Business	Processing (e.g. Food)	93	53.8
	Retailing	34	19.7
	Services	31	17.9
	Agriculture	15	8.7
Experience in Business	less than 1 year	35	20.2
	1-3 years	46	26.6
	4-6 years	56	32.4
	More than 6 years	36	20.8
Cycle (times)	Once	41	23.7
	Twice	23	13.3
	3 times	30	17.3
	4 times	43	24.9

	More than 4 times	36	20.8
Amount Borrowed	Below RM5,000	15	8.7
	Between RM5,000-RM10,000	45	26.0
	Between RM10,001-RM15,000	37	21.4
	Between RM15,001-RM20,000	31	17.9
	Between RM20,001-RM25,000	32	18.5
	More than RM25,000	13	7.5

4.4 Pearson Correlation

Table 7 presents the Pearson correlation results examining the relationships between the independent variables—microcredit accessibility (CDL), microfinance training and financial literacy (MTFL), and group support mechanisms (GSM)—and the dependent variable, sustainable performance (SP), among AIM microfinance borrowers. The correlation coefficients (r) ranged from .496 to .590, indicating moderate to strong positive relationships based on Evans' (1996) guidelines. All relationships were statistically significant at the $p < .01$ level. Microcredit accessibility showed the strongest correlation with sustainable performance ($r = .590$), suggesting that adequate access to microcredit is vital in promoting sustainability among microenterprises. Microfinance training and financial literacy also demonstrated a significant, moderate relationship ($r = .519$), indicating that capacity-building and financial awareness support business continuity. Group support mechanisms were similarly correlated with sustainable performance ($r = .496$), emphasizing the value of peer networks and collective engagement. Overall, the findings confirm that all independent variables are positively and significantly associated with sustainable performance. Microcredit accessibility emerged as the most influential factor, followed by training and literacy, and group support mechanisms, thus supporting all proposed hypotheses in the study.

Table 7: Pearson Correlation Analysis between Variables Studied

Variable	**1 (CDL)**	**2 (MFTL)**	**3 (GSM)**	**4 (SP)**
R				
1 (CDL)	1	.610**	.494**	.590**
2 (MFTL)	.610**	1	.668**	.519**
3 (GSM)	.494**	.668**	1	.496**
4 (SP)	**.590****	**.519****	.496**	1

**. Correlation is significant at the 0.01 level (2-tailed).

Note: 1 = Microcredit accessibility, 2 = Microfinance training & Financial literacy, 3 = Group support mechanism, 4 = Sustainable MSEs performance.

4.5 Multiple Regression Analysis

To further strengthen the findings from the correlation analysis, multiple regression analysis was performed to assess the predictive power of the independent variables—microcredit accessibility, microfinance training and financial literacy, and group support mechanisms on sustainable performance among AIM borrowers. In Table 8, the regression model was statistically significant ($p < .05$), indicating a meaningful relationship between the predictors and the dependent variable. Among the three predictors, microcredit accessibility emerged as the strongest and most significant predictor of sustainable performance, with a standardized coefficient of $\beta = .407$ ($t = 5.403$, $p = .000$). This suggests that borrowers with better access to microcredit are more likely to achieve sustainable enterprise performance. Group support mechanisms also showed a significant positive influence ($\beta = .205$, $t = 2.560$, $p = .011$), highlighting the importance of peer networks and collective support in enhancing enterprise outcomes. However, microfinance training and financial literacy did not significantly predict sustainable performance in this model ($\beta = .133$, $t = 1.514$, $p = .132$). Overall, the model indicates that microcredit accessibility is the most influential factor in driving sustainable performance, followed by group support mechanisms.

Table 8: Relative Contribution of Microfinance (*Microcredit accessibility, Microfinance training & Financial literacy, Group Support Mechanism)*, as independent variables and *Sustainable MSEs Performance* as the dependent variable

Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**
		B	**Std. Error**	**Beta (β)**		
1	(Constant)	7.310	1.334		5.481	.000*
	Microcredit Accessibility	.455	.084	.407	5.403	.000*
	Microfinance Training & Financial Literacy	.143	.094	.133	1.514	.132
	Group Support Mechanism	.245	.096	.205	2.560	.011

*Significant level is at .05 ($p < .05$).

4.6 Discussion

The findings of this study provide empirical support for the theoretical propositions established in the literature regarding the influence of microfinance-related factors on sustainable micro and small enterprise's (MSEs) performance. The results from both the Pearson correlation and multiple regression analyses highlight the importance of microcredit accessibility, group support mechanisms, and, to a lesser extent, microfinance training and financial literacy in promoting sustainable performance among Amanah Ikhtiar Malaysia (AIM) borrowers. The Pearson correlation results revealed that all three independent variables were significantly and positively associated with sustainable performance, with microcredit accessibility ($r = .590$) showing the strongest relationship. This is consistent with earlier findings by Adebayo *et al.* (2015), who emphasized that access to appropriate loan sizes and continuity in disbursement enable microenterprises to maintain stable operations, manage risks, and invest in business expansion. Such financial accessibility not only supports business continuity but also enhances resilience in resource-constrained settings. The multiple regression analysis further reinforced this, identifying microcredit accessibility as the strongest predictor of sustainable performance ($\beta = .407$, $p < .001$). This suggests that reliable credit access and adequacy are pivotal for enterprise financial stability and long-term sustainability. Group support mechanisms also emerged as a significant predictor ($\beta = .205$, $p = .011$), indicating the value of collective learning, peer support, and networking in enhancing business sustainability. This aligns with findings in the literature where peer-led structures, such as savings groups and associations, are shown to foster financial discipline, knowledge exchange, and confidence among entrepreneurs (FasterCapital, 2025b; Plan International, 2025). These findings underscore that beyond financial capital, social capital plays a central role in sustaining enterprise growth and performance. Contrary to expectations, microfinance training and financial literacy did not significantly predict sustainable performance in the regression model ($\beta = .133$, $p = .132$), despite showing a moderate correlation ($r = .519$). While previous studies highlight the impact of training on financial behavior, decision-making, and business outcomes (Singh & Devi, 2024; Boateng, 2025), the insignificant regression result suggests that training alone may not be sufficient to drive sustainable performance in the absence of other enabling factors. This could reflect training quality, relevance, or the need for more practical and business-oriented training modules. Overall, the study confirms that sustainable MSE performance is driven by a combination of financial access and social support systems, reinforcing the multidimensional nature of sustainability (Rahman *et al.*, 2025; Ali & Kumar, 2025). The findings contribute to expanding empirical understanding of how microfinance interventions support MSE resilience in Malaysian rural contexts.

5. Conclusion and Recommendations

This study provides valuable empirical evidence on the determinants of sustainable MSE performance among AIM microfinance borrowers in Sarawak. The results underscore the critical role of microcredit accessibility and group support mechanisms in influencing sustainable performance for microenterprises, while revealing nuanced insights into the impact of microfinance training and financial literacy. The findings reaffirm that microcredit accessibility is the most influential factor in driving sustainable MSE performance. Consistent, sufficient, and timely access to financial capital allows microentrepreneurs to manage cash flows, expand operations, and strengthen resilience against economic challenges. The evidence strongly supports the argument that microfinance institutions such as AIM must continue to enhance loan services, refining policies on loan size adequacy, repayment flexibility, and funding cycles to align with microenterprise needs. Investments in borrower financial awareness, as highlighted by Adebayo *et al.* (2015), remain essential for increasing loan utilization efficiency and repayment discipline. Group support mechanisms were also confirmed as a significant driver of sustainable MSE performance. The cooperative nature of AIM's group-based model provides an advantageous platform for knowledge sharing, peer learning, and emotional support. These results validate earlier studies (FasterCapital, 2025b; Plan International, 2025) and suggest that strengthening group dynamics and integrating structured peer mentoring may further reinforce business sustainability. AIM and similar microfinance institutions should formalize group support programs that combine financial services with cooperative learning models, particularly in rural and semi-urban settings where community-based support is culturally strong. While the correlation showed a positive relationship, microfinance training and financial literacy did not significantly predict sustainable performance in the regression model. This implies that current training initiatives may not be sufficiently aligned with the practical needs of rural microentrepreneurs. Existing training may be overly theoretical, ineffective or lacking in business application. A more holistic capacity-building approach is recommended—incorporating practical financial planning, digital literacy, supply chain management, and market access strategies as emphasized by Singh and Devi (2024). AIM should evaluate and redesign its training programs to target specific weaknesses and leverage experiential learning methods. This study recommends that AIM:

1) Optimise loan products to take into account business cycles and market realities in rural areas, while maintaining flexibility to account for seasonal fluctuations in income.
2) Expand training programs to include business simulations, case studies, and long-term mentoring with industry professionals.
3) Strengthen group structures by giving AIM members access to formal networking platforms and market connections.
4) Implementing monitoring and evaluation mechanisms to measure long-term sustainability rather than short-term financial performance.
5) Examine the possibilities of mobile financial services, digital payments, and microinsurance as value-added instruments for MSE resilience.

Future research is also encouraged to examine mediating factors like market access, digital adoption, and entrepreneurial orientation, as well as the long-term impacts of microfinance interventions. A deeper understanding of borrower experiences and program effectiveness may also be possible with the use of mixed methods. Thus, by providing evidence-based suggestions for improving microenterprise sustainability in Malaysia and comparable contexts, this study adds to the current conversations on microfinance.

5.1 Future Research Direction

This study is subject to several limitations. First, the cross-sectional design restricts causal interpretation of the relationships between microfinance variables and sustainable MSE performance. Longitudinal studies would better capture the long-term effects of microfinance interventions. Second, the sample was limited to AIM borrowers in selected zones within Sarawak, which may limit the generalizability of the findings to other regions or microfinance models. Future studies should include comparative samples across different MFIs and geographical contexts. Third, although microfinance training and financial literacy were included, the study did not assess the quality, frequency, or content of training, which may explain their insignificant predictive power. Further research should explore qualitative insights into training effectiveness and implementation challenges. Future research could also examine mediating or moderating variables such as entrepreneurial orientation, digital adoption, or market conditions to provide a more nuanced understanding of how microfinance factors influence sustainability. The mixed methods research, incorporating interviews or case studies, could enrich statistical findings by capturing borrowers' perspectives. Integrating performance measures beyond financial outcomes, which include environmental and social indicators, would align with the evolving multidimensional view of sustainability in micro and small enterprises.

Conflict of Interest Statement

The author can confidently state that no conflicts of interest are associated with this research, and that no significant financial support, authorship, or publication arrangements have been received that could have influenced the study's outcome. The author affirms that this research is original and has not been published in the past or elsewhere.

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