

# Social enterprise in Malaysia: The UMK experience

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## Abstract

The term Entrepreneurship is still new to most Malaysian in the eighties and nineties, let alone the term Social Enterprise. The term social enterprise is always interchangeably confused with the term volunteerism, social work, welfare and entrepreneurship. All these terms have it's own meanings and definitions. As nomenclature to the term, it literally infers that two areas of expertise, namely social and entrepreneurship are combined to form social enterprise.

In Malaysia, the term is widely used recently to explain the effort of some government agencies and non- governmental organisations in changing the economical status of the poor community. Many poor communities are subject to these social enterprise projects such technical skill training and micro financing scheme in assisting them to get out of the poverty bracket.

Universities in Malaysia have also embarked on bridging the universities with the poor community such as carrying out community based poverty alleviation programmes. Universiti Malaysia Kelantan (UMK) is no exception to these kinds of programmes. Through its strategic thrusts, UMK has launched many programmes such as Social Enterprise for Economic Development (SEED), Regional Network in Poverty Eradication as well as actively involved in the Agropolitan Project of the East Coast Economic Region (ECER).

This paper will highlight various debates on the definitions of Social Enterprise, current social enterprise like projects by government and non government agencies in Malaysia and the involvement of UMK in this area.

## 1.0 Introduction

Many scholars have defined the term social enterprise in many ways in line with their disciplines of studies. Yet, the debate for the definite understanding of social enterprise is still going on.

Malaysia as country heading for industrialise status has embarked on promoting entrepreneurship among its citizen almost 30 years ago. However, the debate on entrepreneurship in Malaysia is still continuing especially in the sector of finance to small and medium entrepreneurs. Creation of Bumiputra entrepreneurs is also another area that has been explored extensively by government agencies in Malaysia.

Recently, Malaysian were introduced to the concept of understanding the need to help the poor community through entrepreneurship activities. This has brought about to the implementation of social enterprise projects in some villages in Malaysia. Universities and non governmental organisations embarked into helping the poor communities through various social enterprise program as well as voluntary social work programs with minimal term of

reference and guidelines. Some claimed to be doing social enterprise projects which seems to be a social work or voluntary programmes. The guideline is still vague and need to be clarified from time to time so that proper action could be taken. This paper will present some views on the definition of social enterprise as well as quoting some projects that sound like social enterprise, implemented by the government as well as the non-governmental organisations. A case of Universiti Malaysia Kelantan and social enterprise programme will be highlighted in this paper.

## 2.0 Malaysia and Poverty

Poverty is also a serious issue in Malaysia despite the development plans implemented by the government. The term hardcore poor is still mingling in the mind of Malaysian. The poor in Malaysia can be divided in two that are rural and urban poor.

According to Dr. Richard Leete, the Resident UNDP Representative Malaysia, Singapore and Brunei, in 1970, 49% of households were poor. In 2007, the figure had shown great improvement where less than 5% falls into this poor category. However, poverty is still an important agenda especially in the rural areas

Malaysian governments have also aimed for a more equitable distribution of income and this is the second feature of the post 1970 period that has contributed to poverty reduction. Rural development programmes helped to raise the incomes of impoverished agricultural communities.

In line with the aim of eradicating poverty and improving the distribution of income, The New Economic Policy (NEP) was formulated in 1970. It sought to lessen the association of race with economic function.

Malaysia aims to improve on the poverty targets set through the Millennium Development Goals (MDGs). The Ninth Malaysia Plan, 2006–2010, repeated the commitment to achieve growth with distribution and set targets of reducing the overall poverty rate to 2.8 per cent and eradicating hardcore poverty by 2010. Statistics of poverty is depicted in the table below:

Table 11.1: Malaysia Poverty Statistics, 1970 - 2007

	Tahun/Year	1970 <sup>1</sup>	1975 <sup>2</sup>	1980	1985	1990	1995	1997	1999 <sup>3</sup>	2002 <sup>3</sup>
Incidence of poverty : overall	% of households	49.3	37.7	37.4	20.7	17.1	8.9	6.1	6.5	6.0
: rural	% of households	58.6	45.7	45.8	27.3	21.8	15.3	10.9	14.8	13.5
: urban	% of households	24.6	15.4	17.3	6.5	7.5	3.7	2.1	3.3	2.3
Incidence of hardcore poverty : overall	% of households	n.a.	n.a.	n.a.	6.9	3.9	2.1	1.4	1.9	1.0
: rural	% of households	n.a.	n.a.	n.a.	9.3	5.2	3.6	2.5	3.6	2.6
: urban	% of households	n.a.	n.a.	n.a.	2.4	1.3	0.9	0.4	0.5	0.3

Source : Various of Malaysia Plan

Note : n.a. Not Available

1. Peninsular Malaysia
2. Sanci Pertanian, as in RMKs-4
3. Based on 2005 methodology

Poverty and the state of Kelantan is nothing new. Poverty is said to be rampant in Kelantan and it must not be overlooked. In 2004, the incidence of poverty is reported to be 10.6% whereby 1.3%

accounts for the hardcore poor( source: NECF Malaysia). However the state Assembly men of Kota Baru Datuk Anuar Tan in his statement mentioned that by 2007 and 2008, the rate had fallen to 4.1%. Despite the argument, the problems still persist and obvious in Kelantan. UMK as an entrepreneurial university has taken the milestone of looking at the problem as an opportunity. The problems has to be regarded as an opportunity for UMK to practice his so called “gurus” in many disciplines, be it Science, Entrepreneurships, Business Management, Arts and Heritage. Thus, poverty shall not exist within the vicinity of UMK if one digests the comradeships of societal spirits in one’s daily activities. The students through the guidance of lecturers have invented entrepreneurship programmes and activities in order to get the poor out of the poverty stricken areas, hence giving them better lives to move forward and face a more certain and promising future.

### 3.0 Common Characteristics of the Hardcore Poor in Malaysia

Based on observations, the hardcore poor in Malaysia is characterized as follows:

- Most of the hardcore poors have low educational level.
- The hardcore poor also faces inadequate exposure to the rest of the world, leaving them to be ignorance of the development of the country
- Talking to them, one could see them as unmotivated towards upgrading their livelihood.
- The hardcore poor has big family size.
- They are involved in traditional agricultural activities.
- They also used minimal facilities and technology
- Surprisingly, they are very dependent on government subsidies throughout their lives!!!!

### 4.0 Common Solutions to Poverty Eradication in Malaysia

Common solutions implemented by the government agencies in Malaysia in poverty alleviation are mainly categorised as follows:

- Entrepreneurship training  
Based on the experience of government agencies such as MARA (Majlis Amanah Rakyat), SMIDEC (Small and Medium Industry Development Corporation), and other regional agencies (Kelantan Selatan Development Authority-KESEDAR), entrepreneurship courses are the main solution to alleviate poverty in Malaysia. Programs related to awareness on business opportunities, motivation, management skills and skill or technical based training (agriculture, handicraft, culinary etc.) are the most widely organized courses in Malaysia.
- Financial Assistance programs (Micro Financing)
- Technical assistance programs
- Recent trend has seen social enterprise as a popular program in alleviation of poverty.

### 5.0 *Definitions of Social Entrepreneurships*

Mohd Yunus and Karl Weber (2010) refer to social entrepreneurship as social business in helping poor community when Mohd Yunus the founder of Grameen Bank has proven its success in giving loan to the poor in starting a business. They mention that there are two types of businesses that are for personal gain and another one is for helping others. In one kind of business, the objective is to maximize profits for the owners with little or no consideration for others. In another, everything is for

the benefit of others and nothing is for the owners except for the pleasure of serving humanity. **They mention that social business is built on the selfless part of human nature that is not being able to help themselves trapped in poverty.** In social business, a person who invests aims at helping others without making any financial profit to himself. Therefore social business is a business because it must be self-sustaining- that is, it generates enough income to cover its own costs. Part of the economic surplus the social business creates is in turn invested in expanding the business and apart is kept in reserve to cover the upcoming uncertainties. This concept has been received overwhelmingly by the world, so much so that Mohd Yunus and Grameen Bank were awarded the Nobel Peace Prize Winner in 2006.

Arthur C. Brooks (2008) argues that there are some differences between the concept of entrepreneurship and social entrepreneurship. He describes that entrepreneurship in the commercial world consists of five parts as listed below:

- i. Opportunity recognition
- ii. Business concept development
- iii. Resource determination and acquisition
- iv. Launching and growth of business venture
- v. Harvesting the venture ( gains and profit)

He then expands his discussion on the variety of definitions of this new area called social entrepreneurship by pointing out three related concepts as mentioned below:

- i. Social entrepreneurship addresses social problems or needs that are unmet by private markets or governments
- ii. Social entrepreneurship is motivated primarily by social benefit
- iii. **Social entrepreneurship generally works with- not against- market forces**

The area of social entrepreneurship is developing and has received overwhelming response from many scholars around the world. In the United States of America, statistics from 1996 to 2004 has shown a growing figure that is 3% in all nonprofit organizations, 6% in public charity organizations and 7% in private foundations.

In Malaysia, the formation of defining social entrepreneurship is still in its pathway because it is a new area that needs to be ventured by scholars and practitioners of general entrepreneurs. Confusion on whether entrepreneurship is strictly equal to business or encompassing social venture is still running at large. However, UMK has set a clear benchmark quoting that entrepreneurship is entangling about nothing else except mind setting, be it in the business or social venture.

Nevertheless, the writer finds that there are many definitions of **Social entrepreneurship** on the Website of the internet which are similar to what mentioned by Mohd Yunus and Arthur. Below are some of the definitions quoted from a few websites:

- Social entrepreneurship is the work of a social entrepreneur. A social entrepreneur is someone who recognizes a social problem and uses entrepreneurial principles to organize, create, and manage a venture to make social change. ...  
[en.wikipedia.org/wiki/Social\\_entrepreneurship](http://en.wikipedia.org/wiki/Social_entrepreneurship)
- The application of the principles of business entrepreneurship—including risk-taking and ingenuity—to social causes  
[en.wiktionary.org/wiki/social\\_entrepreneurship](http://en.wiktionary.org/wiki/social_entrepreneurship)
- An entrepreneur who engages in business seeking both financial and social return.  
[www.pfc.ca/cms\\_en/page1112.cfm](http://www.pfc.ca/cms_en/page1112.cfm)

Roger L. martin and sally Osberg from the Stanford Graduate School Business School ( Social Innovation Review, Spring 2007) point out that social entrepreneurship is attracting growing amount of talent, money and attention. However, its vague side of the definition has placed social entrepreneurship in a grey area. Hence, all sorts of activities are now labeled as social entrepreneurship which range from volunteerism to welfare work. According to them, any definition of the term social entrepreneurship must start with the word entrepreneurship. The word social simply modifies entrepreneurship. The word entrepreneurship connotes a special, innate ability to

sense and act on opportunity, combining out of the box thinking with a unique brand of determination to create or bring about something new to the world. The critical distinction between entrepreneurship and social entrepreneurship lies in the value proposition itself. For entrepreneurs, the value proposition is designed to create financial profit whereas social entrepreneurship neither anticipates nor organizes to create substantial financial profit for his investors- philanthropic and government organizations for the most part- or for himself. Instead, the social entrepreneur aims for the value in the form of large-scale, transformational benefit that accrues either to a significant segment of the society.

Ashoka International websites (retrieved on 28 June 2010, 2.30 P.M) defines Social entrepreneurs as individuals with innovative solutions to society's most pressing social problems. They are ambitious and persistent, tackling major social issues and offering new ideas for wide-scale change. The website mentions that rather than leaving societal needs to the government or business sectors, social entrepreneurs find solutions to problems by changing the system and later persuading entire societies to take new leaps. Social entrepreneurs often seem to be possessed by their ideas, committing their lives to changing the direction of their field. They are both visionaries and ultimate realists, concerned with the practical implementation of their vision above all else.

Each social entrepreneur presents ideas that are user-friendly, understandable, ethical, and engages widespread support in order to maximize the number of local people that will stand up, seize their idea, and implement with it. In other words, every leading social entrepreneur is a mass recruiter of local changemakers—a role model proving that citizens who channel their passion into action can do almost anything.

Patrick O’Heffernan (July 2007) presented some findings in his search for the definition of social entrepreneurship. He found out that The Skoll Foundation defines a social entrepreneur as "**society's change agent: a pioneer of innovation that benefits humanity.**"

Wikipedia on the other hand reads **social entrepreneur as someone who recognizes a social problem and uses entrepreneurial principles to organize, create, and manage a venture to make social change**" – but does not say the change must be positive.

However the NYU Professor Paul Light in his Social Edge blog writes:

“The challenge is not to define social entrepreneurship so broadly that it becomes just another word that gets bandied about in funding proposals and niche building. Other terms such as innovation have gone that route, and may never be rescued from over-use. At the same time, social entrepreneurship should not be defined so narrowly that it becomes the province of the special few that crowd out potential support and assistance for individuals and entities that are just as special, but less well known.”

Akshay Surve, the founder of a social venture startup in the website PluGGd (retrieved from Wikipedia, goggle 6 July 2010) mentions that: “Social entrepreneurship is the work of a social entrepreneur. A social entrepreneur is someone who recognizes a social problem and uses entrepreneurial principles to organize, create, and manage a venture to make social change. Whereas a business entrepreneur typically measures performance in profit and return, a social entrepreneur assesses success in terms of the impact s/he has on society.” There are 3 key components that emerge out of this definition and are more or less common when it comes other variations of the definition of Social Entrepreneurship:

- \* the problem
- \* a sustainable solution
- \* social change

He then expands his discussion as to whether Social Entrepreneurship equate to starting Non-profit organizations?

His argument is that:

“Social Entrepreneurship by its nature is essentially only bound by the social mission and theory of change. The general perception of equating Social Entrepreneurship to starting Non-profit

organizations probably arises out of the strong social missions that these organizations pursue. Although, it is not wholly inaccurate, there are far many examples of for-profit sustainable revenue generating enterprises with a social value generating structure prompting us to re-think the traditional models and conceptualize new hybrid business models. In general, it seems that after reviewing some definitions, this paper concludes social entrepreneurship as an effort to change a situation or mindset for the prosperity of the society which shy away from the normal stream of entrepreneurship that is making a monetary profitable return.

However Chong, L.C who is the founder of Social Enterprise for Economic Development Programmes (SEED) for universities in the Asean Learning Network mentions that the main objectives apart from changing the mindset and upgrading the economic standing of the villagers, it also aimed at giving the opportunities to the participants to empathize as well as learnt collectively with the villagers. In detail, the objectives of running a social enterprise programme called SEED are as follows:

- **Learning to learn** cross-culturally and to work in inter-cultural, multinational teams in a new and unique environment
- **Socially Responsible and Responsive Leaders** who are able to **empathize** with people from less privileged backgrounds (including subordinates and the poor) and hence able respect the rights and interests of all legitimate stakeholders
- **Transformational Leaders** who are able to transform their people, their organisations and their society to achieve prosperity and economic development
- **Entrepreneurial and Creative Leaders** who are capable of integrating and applying their multiple knowledge to useful purpose

#### **6.0 Agencies involved in offering financial assistance**

Below are the list of agencies involved in giving financial assistance to potential entrepreneurs as well as existing entrepreneurs either to start a new business or to develop existing ventures:

- MARA
- Tekun
- Amanah Ikhtiar Malaysia (AIM)
- SME Bank
- Agro Bank
- Bank Rakyat
- State government
- Religious departments in various states in Malaysia
- Islamic Pawn shop

#### **7.0 Universiti Malaysia Kelantan (UMK)**

Universiti Malaysia Kelantan (UMK) is the 19<sup>th</sup> public university in Malaysia. The formation of the university was mooted during the tabling of the Ninth Malaysia Plan and subsequently approved by the cabinet of Malaysia on June 14, 2006. The inception of UMK was officially announced by the prime minister of Malaysia on 1<sup>st</sup> September 2007 under the 415 Public University Act. The University is located in the east coast of Malaysia that is Kelantan. It is about 400 kilometers from the capital city of Malaysia, Kuala Lumpur. Currently UMK operates from their temporary campus in

Pengkalan Chepa, Kota Bharu Kelantan. The permanent campuses in Bachok and Jeli are still under construction and slated to be partially completed in the year 2011.

The vision of UMK is as quoted below:

“Championing Human Capital Development with Entrepreneurial Characteristics for Global Prosperity”

Since UMK is holding on to the motto of “Entrepreneurship is Our Thrust” and “The Entrepreneurial University”, therefore it is inevitable that Entrepreneurship is inculcated implicitly throughout all the courses offered in UMK. However, explicitly and officially for all academic programmes in UMK, it is compulsory for all students to take 12 credit hours of entrepreneurship related subjects. Apart from academic Entrepreneurship courses taken by them, many entrepreneurship programmes are also implemented such as “Flying Starts”, “Financial Planner”, “Enterprise Saturday”, “Social Entrepreneurship”, “Entrepreneurship Programme with SME Bank” and many more. The main objective of this programme is to inculcate the spirit of entrepreneurship as well as develop the entrepreneurial characteristics among students from day one they proclaim as being part of UMK community.

Kelantan as quoted by many scholars as the hub of small and medium enterprise. Entrepreneurship elements can be found in abundance in Kelantan, be it the creative hands of the arts entrepreneurs of the handicrafts and smiths, the aggressive small business woman entrepreneurs at Pasar Siti Khadijah (so called depicting the entrepreneurial attributes of the wife of the Prophet Mohamed, the traditional cultural entrepreneurs and the ever promising large businesses- they are all here in Kelantan.

Exploiting on the fact that Kelantan is naturally endowed with human capital that is more inclined towards entrepreneurship, a university like UMK is in the right path to its future. UMK as a new university is always thinking of embarking on something unique and boutique of nature whereby it should be more than just mere entrepreneurship. Standing proud with its tagline of “Entrepreneurship is Our Thrust,” UMK dares to enter into a new entourage that is marrying up Science and arts with Entrepreneurship, without forgetting the importance of sustaining society as the ever valuable gem of heritage. It is indeed a challenge to have the conflicting and inflicting issues all in one bucket. Making the different forces of gain and welfare to work hand in hand is a difficult task for UMK. Some activists condemn the effort of entrepreneurship by noting that not all in this universe is for commercial purpose. However, some argue that entrepreneurship is not all about business but above all is making a different in one’s life and innovation is a new approach that UMK is firmly embracing.

## 8.0 SEED in UMK

Social Enterprise and Economic Development is a voluntary programme which supports the fifth thrust of UMK’s Strategic area. This programme stresses on the inculcation of volunteerism in line with social entrepreneurship. This programme is offered to all UMK students from semester one to semester eight. It is an additional learning for students who are interested in working with the society. In this course, students will be given the chance to apply what they have learned in their respective disciplines into the real world. The practical aspects of what they have acquired in the theory will be tested and put into real actions in this course. SEED had been implemented twice in the district of Tumpat from the 21 July 2010 to 2 August 2010 and 11 July 2011 to 25 July 2011. A series of follow up programmes has been scheduled in order to ensure the success of SEED in UMK.

Those students enrolled in a SEED programme will later be conferred an extra of 2 credit hours (classified as an academic course called Society and economic development- USK 4012) as an add value to their cumulative credit hours taken for the duration of their studies.

This programme has given tremendous effect to the upbringing of UMK’s graduate upon facing the complexity of the real working world .

## 9.0 Recommendation

Serious attention need to be given to social entrepreneurship in Malaysia. This effort is detrimental in ensuring that the future generation would not only be a citizen of greed and unaccountable and irresponsible to the society. Hence the writer would suggest the following action to be taken:

- a. Awareness programme on the real concept of social enterprise need to be implemented.
- b. Government agencies and non governmental organisation should work together in ensuring that this idea of social responsible citizen be realised by 2020.
- c. Programme related to poverty alleviation must incorporate the element of a responsible entrepreneurs in areas such sustainability, preservation of the environment, community development as well as social responsibility.
- d. Micro finance should think aloud on the question of what is the next step for these new entrepreneurs. Questions such as what would they be after they are successful should be pondered.
- e. A signature program of social enterprise should be developed.
- f. Religious principles could be embedded in all social enterprise programmes.

## 10.0 Conclusion

Apart from gaining popularity, the term social enterprise is looked upon as a new way on making the entrepreneurs more responsible towards the society. The danger of maximising profit has proven significantly in a society whereby the rich gets richer and vice versa.

The process of embracing the concept of social entrepreneurship in Malaysia is still a long way and need to be taken seriously by the policy makers as well as the society at large.

Universities through its establishment could embarked on all kinds of community based projects to help the poor through social entrepreneurship. By doing this, the universities are not only producing professional graduates in their respective disciplines but also making the world a better place to stay.

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