

Social Entrepreneurship Challenges: The Implications For Malaysian Government Policies

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Abstract: This study aims to explore the challenges faced by Malaysia's social entrepreneurship sector to achieve policy implications. This study begins with an overview of the social entrepreneurship sector, the challenges and in brief social entrepreneurship in the Malaysian perspective. Data collected from nineteen participants through a semi-structured interview with probes about their experiences, knowledge and opinions in social entrepreneurship. To conclude, this study summarised that the social enterprise has strategies their organisation to overcome barrier from internal and external factors with government support. The finding of this contribution research would theoretically have the appropriate framework to enhance government programs and policies in social entrepreneurship. The study also suggests recommending further study of the particular social enterprise that could implement for the future.

Keywords: Social Entrepreneurship, Social Enterprise, Government Policy

1. Introduction

Generally, the importance of social entrepreneurship has developed global attention and its development over the years. Social entrepreneurship has been viewed as a new mechanism to solve social problems and significantly bring a positive impact on socio-economic development. Social entrepreneurship also contributes to economic development through the creation of values such as job development, the innovation of goods and services, social capital and promotional equity [1]. Despite

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increasing the importance of the social entrepreneurship sector, there are challenges relates to the implemented program which is contributed to barriers to development.

Therefore, this study aims to explore the challenges faced by Malaysia's social entrepreneurship sector and how they reflect on the policy implications. In view of this aim, the following two objectives were formulated: 1) to explore the challenges faced by social entrepreneurship sector in Malaysia, and 2) to suggest the Malaysian Government with a set of recommendations to strengthen its support for the social entrepreneurship sector.

2. The Challenges of Social Entrepreneurship

Although the social entrepreneurship sector has plenty of potentials to support countries managed effectively [2], they face many challenges that hinder it to implement the program well. Social entrepreneurship occurs in a diverse range of cultures, geographic location and, thus, a different set of social issues are discussed [3].

Social entrepreneurship involves a multi-dimensional barrier during the life-style of the organisation in inception and growth phases. A report indicated that the lack of access to quality human resources, lack of support to grow and scale-up, negative public perception and recognition, lack of access to sizeable financial capital, lack of legal recognition and supportive policy structure, as well as lack of institutional awareness, are the notable challenges of social entrepreneurship [4]. The interesting thing to note is that all these challenges which are faced by social entrepreneurs are very different in nature [5] [6]. Some of the prominent challenges faced by social entrepreneurs are discussed below.

Peredo and McLean in 2006 [7] indicated that there are enormous obstacles and challenges that many social entrepreneurs face while operating in India and that restricts them from developing new social entrepreneurial ventures. The dynamic and burdensome regulatory and administrative situation created as a result of excessive government intervention has become a major restrictive to the emergence of new social business ventures. It is also difficult to control all social entrepreneurship and/or individuals through the program and activities were organised with regard to their true purpose and ambitions.

3. Social Entrepreneurship Development in Malaysia

Social entrepreneurship is still a new sector in Malaysia [8]. On the other hand, presently, social entrepreneurship is in the development in a growing phase sector where bringing actively social values to the address and discussing social and environmental issues in the society [9] [10] [11]. More importantly, social entrepreneurship has been as one of the national agendas for socio-economic development in the Eleventh Malaysia Plan the country's 2016-2020 development plan [12]. This initiative makes notable mention of social innovation in its framework of strategies to realize the government's goal of achieving high-income status.

Since the independence of the country in 1957, the Malaysian economy has grown significantly as stated in the Ministry of International Trade and Industry Malaysia (MITI) Report in 2018 [13]. The initial effort was implemented in National Economic Policy (NEP) in 1971, and the entrepreneurship sector had transformed the economic landscape and the Malaysian society. Historically, social entrepreneurship in Malaysia was introduced in 1986 through Amanah Ikhtiar Malaysia (AIM). AIM applied the group based Grameen Bank model (a Bangladeshi microfinance organisation) and provides collateral-free credit to poor and extremely poor households to improve their socio-economic conditions [14]. The social entrepreneurship boom in Malaysia started in 2013 in response to the Global Social Business Summit held in Kuala Lumpur [15].

Subsequently, starting from the summit event reported in 2013; it has been changing the social entrepreneurship landscape in Malaysia's considerable interest. One of the most significant initiatives is the existence of an agency that is the catalyst for the development of the Social Entrepreneurship Unit

under the Malaysian Global Innovation and Creativity Centre (MaGIC) to spearhead the development of the social enterprise sector in the country under the Ministry of Finance. Consequently, in recent years, the social entrepreneurship phenomenon has proliferated, having evolved from the traditional for-profit, non-profit, and public sectors, impact-driven, and entrepreneurial individuals have been pioneering social entrepreneurship, a new form of entrepreneurship.

Furthermore, The Malaysian Social Enterprise Blueprint 2015-2018 under the Malaysian Global Innovation and Creativity Centre (MaGIC) was launched in 2015 to develop a massive and thriving social entrepreneurial base to ensure the sustainable and long-term growth of the sector [4].

Recently, Entrepreneurship Policy 2030 (DKN 2030) and The Shared Prosperity Vision 2030 (WKB 2030) was launched, and these two prominent policies emphasized the importance of social entrepreneurial activities as a means of promoting development towards the objectives of sustainable development called Sustainable Development Goals (SDGs) [16 - 18].

In addition, in Malaysia, there is no legal description of a social entrepreneur reported by British Council in 2018 [9]. However, in relatively formalised, The Social Enterprise Accreditation (SE.A) is government certification by the Ministry of Entrepreneur Development and Cooperative (MEDAC) that was launched in 2019 in recognising legitimate social enterprises. This landscape structure was encouraging the flourish of the development of social entrepreneurship in Malaysia.

As such, the government is actively looking for the best method to the improve and equilibrium of the socio-economic status of its nations, start with the New Economic Policy (NEP) to the National Transformational Policy and the recent 2019 national budget; it recognises the potential of social entrepreneurship in transforming low-income households in Malaysia into higher-income households. Hence, in view of the significant contributions of social entrepreneurship, it is both crucial and timely that this research is carried out to explore the sector better and consequently assist not only the stakeholders but also the community at large to understand social entrepreneurship better as well as exploit its value.

4. Methodology

As the key purpose of this study to explore the challenges faced by the social entrepreneurship sector in Malaysia, this study employed exploratory in nature and qualitative research methods by applied the interpretivism research paradigm. Qualitative research approaches are used because they allow the researcher to obtain a more in-depth understanding and essence of the social entrepreneurship issues in relation to this study, especially regarding the challenges issues. A qualitative approach assisted the researcher to comprehend better the barrier in organisational perspective in which they experience to manage the social business [19]. The researcher chose the purposeful sampling method to allows researchers to use their judgment to select cases that better enable them to achieve research goals [20]. In the purposive sampling method, the researchers refer to MaGIC's community, literature review, a government report in selecting participants to participate in this study. For this study, the main data collection techniques used were the interview. Nineteen interviews were conducted with thirteen enterprises, two were non-profit organizations (NPOs), two were academics, and two were leader from government agencies.

The data interview conducted were audio-recorded, transcribed verbatim and were verified against the audio to clarify the accurateness and truthfulness of the transcript [21]. Data was analyses used thematic analysis. In order to organised the interview transcripts well, the researcher applied two main qualitative research software, which is Microsoft Excel and ATLAS.Ti version 8 to code all themes significant in answering the research question and clarifying research propositions.

5. Results and Discussion

All the participants were asked similar questions in identifying the challenges facing in managed social organisation. Figure 1 is the findings of the theme for this study. Accordingly, the challenges

were divided into two main themes; internal and external factors. The internal was related within the organisation and under the control. The external factor affects an organisation and beyond the organisational control. An organisation’s operations are affected by both types of environmental factors. Most of the challenges faced by the sector in Malaysia are discussed in further detail below. Table 1 shows the various themes and sub-themes emerged from the analysis of transcripts of in-depth interviews on challenges of social entrepreneurship in Malaysia.

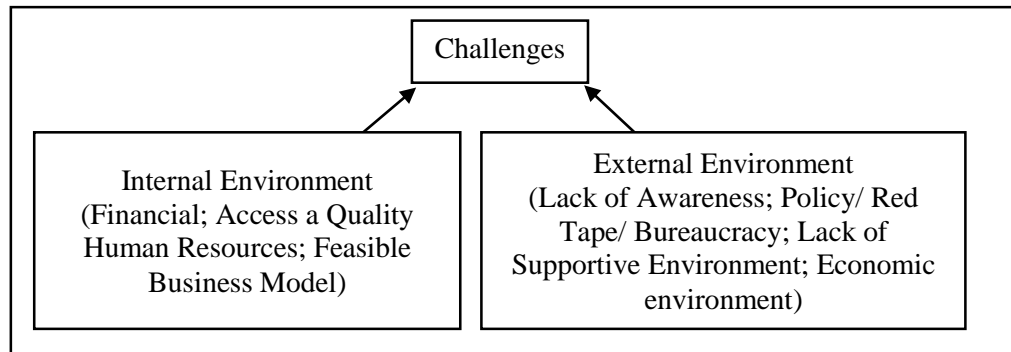


Figure 1: The Challenges faced by Social Entrepreneurship Organisation

Table 5.1: Various Themes and Sub-Themes on Challenges of Social Entrepreneurship in Malaysia

| Participant | Internal factors | | | External factors | | | |
|-------------------|-------------------------|-------------------------|-----------|--------------------------------|-------------------------------|----------------------|-------------------|
| | Access a Quality Talent | Feasible Business Model | Financial | Lack of Supportive Environment | Policy/ Red tape/ Bureaucracy | Economic Environment | Lack of Awareness |
| P1 | | | | x | x | | x |
| P2 | x | | | | x | x | |
| P3 | | | | | x | | |
| P4 | | x | x | x | | | |
| P5 | | | | | x | | x |
| P6 | | | x | | x | | x |
| P7 | x | | x | | | | x |
| P8 | | | | x | x | | |
| P9 | | | | x | x | | |
| P10 | x | | x | | | | x |
| P11 | | | x | | | | |
| P12 | | | | x | | | x |
| P13 | | | | x | | x | |
| P14 | | | | | | | x |
| P15 | | | | | x | | x |
| P16 | x | | | | | x | x |
| P17 | | | | | x | | x |
| P18 | x | | x | | | | |
| P19 | | | | | x | | |
| Total Frequencies | 5 | 1 | 6 | 6 | 10 | 3 | 10 |

5.1 Internal factors

The first challenge most cited by the participants is the lack of access to sizeable financial capital. According to the State of Social Enterprise in Malaysia report (2014/2015), when starting up a social

enterprise, most social entrepreneurs are financed through grants or personal money and only a few are backed by investors. It shows that self-funding is the most popular choice. For this reason, there is very little being done to unlock funding opportunities to start and grow social enterprises. This lack of access to financial capital is due to financial institutions' lack of awareness of investment-ready social enterprises. Participant 6 stated:

“To access financial capital is a big issue for us. We hope to get government support in terms of funding”

The second challenge is the lack of access to quality human capital. Entrepreneurship, in general, is considered a high-risk and non-viable career option, limiting talent in the sector. Professional business and consultancy support are also often too costly for the average social entrepreneur. Participant 2 an illustration answered:

“To acquire a quality staff its one issue, another issue is to retain the staff in the social entrepreneurship organisation”

The misconception implies that social entrepreneurs often struggle to attract investment, charge competitive pricing, and recruit required talent [4]. In turn, many commercial and traditional investors avoid the sector. Managing a social enterprise can create pressure in compiling the resource and decisions to pursue profits as a threat to deliver the social values of non-profit organisations characteristics [22]. Last challenges internally to a social enterprise are to sustain the feasible business model in the operation of the organisation. This is because social enterprise delivers and balanced two main objectives in the organization; whereas the element of “business” and the “impact as well.

5.2 External Factors

This section discusses the external factors that are the challenges to social entrepreneurship. The first and foremost challenges highlighted by the participant is the lack of awareness in social entrepreneurship as illustrated by Participant P4:

“Current scenario in awareness issue... people don't know about SE, how to find out, how to support them and what is SE actually? Low awareness in the corporate, public itself...” (P4)

The second external barriers were faced by the social enterprise is the government policies and market regulatory agencies, red tape and bureaucracy in Malaysia. The situation is to be the challenges to the social entrepreneurship due to the lack of legal recognition regarding constitutes social entrepreneurship in Malaysia [4]. This statement was stated by Participant 3:

“The regulatory is one the barrier. I have faced out many red tapes and bureaucracy in managed my business... I need facility support and Government agency support”

To date, social entrepreneurship is still considered a new concept without official recognition from the state. The absence of legal recognition of social entrepreneurship in Malaysia prevents government institutions and market regulatory agencies from effectively supporting social entrepreneurship. The SE.A is a national recognising legitimate social enterprise that was launched last year, however, there some regulatory are difficult to fulfil by some social enterprise. Besides, there seems to be a lack of knowledge and awareness by several social entrepreneurs, and this leads to miscommunication between social enterprise and government agencies.

Next challenges were lack of supportive environment due to often confuses social enterprise with the traditional social and non-profit sectors. Participant 12 remarked:

“The Government needs to come out with something to encourage society to take part in SE/SB. Not just knowing but take of doing something small scale like the initiative for individual wants to start a social business. In short, when everyone realised the importance of SB/SE in solving the social problems among the community”

This misconception means that social enterprises often struggle to attract investment, charge competitive pricing, and recruit talent. In turn, many commercial and traditional investors avoid the sector. Thus, there is a need to make people comprehend its significance and be stimulated to participate or more precisely encourage social entrepreneurship involvement and be supported as well [23].

The last barrier is how to sustain social entrepreneurship organization in the uncertainty economic environment. Similar to other business operation, social enterprise affected an economic environment as well due to the uncertainty of the economic situation. This situation implies the future outlook for the economy is unpredictable. The social entrepreneurs also faced challenges in sustaining their business operations in current economic circumstances as remarked Participant 17:

“The economic situation is down and so on so many fund-raising and donation models are difficult so the operational part is the challenge”

5.3 Implications for policy

Nowadays, government agencies have to promote and support social entrepreneurship by creating more startups to encourage the establishment of new social entrepreneurial ideas. Despite the effort of government in catalysed social entrepreneurship development path, some issues have affected in the success of government support for the program, such as organised programs which are not in accordance to social entrepreneurship priority areas and there is cooperation issue between the agencies and social entrepreneurs. The result of the study has revealed in several specific challenges in the Malaysian perspective; mostly related to networking and collaboration, awareness and promotion from the government’s policies. Based on these challenges were discusses above, the researcher suggests at the subsequent recommendations for the Malaysian Government implementation:

- 1) Coordinating all the existing social entrepreneurship programs implemented by government agencies, a non-profit organisation, and the private sector. Creating a wider business network within a social entrepreneurship ecosystem. The government need to take many approaches to promote social entrepreneurship program conducted by all agencies in Malaysia [11] [24] [25].
- 2) Developed networking among the agencies within the social entrepreneurship sector to avoid miscommunication and reduced red tape [26].
- 3) Provide awareness to society and stakeholder. The awareness program manages by the government is expected to support and encourage social entrepreneurship. This situation is created by continuing to raise awareness of the community about the activities and missions of social entrepreneurs in their communities. Governments can ask federal and state agencies and politicians to discuss program were implemented and issues of social entrepreneurship. Governments are also expected to provide social entrepreneurs data on social issues in their communities and provide them with enlightenment on how to obtain grants to use in achieving their social mission [27].

6. Conclusion

To summarise this study was purposely conducted in exploring the challenges faced by social entrepreneurship in Malaysia, particularly in government policies issue. The research was conducted involved participants from social enterprises in Malaysia, the academics, NPOs, and government agencies. The research has identified the challenges and discussing into two broad themes; internal factors and external factors. The internal challenges were related to limited access to funding and limited

access to qualified employees. The external challenges were related to rule, regulatory and policies done by the government in social entrepreneurship and lack of environment support. Despite the fact the findings indicated some policy involvements by the government to support the sector of social entrepreneurship in Malaysia is a success, however, need to precisely. The next proposed for further study is suggested on how to sustain the social entrepreneurship organisation by government policy implication.

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