



## Effectiveness of the transformation program to assist B40 Community in social economic development in Malaysia

Farida Bhanu Bt. Mohd Yousoof<sup>1</sup>, Komathi Munusamy<sup>2</sup>, Kalaivani Jayaraman<sup>3</sup>

<sup>1</sup>Faculty of Accountancy and Management, Universiti Tunku Abdul Rahman ,

<sup>2</sup>Faculty of Accountancy and Management, Universiti Tunku Abdul Rahman ,

<sup>3</sup>Faculty of Accountancy and Management, Universiti Tunku Abdul Rahman ,

### Abstract

This conceptual paper explores the effectiveness of the programs introduced by the government to the group of people who are classified under the category of bottom 40 (B40). This group has high poverty level which is caused by many factors such as low income job, unemployment, low education level, lack of skills and health factors. Therefore, one way to have a better livelihood is to increase their income level through offering work opportunities. Statistically there are 2.7 million Malaysian household categorised under (B40) with a average monthly household income of RM2,537. Though government has undertaken various initiatives to eradicate the poverty level and improve the quality of life for the B40 household, the total amount of poverty population is still large in number. Looking at this problem, this study analyzed the effectiveness of the programs provided and recommended factors that can further enhance the socio-economic state of B40 households in Malaysia.

**Keywords:** Effectiveness; B40 communities; Transformation Program; Socio Economic Development.

### 1. Introduction

Malaysia is an Asian country of multiracial nation with language, culture and religion. The three largest groups of people are Malays, Chinese and Indians. Malaysia is a developing country where one of the government's main priorities was to upgrade the prosperity of its people. The country's earlier development was focused on natural resources where forestry and agriculture was the main thrust of economic development. However, over the last 30 years, it turned its focus on manufacturing and industry. This is the backbone of Malaysia's economic boom as the focus also expanded into services sector. With a diversified economy, Malaysia continues to grow with an average of 5.5% per year from 2000-2008. While Malaysia was not spared from some of the effect of the Global financial crisis in 2009, the diversified nature of the economy and a sound financial system has allowed the economy to sustain itself to grow at 5.7% in 2010 (World Bank, 2017). The diversified nature of economic development has provided opportunities for the workforce and the ability for the government to eradicate poverty and improve the quality of life of its people in the country. Nonetheless the issues of poverty continue to be torn in the country.

The issues of poverty have received a lot of attention from policymakers. There were number of literatures that touch on the poverty system which also highlights on how to overcome these conditions. According to Zarina and Kamil (2012), government policies and economic system determines the success or failure of the system to overcome the poverty rates in the society. The government's main concern is to alleviate poverty out of the society. However, the poverty level persists to continue to be a topic of discussion despite all the effort by the policymakers. Based on the Tenth Malaysia Plan 2011-2015, poverty level has been reduced from 49.3% in 1970 to only 3.8% in 2009, where the hardcore poverty was reduced to about 0.7% in 2009. The Malaysian government has developed various programs and strategies where its emphasizes on the efforts of enhancing income-earning opportunities to improve the living condition of the poor (Manaf & Ibrahim, 2017). For instance, opportunities for B40 to become entrepreneurs or small scale businesses are in place, but yet to be explored extensively.

Malaysia government has implemented various policies in their pursuit to reducing the poverty level and improving the livelihood of its people. For instance policies such as New Economic Policy (NEP), National Development Policy (NDP), National Vision Policy (NVP), Government Transformation Program (GTP) and New Economic Model (NEM) were developed and achieved in restructuring and reducing the poverty level in the nation (Manaf & Ibrahim, 2017). Furthermore, these policies have created many employment opportunities across all ethnic groups and elevated the living standards of its people.

Recently, the government announced in its Eleventh Malaysia Plan 2016-2020 various strategies to further reduce the poverty level. The government is moving towards elevating 2.7 million from B40 households with a average monthly household income of RM 2,537. The policy makers indeed continue to bring new changes into the economy and society to eradicate poverty. This is done in order to bring out opportunities to the group that falls under B40. The movement of economic growth raises the productivity and innovation may add additional income through different kinds of products and services to serve unmet customer's needs.

This new enhanced plan not only brings improvement in income-level but also increases the standard of living. This is also because the country has enhanced in terms of knowledge-based economic that focuses on services and high-end manufacturing sectors. With that, household under B40 were expected to be uplifted to middle class society through upgrading income level and wealth creation. For instance, under the new plan, government will be engaged in assisting B40 households with micro-enterprises and in low-value traditional industries. Furthermore, this plan is able to make B40 households to build capacity by participating in high innovative, productive economic activities. Nevertheless, with the help of Small Medium Enterprises Corporation (SME), integrate entrepreneurship support by coordinating and developing SMEs owned by B40 households. In addition to that, the plan also encourages private sector especially MNC to locate their companies in the areas where majority B40 households resides.

In short, the Eleventh Plan collaborates with all stakeholders, for instance, the researchers, industries, financial providers to support and assist B40 communities with appropriate funds and knowledge to initiate innovations and creativities among them. This will make the B40 group more confident in engaging themselves in socio-economic development. The focused will be on innovation on enterprise and societal level rather than national level as previously. At the enterprise level there will be demand-driven research, alliance between researches and industries and social financial support will be develop to assist communities with fund to new innovative ideas at societal level.

## **2. Potential of B40s communities in Entrepreneurship**

There are many problems that prevent B40 from becoming successful entrepreneurs. These problems can be viewed from various aspects. Firstly, it's due to lack in certain characteristics such as skills, physical, personality and talent. However, these drawbacks can be overcomes with the initiates given by the government. Each and every individual has the prospect to become entrepreneurs because the government has taken all the measurement through policy developments. This provides adequate expertise, knowledge and resources as basis to venture into being entrepreneurs.

A number of agencies and support channels are provided by the government to help B40 to pursue being an entrepreneur. One of the agencies, Amanah Ikhtiar Malaysia (AIM) has undertaken initiates to develop the potential of B40 entrepreneurs through skills development and micro credit facilities. Nonetheless, these groups rely solely on the support and assistance of the government and are not motivated to involve in any small business. The difference between successful entrepreneurs and non-successful-entrepreneurs is their readiness to blend creativity, innovation, risk taking with work obligation to support, develop and maximize their potential by exploiting the opportunities available.

Roddin, Sidi Yusof, Mohamed and Razzaq (2017), have concluded that the basic needs, surrounding factors, and demographic factors are the three main factors that prevent a person from participating in entrepreneurship. This is because they have no proper assistance and guidance and as such without proper assistance has led them to the failure of running a business. Besides that, majority of B40 are also in the category that lack education and training in their chosen business which may lead towards failure.

Moreover, this group of people is those who have faced many problems in their life as they do not have the support of their immediate family members. These may provide lack of motivation and low self-confidence leading to low achievement. Lack of capital and knowledge on how to obtain enough capital is also another factor that deprives them from being successful entrepreneurs. They are often in dilemma on whether the supporting agencies and the banks will treat them as equal as how the opportunities are given to the existing successful entrepreneurs. However, with the support and encouragement by the government, there is no reason for these group of people to neglect their talents and capabilities of being great business leaders in the future. B40 entrepreneurs should fully utilise government initiatives that promote entrepreneurship among them.

### **3. Programs available for B40 Communities in Malaysia**

The government, has introduced New Economic Model in 2010, to transform Malaysia into a high income nation, and our country into a more inclusive, equitable and sustainable society, with the notion that no one should be left behind. Under government initiatives program called Digital Malaysia, crowdsourcing industry has been acknowledged as prospective industry to raise the income of the population in the bottom the 40 percent (B40) households. Under Digital Malaysia program, crowdsourcing is projected to support opportunities for the B40 group to earn extra income by exploiting the opportunities in the crowd sourcing industry. Based on the statistics issued by Department of Statistic Malaysia, household expenses are on the increase every year, and the Malaysia government believes that by developing the paid crowdsourcing, it gives extensive choice of opportunities for the B40 income earners to expand their livelihood and standard of living.

Nevertheless, even-though the trend has grown very rapidly in many parts of the world, in Malaysia the concept of crowdsourcing is still generally new. Since the trend of crowdsourcing is quite new and still in the developmental stage, the comprehensive study on its conditions is meaningfully necessary. These involves different integrations of micro sourcing components of crowd worker, job provider and crowd sourcing readiness initiatives need to be willingly scheduled (Norjansalika et al., 2014).

Crowdsourcing is rising as the new online distributed problem solving and production model in which network of people join forces to complete a task (Arshad et al., 2013, Aris et al., 2013, & Massolution, 2013). Since many people nowadays are linked to the Internet, the idea of generating job among the Internet user will give openings to people to raise their monthly income and at the same time to enhance their skills. Through crowdsourcing, organization can access to talents and skills which would otherwise would not be economically viable to sustain in-house or acquire from outside. It also allow faster execution as the tasks can be completed without having to hire or train new employees (Salleh et al., 2013).

In Malaysia, crowdsourcing project is not a green field project but it hits on current projects under the National ICT Policies. Selected projects are e-Government, myGovernment, National Broadband initiative and Telecenter Development Program. For instance, some jobs under e-Government schemes can be conducted through crowdsourcing. Managing vast amount of government data under one system for internal and external use required enormous resources which can be reduced through crowd sourcing by dividing into micro-tasks by outsourcing it to micro-worker. Most common task for crowdsourcing is data entry, maintenance of database, data back/up/recovery and data protection (Nor Habibah et al., 2013)

Furthermore, the world is seeing a rise in women entrepreneurship whereby 25 per cent of the businesses in the world are owned by women. In Malaysia, women entrepreneurs are becoming powerful, and as the leading contributors to the economic development of the country. In order to create more quality and superior women entrepreneurs, the Department of Women Development and the Malaysian Trust Initiative (Amanah Ikhtiar Malaysia) have provided skill trainings and entrepreneurship programs to more than 3000 women. The main objectives of this program are to reduce poverty and job opportunities for women. Many entrepreneurial workshops or training programs like Awareness Campaign, Bestari Helpdesks, Rebranding Exercise, Media Relations Campaign and Networking Exercise have been launched to rural women entrepreneurs to support them to operate, sustain and develop their businesses in a more efficient manner (Bernama, 2011).

The most popular microcredit provider in Malaysia is Amanah Ikhtiar Malaysia (AIM) which was founded in 1987 to offer small scale financial services to the poor. AIM chose its customers based on their household income that drops below the poverty line income. AIM provides three economic loans: I-Mesra loan, I-Srikandi loan and I-Wibawa loan. Till August 2010, AIM had stretched their outreach to a total of 254, 116 clients with a 99.42 per cent repayment rate (AIM, 2010). AIM is also involved offering skill development training including basic accounting, basic entrepreneurship, financial management, business communication and members' development programs. The basic assumptions behind the microcredit programs is that the borrowers will capitalize on the credit they have obtained in revenue producing tasks which mainly includes small scale production or farming or microenterprise activities which is expected to increase their socio-economic well-being as well as handles the economic vulnerability (Montgomery and Weiss, 2011).

### **4. Effectiveness of the programs for B40**

Normally jobs for local crowdsourcing industry would be obtained from local and international job providers. Nevertheless, the consciousness level of crowdsourcing is still low among the potential job providers. Furthermore, potential job providers from the government sector have concern regarding the data confidentiality and payment mechanism. These problems need to be addressed. In addition, crowdsourcing industry potential providers in public and private sectors should have complete understanding, readiness and awareness of the industry. While it is a new industry, backing from the government is also important especially from various ministries, agencies and other

division in public sector to make this project a success. Other stakeholders also have to play their part to ensure the success of programs (Noor Habibah et al., 2013)

Several studies have been done on the achievement of microcredit programs in Malaysia in the context of the poverty eradication and it has been that Malaysia's microcredit programs have shown improvement in improving the income of the people. As mentioned by Omar et al., (2012), microcredit programs created by AIM targeted specifically to poor people has progressively increased the borrowers' income and lowered the poverty level. For the record, 413,278 entrepreneurs have gained from a total of RM8.6 billion loans offered by AIM and TEKUN during the period of Tenth Malaysia Plan (10MP) (EPU, 2015a).

Though the existing poverty rate in Malaysia is less than one percent and income inequality index has narrowed to less than 0.50, there are still many households in Malaysia in the B40 income group with an estimation of 2.7 million households recorded in 2014 (EPU, 2015a). In order to make microcredit programs more successful in reducing the economic vulnerability among the hardcore poor households, the government should provide a conducive environment for the development of various specialized small scale financial service providers. AIM and other non-governmental development organizations must focus on embracing a well-designed need based products and services which will support the poor households to reap the maximum benefit of the income generating prospects. AIM should emphasize more on developing flexible and diversified financial products coupled with skill development training to enhance the socio-economic condition of the poor households in Malaysia (Abdullah et al., 2014).

## **5. Conclusion and Recommendation**

This paper reviews the existing programs for B40 communities in Malaysia that addresses the current socio-economic challenges. Some of the initiatives developed following the introduction of New Economic Model 2010, were directed to provide solution to the issues of poverty and inequality.

The implementation of programs for B40 in Malaysia that assist to improve the well-being and to increase the income opportunities of the low-income and marginalized groups are mainly directed in three main forms, namely, 1) crowdsourcing 2) entrepreneurship 3) microcredit. The implementation mechanisms were developed to cater to the current needs from the perception of the current economic landscape and the users and were driven with the motive to reduce high dependency on the government assistance while guaranteeing efficient and effectiveness of the programs implementation for sustainable outcome in the future. The government plays an important role in the implementation of the programs, not only as the implementer but also as the facilitator and enabler. However, despite the increasing efforts invested by all the parties involved in the implementation, it appears that there is still a lack of consciousness level and the concern about the data confidentiality and payment mechanism for crowdsourcing and microcredit facility respectively. In order to reassure B40 income earners to accept the crowdsourcing concept without reluctance, continuous ICT trainings need to be provided as some of B40 income earners are not computer literate and has very limited IT knowledge. Government and private agencies needs to provide more services such as computer centres with trainers and provide more broadband community centers which not only focuses on rural areas but also in urban areas. There should be an enabling environment and support from the government so that it can continue to sustain itself in an ever changing environment. To sum up, the diagram below represents a conceptual framework that included factors that have been discussed which can be applied to develop a successful implementation of B40 programs in future.

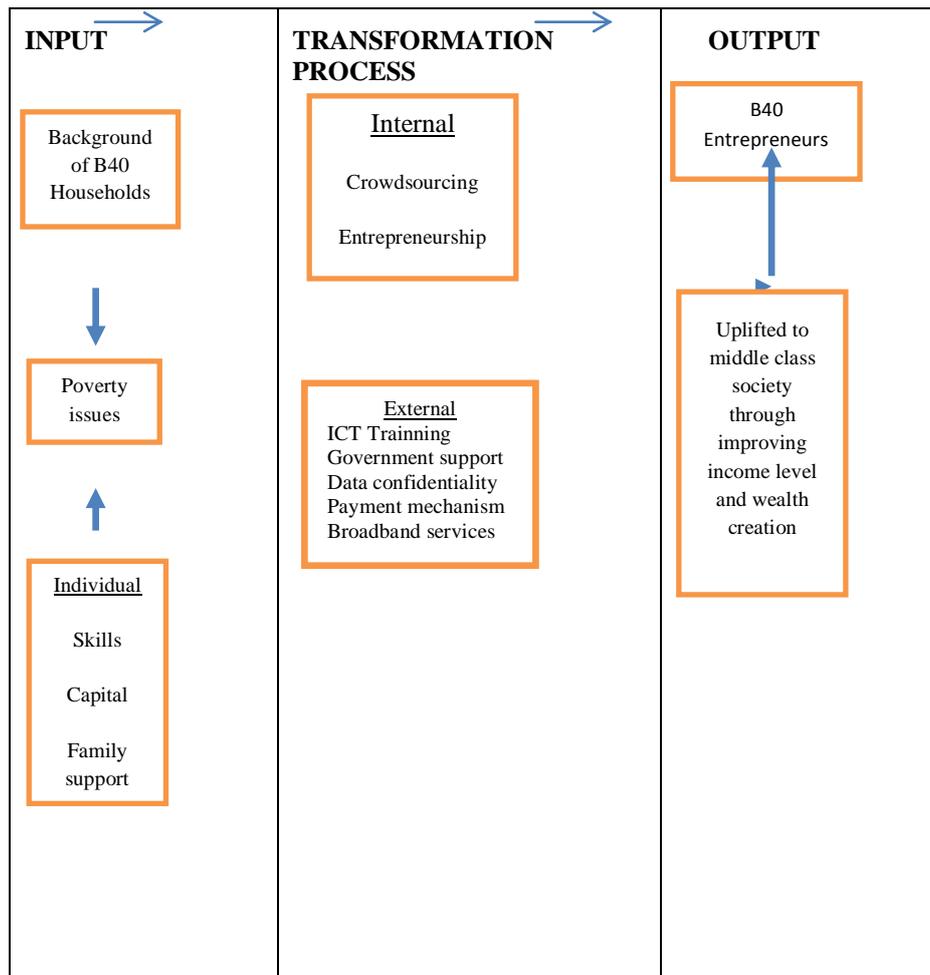


Figure1: Adapted Model of Entrepreneurial Success (Rohayu et al., 2017 in Buang, N.A., 2006)

## References

- [1] Abdullah, A.M, Mohammad, N.H.M, Malarvizhi, C.A. (2014). Measuring the effect of Amanah Ikhtiar Malaysia's microcredit programme on economic vulnerability among hardcore poor households. *Journal of Progress in Development Studies*, 14(1), 49-59.
- [2] AIM (2010): About Amanah Ikhtiar Malaysia, <http://www.aim.gov.my>, last accessed on 9th December, 2010.
- [3] Aris, S.R.S, Janom, N, Arshad, N.H, Salleh S.S, and Mastuki, N.A, (2013). Preliminary study for critical success factors of micro sourcing in Malaysia. 3rd International Conference on Research and Innovation in Information Systems(ICRIIS'13).
- [4] Arshad, N.H, Salleh, S.S, Aris, S.R.S, Janom, N., Matstuki, N.,(2013). Strategic analysis towards the formulation of micro sourcing strategic trusts, *International Journal of Advanced Computer Science and Applications*, Special Issue on Extended Papers from Science and Information Conference, pp. 43-52.
- [5] Bernama(2011). Government provides opportunities for active participation of women in business. Available at:<http://smeinternational.org/2011/10/govt-provides-opportunities-for-active-participation-of-women-in-business/>(accessed 23 April 2013).
- [6] Buang, N. A. (2006). *Asas Keusahawanan*. Cetakan Kedua. (Basics of Entrepreneurship. second printing). Fajar Bakti Sdn. Bhd. [18]
- [7] Economic Planning Unit, 2015a. *Eleventh Malaysia Plan 2016-2020: Anchoring Growth on People*. Putrajaya, Pencetakan Nasional Malaysia Berhad
- [8] "Eleventh Malaysia Plan 2016-2020,"Ed. The Economic Planning Unit of Prime Minister's Department, 2015.

- [9] Manaf, N.A, and Ibrahim, K.(2017). Poverty Reduction for Sustainable Development Malaysia's Evidence-Based Solutions. *Global Journal of Social Science Studies*, Vol 3(1).
- [10] Massolution.(2013). *The Crowdfunding Industry Report*. Accessed Mac 27, 2014. Retrieved from <http://research.crowdsourcing.org/2013cf-crowdfunding-industry-report>.
- [11] Montgomery,H, and Weiss,J.,(2011). Can commercially-orientated microfinance help meet the millennium development goals? *Evidence from Pakistan*, *World Development* 39, (87-109).
- [12] Noor, H.A., Siti, S.S, Syaripah, R.S.A.,Norjansalika, J,& Norazam M, (2013). *MicroSourcing Strategic Framework For Low Income Group*. *Journal of Advanced Computer Science and Application* 4(6).
- [13] Norjansalika, J, Wan, N.S, Noor, H.A, Siti, S.S., Syaripah R.S.A, & Nor'azam, M, (2014). *Investigating the B40 Crowd Worker Technology and Knowledge Readiness in Malaysia*. *Knowledge Management International*.
- [14] Omar, M.Z, Rindam, MSupian, C and Nor, M, (2012).Pencapaian skim credit mikro Amanah Ikhtiar Malaysia (AIM) dalam lanskap pembangunan luar Bandar: Satu penilaian Malaysia rural development and the achievement of the Amanah Ikhtiar Malaysia (AIM) micr-credit scheme: An appraisal, *Malaysia Journal of Society and Space*,2(2),7-19.Retrieved From<http://www.ukm.my/geografia/images/upload/2.geografia-peb%202012>.
- [15] Roddin, R, Sidi, N.S.S, Yusof, Y, Mohamed, M. and Razzaq, A.R.A.,(2017). *Poverty Alleviation Among Single Mother in Malaysia: Building Entrepreneurship capacity*. *International Journal of Business and Social Science*, 2(17).
- [16] Salleh, S.S, Arshad, N.H, Aris, S.R.S Janom, N, Matsuki, N,(2013).Formulating cohesive digital ecosystem of micro sourcing business process in Malaysia. *Science and information Conference (SAI)*, October, London, pp 321-327.
- [17] "Tenth Malaysia Plan 2011-2015,"ed. The Economic Planning Unit of Prime Minister's Department,2010.
- [18] The World Bank in Malaysia (2017). Retrieved from <http://www.worldbank.org/en/country/Malaysia/overview> themed%20issuezaini% Oomar-usm-melayu-1[1].doc-22.2.pdf
- [19] Zarina, M.N, and Kamil, A.A. (2012). *Sustaining the Livelihood of Single Mothers through Wealth Creation and Saving. Opportunities: A Long Road Ahead*. *International Journal of Trade, Economics and Finance*, Vol.3(2).