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SOCIAL ENTREPRENEURSHIP AND COMMUNITY ENGAGEMENT: TRANSFORMING SOCIETIES

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Contents

Acknowledgements

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Foreword

Secretary-General
Minister of Women, Family and Community Development Malaysia

Foreword

Secretary-General
Ministry of Women, Family and Community Development Malaysia

Foreword

Director Social Institute of Malaysia (ISM)

Preface

Editor-in-Chief

PART I: SOCIAL ENTERPRISE PRACTICES

- | | |
|---|-----------|
| 1. Empowering Communities through Sustainable Entrepreneurship Efforts: A Case Study in Taman Medan Cahaya Phase II, Petaling Jaya | 2 |
| <i>Ahmad Shaharudin Mohamad Mokhtar, Serina Rahman</i> | |
| 2. Social Enterprising Values among Women Entrepreneurs | 13 |
| <i>Suraini Mohd Rouse, Noor Lela Ahmad, Hariyaty Ab Wahid, Nek Kamal Yeop Yunus</i> | |
| 3. Human Capital Formation through the Involvement of Indian Women in Microenterprise in Klang Valley | 26 |
| <i>Kannaki Vaithilingam, Ponnalar N Alagappan, Thirunaukarasu Subramaniam, Kumaran Suberamaniam</i> | |
| PART II: EDUCATION AND THE ISLAMIC PERSPECTIVE OF SOCIAL ENTREPRENEURSHIP | |
| 4. Social Entrepreneurship through an Islamic Institution: The Malaysian Zakat Experience | 44 |
| <i>Suhaili Sarif</i> | |

Human Capital Formation through the Involvement of Indian Women In Microenterprise in Klang Valley

Kannaki Vaithlingam
Taylor's University

Ponmalar N Alagappan
Thirunaikarasu Subramaniam
Kumaran Subramaniam
University of Malaya

Introduction

Generally, microenterprises are defined as enterprises with less than five full-time or part-time employees or with an annual sales turnover of less than RM250,000. Microenterprises are accountable for a small fraction of business sales; nevertheless this sector plays a significant role in the national economy. This can be seen from various aspects, such as the creation of business units, employment opportunities as well as economic output. The microenterprises in Malaysia are also known to make other valuable contributions such as regional income generation, savings, training, stimulation of competition, aiding large firms, introduction of innovation and as a seed-bed for growth (Subramaniam, 2010).

Microenterprises in developing countries are a remedy to the problems of unemployment, increased rate of growth of real per capita income, balanced income distribution and improved economic stability. In view of this, the development of microenterprises in Malaysia is often considered a high productivity priority business. The development of microenterprises has significantly contributed to the socioeconomic development of the Indian minority in Malaysia.

Maimunah (2001) explains that women's involvement in microenterprise development, particularly their contribution to the economic development of the family through microenterprise, is important for economic growth and is a growing phenomenon all over the world. Women's involvement in the economic development of the family through microenterprises of different size and scale, has contributed significantly in bringing positive changes in household income, especially in terms of poverty eradication (Jarrah, Laily & Aini, 2003; Maimunah, 2001; Laily & Jarrah, 1996; Jarrah & Laily, 1995). However, enterprises held by women are always micro in size with less than five workers and operate in areas with a population of less than 10,000; often outside the governance of local authority (Malaysian Department of Statistics, 1996).

Microenterprise coupled with micro credit is considered one of the most effective measures to overcome poverty and improves the living standards of women (Jarrah, Zumilah, Laily, Sharifah and Mohamed, 2003). Amanah Ikhtiar Malaysia, through its micro credit program, has enabled more than 60,000 poor women to venture into income generating activities. Since the beginning of the program, more and more women have been able to scale up their income generating projects to microenterprises and small scale enterprises.

Microenterprises are a potential tool for employment creation among the Indian community in Malaysia, particularly in relation to improving the community's standard of living by means of eradicating poverty. Microenterprises among the Malaysian Indian community are an important option for the lower income, unemployed and especially disadvantaged groups in rural and urban areas. Most of the men in the Indian community have started to participate in microenterprises in various fields. However, it is an uphill task for Indian women who wish to establish small or micro businesses as they face difficulties in obtaining adequate funds to start a business. Hence, the objective of this study is to conduct a comparative analysis on the formation of human capital among Indian women at the initial stage and after five years of the establishment of the microenterprise.

Research Questions

Research question 1:

How does microenterprise benefit women in improving their socioeconomic status?

Research question 2:

Does women's involvement in microenterprise contribute to human capital formation?

Research question 3:

Does a microenterprise have a great influence on human capital formation after five years of starting-up the business?

Literature Review

Human Capital Formation

Human capital theory encompasses the acquisition of knowledge and skills or intellectual capital, including science and technology, entrepreneurial capabilities as well as the internationalization of positive and progressive attitudes, values and ethics through education, training and lifelong learning. According to Schultz (1994), comprehensive improvement of education, training and lifelong learning help to enhance human capital development. Emphasis should also be given to the development of entrepreneurial skills at all levels of education and training, and in lifelong learning programs. As a result, entrepreneurial skills at all levels would be expanded to provide greater opportunities for individuals to improve their knowledge and skills.

Human capital theory explains that education or training raises the productivity of workers by imparting useful knowledge and skills, hence raising workers' future income by increasing their lifetime earnings (Becker, 1993). Becker (1993) also describes human capital as 'activities that influence future monetary and psychic income by increasing