

Amanah Ikhtiar Malaysia and Social Business: Complementing Each Other?

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ABSTRACT

Social business is an investment purely for the purpose of achieving social objectives with no personal gains by the investors. The concept is being directly or indirectly adopted by a growing number of government agencies and non-profit organizations globally. The approach is adopted due to its power to promote social and economic changes to the society. In Malaysia contact a few agencies are running social business to increase economic equity among the society including Amanah Ikhtiar Malaysia (AIM). AIM has been well-known with so many success stories in turning the poor into successful entrepreneurs. It is believed that amongst the reason of the success because AIM exploits a unique approach, dissimilar to other conventional credit agencies in Malaysia in disbursing its microcredit facilities to the borrowers. The purpose of this paper is to compare theoretical framework outlined as social business by the Grameen Creative Lab with the objectives, strategies, values and practices embraced by AIM and to discover the critical success factors that have contributed to the organization's present accomplishment as a social business organization. To achieve the objective of this paper, a theoretical framework of principles/ standard outlined as social business by Grameen Creative Lab is used for the comparison purposes. The criteria/factors in the framework are compared with AIM's process of selecting the borrowers, the method of loan disbursement and repayment and other activities, strategies, services and amenities provided by AIM to the borrowers. Qualitative data

collection, specifically semi-structured interview approach is used to obtain data from AIM. The findings indicate that there is a gap exists between the perceived strategy of social business and AIM's strategy and approaches to achieve its main objective that is to alleviate poverty. The study also discovers that there are certain special personal qualities nurtured amongst AIM's staff and borrowers that able to foster continued success of large number borrowers' entrepreneurship projects. These personal qualities have critically contributed to AIM's present accomplishment.

Keywords: *Amanah Ikhtiar Malaysia, the Grameen Creative Lab, poverty, social business*

INTRODUCTION

Social business is an alternative approach to the conventional business. It aims to provide services and goods to a certain group of people to fulfil their needs at a reasonable price that can be afforded and without making an excessive profit. The objective of social business is to apply the conventional marketing principles and tools for social and economic benefits of the targeted group (Kotler and Zaltman, 1971). According to Muhammad Yunus (2007 and 2014), social business widens the market, adds a new dimension of business and provides another option to the consumers. With the idea of social business, a new dimension of capitalism is introduced focusing on fulfilling and serving human needs rather than maximizing profit.

Social business was introduced by Professor Muhamad Yunus and a few other economic development experts as one of the mechanisms to reduce poverty and income disparities (AIM, 2015). It is not a new business concept. It has been practised for more than a decade but was not branded as social business. Grameen Bank and Amanah Ikhtiar Malaysia (AIM) were amongst the founders of the system. In the last few decades both organizations were known as non-profit organizations which provide micro-credit facilities to the poor without adopting the conventional banking loan system. It was not an easy task and was considered as unfeasible for the organizations to survive in the long run. However, the organization survived despite having to endure series of ups and downs.

This paper analyses the theoretical framework and principles of social businesses outlined by the Grameen Creative Lab and analyses process and procedures implemented by Amanah Ikhtiar Malaysia. These two elements are then compared to determine the gap between the theories and practices of social business. The comparison will deduce whether these two elements are complimenting each other or otherwise. This paper also analyses factors that contribute to the success of AIM.

BACKGROUND OF THE STUDY

AIM is a non-governmental agency established in 1987. It is established following the success of Projek Ikhtiar, a research project initiated by Policy Research Centre, Universiti Sains Malaysia in 1986-1987 (Amanah Ikhtiar Malaysia, 2013). Projek Ikhtiar led by Prof. David S. Gibbons and Prof. Sukor Kassim to try-out the micro-credit system for the very poor implemented by Grameen Bank in Bangladesh in Kuala Selangor Malaysia. The project was replicated from Grameen Bank's concept with modifications to suit Malaysia's socio-economic and cultural settings. The success of 'Projek Ikhtiar' has spearheaded micro-credit scheme loan in Malaysia establish under AIM which has become the dominant micro-credit agency in Malaysia (Mokhtar, Nartea and Gan, 2012).

AIM started its microcredit facilities in the two most depressed districts in Kedah, Sik and Baling. Early micro credit facilities in Kedah were set up to provide financial support to promote agricultural related economic activities. It has grown to 23 regional offices and 137 branches in East and West of Malaysia with about 352,422 beneficiaries on November 2014 (Amanah Ikhtiar Malaysia, 2014).

Grameen Bank was established by Professor Muhamad Yunus in 1976. Its main business is to provide micro-credit facilities to poor households in Jobra Village, Bangladesh (Amanah Ikhtiar Malaysia, 2014). It has become successful as Grameen Bank has uplifted thousands of poor households' socio-economic standard and has empowered thousands of women as the recipients of Grameen Bank micro-credit facilities are almost 100 percent women.

Besides Grameen Bank, Professor Muhamad Yunus has also introduced Yunus Centre and The Grameen Creative Labs to

provide assistance and expertise in starting micro-credit facilities and promoting social business concept to the world. As mentioned by Professor Mohamad Yunus, the concept employed by Grameen Bank itself is social business (Yunus, 2007). Therefore this can be presumed that AIM is also a social business enterprise as the agency has adopted most of Grameen Bank's concept and practices.

For the purpose of this study, social business is defined and interpreted based on what has been outlined by the Grameen Creative Lab. Reason for choosing the Grameen Creative Lab as the focus of reference for social business is because one the founders of The Grameen Creative Lab and the Grameen Bank, Professor Muhammad Yunus was among those who initiate the concept to the world. The concept is then translated into strategies and implementation through Grameen Bank's products and services to the poor not only in Bangladesh but also in various parts of the world.

RESEARH METHOD

The study compares between the theoretical frameworks of social business and with practices of delivery system by AIM. The purpose is to determine whether both systems are complementing each other. The finding will reveal the similarities and the differences between theory and practical of social business. This then will facilitate in-depth discussion on the additional requirements, barriers and contributing factors for success and failure of a social business enterprise.

The objectives of the study are:

- To examine the unique approaches adopted by AIM in providing micro-credit services to its borrowers.
- To analyse the reasons for the chosen approaches and gathers perspectives from the staff and the borrowers regarding the delivery system provided by AIM.
- To uncover whether the process and procedures adopted by AIM in the delivery system conform to the frameworks/ concept of social business.
- To determine which of the factors (procedure/ process/ human resource) contribute to the success of AIM.

To achieve the objectives of the study, an in-depth study of AIM's process of selecting the beneficiaries (*sahabat*), the method

of loan disbursement and repayment and other activities, strategies, services and amenities provided by AIM to the beneficiaries were taken place in a few AIM's branches. The study also has conducted series of interviews with ten AIM's staff and twenty borrowers to obtain views, feedbacks and opinions regarding the system. The system adopted by AIM is then compared with the criteria of social business.

The study starts with analysis of theoretical framework of social business as outlined by The Grameen Creative Labs and followed by analysis on process of loan delivery system, the procedure and the strategy by AIM and the third step is to make comparison and analysis on the differences and the similarities of both entities. The last part of the study is to analyse the roles of human resource supporting AIM's achievement.

ANALYSIS ON THE THEORETICAL FRAMEWORK OF SOCIAL BUSINESS

The Grameen Creative Lab

The Grameen Creative Lab was founded in 2009 in Wiesbaden, Germany, based on close collaboration between Professor Muhammad Yunus (Grameen Bank/ Yunus Centre) and Hans Reitz (Circ responsibility). The aim was to fight poverty by accelerating social business. Among the services and activities provided by The Grameen Creative Lab are to increase awareness on social business, increase level of understanding of the public on social business and promote industries and businesses to create funds that run social businesses (The Grameen Creative Lab, 2012). The Grameen Creative Lab stresses that there are two types of social business as follows:

Type 1

The investment is made purely to achieve one or more social objectives through the operation of a company and the investors do not have any desire for personal gain. The company must cover all costs and make profit and invest most of the profit to achieve the company's social objective such as helping the poor to improve their socio-economic standard.

Type 2

To consume any profitable business a company must ensure that the business is also owned by the poor and the disadvantaged (through receiving direct dividends or by some indirect benefits).

Vision

The vision of The Grameen Creative Lab is to serve the society's most pressing needs. It believes that the poor are unable to escape from poverty because they do not have the opportunities to translate their creativity into sustainable income even though everyday they have to innovate to survive. Due to lacks of vision, the conventional economic system does not create enough opportunities for the poor. To ensure the poor able to benefit the overall economic growth, social business is introduced. It is a type of business that focuses on collective benefit; the health, happiness and security of all especially the less privileged (The Grameen Bank Creative Lab,2012).

Social Business Strategies

The strategies are to ensure that a social marketing programme achieves its intended purpose or function. Among the strategies are educational campaigns should be carried-out regularly to increase individual knowledge and perception and to promote motivation to be involved and to support social marketing and create broad awareness for social business (Grameen Creative Lab, 2012)

AMANAH IKHTIAR MALAYSIA (AIM) AND MICROCREDIT DELIVERY SYSTEM

The initial focus of AIM is to provide microcredit facilities to very poor of a society. This group is usually denied from loan facilities provided by conventional banks because their inability to provide the conventional requirements by the banks in order to borrow – collaterals and guarantors. Unlike conventional banks and other financial institutions, AIM adopts a unique micro-credit delivery system. The main concern of AIM is to ensure the very poor are given access to financial support for them to be able to create their own jobs

through doing businesses based on their skills and capabilities. The unique system is summarized in Table 1.

Table 1.

A Summary of Amanah Ikhtiar Malaysia's Micro-credit Delivery System

Activity	Approach	Purpose
Identify potential borrowers	AIM staff identify potential borrowers through housing index	to ensure the very poor are counted for the micro-credit facilities
Motivation session	AIM staff approaches the potential borrowers and introduce AIM micro-credit facilities to them. At the same time motivate them to join the programme.	to provide an overview of the potentials/skills among the very poor that they can manipulate and use to improve their socio-economic status
Group formation training	This training is given for potential borrowers for one week. Each group consists of five members.	To impart knowledge and information on AIM and to understand the overall concept of AIM micro-credit system. To strengthen the group solidarity
Group recognition Test	Group members are tested to assess the overall knowledge of the members on AIM microcredit system	to ensure that the potential borrowers have acquired the essential knowledge on AIM micro-credit system and ensure the group solidarity has been developed
Weekly centre meeting (2-12 group in a centre)	Weekly meeting for all centres are held at a convenient place in the locality. AIM staff acts as a facilitator. The meeting is chaired by centre chief who is elected among the borrowers. The secretary and treasurer are also elected among the borrowers.	Loan disbursement, loan payments, discussion on business project development. Solving business problem etc. Leadership qualities are instilled during the process/ session.

(continued)

Activity	Approach	Purpose
Social collateral through group formation	A group comprises of 5 persons of the same gender, without close family relationship and with mutual trust among each other.	As a substitute to physical collateral. This is because AIM fully aware that it is difficult for the poor to get physical collateral.
Loan repayment system	The loan is paid by an individual member. However, if one of the members has difficulty to pay the loan, the other members in the group are responsible to help. This may affect the approval of a loan applied by another member of the group in future.	The system helps to ensure that the loan repayment system is continuously controlled and monitored by the group and centre members. This system helps to encourage long-term micro-credit facilities disbursement to the group/ centre members.
	The drawbacks are - some of members are reluctant to contribute for the payment for the member who fails to repay the loan. This will cause some of the members leave the groups.	The system also helps to ensure that only those who really committed to improve their socio-economic standards and willing to help each other stay in the groups.
Continuous monitoring of economic activities attainment financed by AIM micro-credit facilities by the group and centre members	Members in a group monitor each other's economic activities' achievements. The members will help each other to mitigate any problem related to their economic activities.	This system helps to induce the repayment of the loan. At the same time each the members are fully aware with the achievement of each group member's economic activities. Based on the knowledge they can decide whether the member is eligible for the next loan.

ANALYSIS OF THE FINDINGS

The analysis is structured based on main theoretical framework of social business outlined by The Grameen Creative Lab. The comparison and analysis of AIM loan delivery process and system are made based on the above theoretical framework.

**The Grameen Creative Lab
Social business Concept - Have to be financially sustainable**

In general, AIM financial management system complement with the principles of social business as outlined by The Grameen Creative Lab (2012). As mentioned earlier, AIM's main business objective is to provide microcredit facilities to the poor to overcome poverty problems without making profits from the system. It is financially stable and sustainable. AIM is able to purchase a building as its headquarters in Sungai Buluh, Selangor. AIM is also able to provide various other loans and investments to the borrowers such as loan to renovate houses, for children's education and special loan scheme for single mother.

**The Grameen Creative Lab
Social business provides necessary framework to alleviate social problem**

In this case, AIM has constructed the necessary system and process to ensure the microcredit loan facilities reach the target group to alleviate social problem (eradicate poverty) as follows:

- i. **Micro-credit loan system**
 - a. No collateral.
 - b. No interest loan.
 - c. For poor households.
 - d. Friendly loan system to most of the borrowers –most borrowers do not feel unsecure to borrow.

- ii. **Determining the target group**
 - a. Has own criteria for the selection of the target group.
 - b. Use in house team to determine and choose its potential borrowers.
 - c. Have a unique marketing system.
 - d. The group training session indirectly indicates the determination/ seriousness of the potential borrowers to participate in the micro-credit scheme.

- e. The borrowers play important roles in determining their own group members.
- iii. **Delivery system**
- a. Disburse loan and collect loan payment at the field not at the agency's office.
 - b. Will disburse to the borrowers according the turns determined by members of each group.
 - c. The fate of the future loan is based on the current or previous repayment rate, attendance to weekly meeting and other disciplinary conducts decided by the members of the groups and the centres.

The study shows that the process of loan disbursement starts from the process of identifying the alleageable potential borrowers. The process starts by having AIM's staff to identify the potential borrowers based on using a housing index. The potential borrowers are approached by AIM staff to provide information on the overall AIM's objectives and products and services provided to them. The interested potential borrowers have to form a group of five and go through a week group training session. The training is to ensure the potential borrowers understand background and objective of AIM and to know their roles and regulation that they need to obey if they become AIM's borrowers. After that they have to go through a group recognition test to test the level of understanding of the overall training materials. Loan is disbursed only to one group member and after a few weeks of good repayment record by the member, another member will receive the loan and so on.

Most services provided by AIM are carried-out in the villages during centre meetings and not at AIM office. There are a lot of activities in the group/ centre meeting such as approval of loans, payment of loans, discussions on any problems or opportunities for the members' businesses and so on.

Grameen Creative Lab - Vision

To serve the society's most pressing needs. The poor are unable to escape from poverty because they do not have the opportunities to translate their creativity into sustainable income even though everyday they have to innovate to survive.

The overall AIM social business concept is translated through AIM objectives

Alleviate poverty as follows:

- Alleviate poverty among the poor and low income households in Malaysia and provide microcredit facilities to finance economic development activities.
- To promote entrepreneurship among the poor and low income households
- To provide loan facilities, continuous trainings and social support to the entrepreneurs (the poor and low income households).

Besides the objectives there are various approaches adopted by AIM to ensure continuous success of the loan system and to ensure the poor are able to generate sustainable incomes. Among the approaches are:

- a. Face-to-face discussion between AIM staff and the potential borrowers to instil confidence and motivate the potential borrowers to change their households' conditions.
- b. Group system – creates a good monitoring and controlling system in ensuring the borrowers discipline in loan repayment, project development and continued success of the economic activities participated by the borrowers.
- c. Weekly meeting works as a close and continuous monitoring system of:
 - i. Loan collection and disbursement.
 - ii. Discussion on projects' latest development.
 - iii. Solve any centre's internal problem through *musyawarah*.

Weekly meeting also works as information dissemination centre where any information on latest development of AIM and any news regarding the agency are disseminated to the borrowers through the meeting. The meeting also helps to instil leadership qualities where the centre leader plays significant role in handling the weekly meeting with the help of the secretary and the treasurer who are elected among the borrowers.

Grameen Creative Lab – The Social Business Strategies

The strategies are to ensure that a social marketing programme achieves its intended purpose or function. Among the strategies are educational campaigns should be carried-out regularly to increase individual knowledge and perception and to promote motivation to be involved and to support social marketing and create broad awareness for social business.

AIM initiatives are as follows:

- a. Provide training if necessary
 - i. Continuous progress in economic achievement – can continue to borrow with a larger amount of loans if necessary.
 - ii. AIM collaborates with several local universities for research and consultancy works.
 - iii. AIM has helped several countries to set-up microcredit agencies to eradicate poverty.

Contributing Factors

Human Resource

Another equally important factor is the perception and characteristics of the AIM's staff. A few visits to the headquarters and to several AIM branches, the researchers found that most of the staff are hardworking, very friendly and very proud to be a part of AIM. They feel that their jobs are not just to receive monthly incomes to support their families but if they are carried-out sincerely for the sake of Allah and Islam, the job is considered as *ibadah*. AIM staff are paid competitively and they enjoy working with AIM.

Another issue is the personal qualities of the staff. They should be able to interact effectively with the poor and the group/ centre members. The skill is important as the determinant factor to motivate the poor to have the desire to improve their households' quality of life.

Conducive Working Environment

In addition, the staff acknowledged that the working environment is conducive. The staff also have to attend several technical and personal/social improvement trainings to ensure their knowledge regarding the institutional activities and their personal and social skills are up-to-date. The staff receive market wage and AIM is working hard to improve the employment benefits to its employees.

CONCLUSION

The findings have discovered AIM loan delivery system and process is compatible with the social business theoretical framework as outlined by The Grameen Creative Lab. However, in practical there are so many factors need to be taken into account to ensure the overall process and system meet the objectives of any microcredit institution.

The Grameen Creative Lab's visions social business as to serve society's most pressing needs and its focus is to fulfil and to serve human needs rather than to maximize profit. Therefore, a social business institution may have more than one target groups and several sets of objectives. It can be an institution that provides services and facilities to accommodate the needs of certain group of people who are not eligible to receive the services from other agencies due to financial constraint and so on. A social business can also operate a business that provides a service to the unfortunate. It does not only focusing on poverty eradication.

In this case, we can assume that AIM is a social business institution focusing on poverty eradication activities. Its unique delivery system paired with suitable human resources and adequate service benefit and also conducive working environment have caused positive outcome to the overall AIM achievement.

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