

Business Venture of the Poor: Performance and Problems

Suraiya Ishak

¹School of Social, Development and Environmental Studies
Faculty of Social Sciences and Humanities
Universiti Kebangsaan Malaysia
43650 Bangi
Selangor, Malaysia

Ahmad Rafli Che Omar

Abdullah Sanusi Othman

Azhar Ahmad

School of Management Studies
Faculty of Economics and Management
Universiti Kebangsaan Malaysia
43650 Bangi
Selangor, Malaysia

Abstract

This paper elaborates the condition of the business ventures of the poor and identifies the problems hindering or enhancing their progress. This study used structured interview to obtain insights from the four subjects. The subjects are selected from a special entrepreneurial program designed for the poorest Muslim group in Malaysia. Grenier 5 Phases Growth Model serves as the framework for explaining the growth phenomenon of the business ventures. The study concludes that businesses of the poor are currently at the creativity growth phase. From the analysis, the problems faced by the entrepreneurs are divided into three themes namely insufficient capital, lack of systematic managerial practices and basic day-to-day operational problems.

Keywords: poor-group business; small business; growth; small business problems; *zakat* (alms-giving)

1.0 Introduction

Poor people possess equal rights to economic empowerment as other ordinary citizens. Economic empowerment will allow the fulfillment of basic human needs, while poverty leads to blatant miseries. Based on Maslow theory there are five hierarchies of human needs comprising physiological needs, safety needs, love and belonging needs, esteem needs and self-actualization needs. The physiological and safety needs are considered as lower-order need while the safety, love and belonging, esteem and self-actualization are regarded as higher-order needs (Robbins, 2001). Based on the theory, money is pivotal mean for satisfying those needs (Olsen, 2004). Olsen (2004) added that money is even more important for satisfying human's lower-order need. Therefore, most human needs can only be obtained if the person affords to pay the price.

Community-based charity and voluntary-giving groups have been typically dominant to assist the fulfillment of the poor people basic needs. However, such approach is tenable in the long run and does not attempt to develop the individual potential. A relatively pro-active mechanism is through the business venture. Business offers an independent choice of revenue for those without many options of livelihood (Coad & Tamvada, 2011). Most of the poor have been restricted to the option of good employment and good pay, thus incapable of satisfying their basic needs.

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Therefore, business activity has been widely used to improve the economic condition of the hard core poor group. In fact, the *Grameen Bank* is exclusively designed to offer special loan to help poor women of Bangladesh to set up small businesses and to ease their economic misery (Yunus, 2010).

However, there are barriers frequently encountered by small businesses in its operations (Baumback, 1983; Gray, 2002; Amran *et al*, 2010; Welter & Smallbone, 2011; and Suraiya *et al*, 2012). Therefore, given the compelling interest in the prospect of small enterprise, this paper aims to provide evidence on the potential business venture of the poor and to provide insights regarding the problems which mitigate its growth potential. In addition, this study provides new analyses regarding the ability of a Malaysian religion-based fund agency as an “angel financing” alternative among the poor.

This article is organized as follows. The next section reviews the literature by elaborating on the poverty phenomenon and alternative course of action in line with the Islamic perspective. This section also explains the main concern of this study which is the role of a religious-based fund agency in helping the problems of the poorest group. Previous studies on small firm’s growth and barriers are also included in this section. The third section consists of the methodology which explains the research procedures of the study. The fourth section analyses the findings including the growth potentials and problems as encountered by the sampled respondents. The concluding section highlights the contributions and implications of the study.

2.0 Literature Review

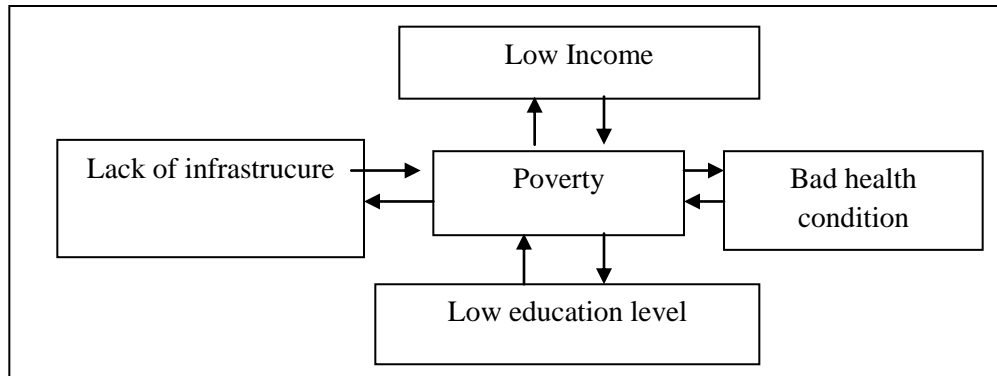
2.1 Poverty Alleviation

Poverty is a global problem that persists in all countries and locations including the developed countries and urban areas (AbuHasan, 2002; Trainer 2002; and Chamhuri & Mohd Yusof, 1997). Furthermore, Trainer (2002) reiterates poverty as an unavoidable consequence of the present global economic system that emphasizes mainly on profitable sectors while ignoring the unprofitable one. In the global scene, at least one-third of all people are categorized as irrelevant to the market economy due to the fact that they do not possess what the economy needs the most.

According to AbulHassan (2002; 136), there are three variables directly related to poverty phenomenon which are:

1. Low income
2. Non-income factors such as health condition and low education
3. Lack of access to opportunities such as physical facilities, resources and employments.

AbulHasan (2002) adds that the entire variables formed as intractable push to poverty. As depicted in Figure 1, the entire variables affect each other in a two-way directions flow. For example, a person who lacks in resources and education may also become a low income earner and eventually traps in incessant poverty. Poverty prevents the person from other opportunities such as good education and quality living. Therefore, poverty alleviation must target on the variables that form the poverty phenomenon. In addition, Trainer (2002) raises his concern over the ability of current global economic system to ail poverty. According to Trainer (2002), most development theories are fundamentally based on capitalist theories that rely on free market as surplus generator and later solve the poverty problems. However, the conventional capitalist economic system has generated more poverty as the system enables only few fortunate people to take most of the available resources from many ordinary people.

Figure 1: Poverty and Causal Factors

Source: AbulHasan, 2002, pg. 136

To alleviate poverty, microfinance or microcredit has become popular for empowering poor people. The mechanism works by providing financial support for the poor to set up business ventures. As explained by Brana (2011), microcredit refers to the very small loan granted to people who are totally or partially excluded from the banking system. The purpose of the loan is to reduce poverty, promote self-employment and improve the empowerment of socially excluded persons. As a result, the microcredit institutions target the poor group who has been excluded from the banking system and enable them to create their own business. However, the microcredit has never deviated from the basic concept of loan repayment obligation. The repayment obligation remains for each borrower. Alternatively, there is a genuine source of “angel” capital which transcends the repayment-based mechanism. The potential source of accommodating the capital needs of the poor Muslims’ is through *zakat* or alms-giving which is free from repayment obligations.

2.2 Zakat

Parallel to earlier discussion on poverty, *zakat* has been regarded as one of the corrective means for poverty alleviation according to Islamic teachings. This corrective mean involves the compulsory distribution and sharing mechanisms such as the *zakat* (AbulHasan, 1997). There are two types of poverty concept in connection to *zakat* recipients which include hardcore poverty and general poverty (AbulHasan, 1997). The hardcore poverty (needy Muslims) refers to the vulnerable group who are unable to satisfy their basic needs as defined by the normal customs of a particular society where the persons belong. The general poverty (poor Muslim) refers to persons who able to satisfy their basic needs and have some amount of surplus which are lesser than the minimum rate for *zakat* payment entitlement (*zakat nisab*). Therefore, poor people who are entitled for *zakat* distribution are considered as the poorest group and it justifies the appropriateness of our sample selection.

Zakat is one of the five pillars of Islam. It is the third obligation deemed to every Muslims in accordance with its specification (Majeed, 1995; and Sayed Sikandar & Mek Wok, 2011). *Zakat* is an Arabic word which literally means ‘growth’ (in goodness) or ‘increase’, ‘purifying’ or ‘making pure’ (Sayed Sikandar & Mek Wok 2011; and Majeed 1995). *Zakat* is a special obligation to Muslims that differs from the concept of tithe, charity and income tax (Majeed, 1995: 20-22). Therefore, the word *zakat* has been used in this study as English translation in any of the other three concepts would be inaccurate.

Zakat refers to compulsory payment made by the qualified group in accordance to several ruling criteria and is to be distributed to specific recipient group known as the *asnaf*. There are eight groups of *asnaf* as stated in the Quran comprise; 1) the needy Muslims (*faqeer*), 2) poor Muslims (*miskeen*), 3) those who are appointed by the Islamic government or authority to collect and administer the *zakat* (*amil*), 4) people whose hearts has recently inclined to embrace Islam (*muallaf*), 5) slaves who are Muslims, 6) Muslims who are in debt under specific condition, 7) those who strive in the cause of Islam and 8) travelers who are travelling for a pious or a permissible purpose and unable to continue their journey or return to their respective countries except with little help in term of monetary aids (Majeed, 1995: 35-40) .

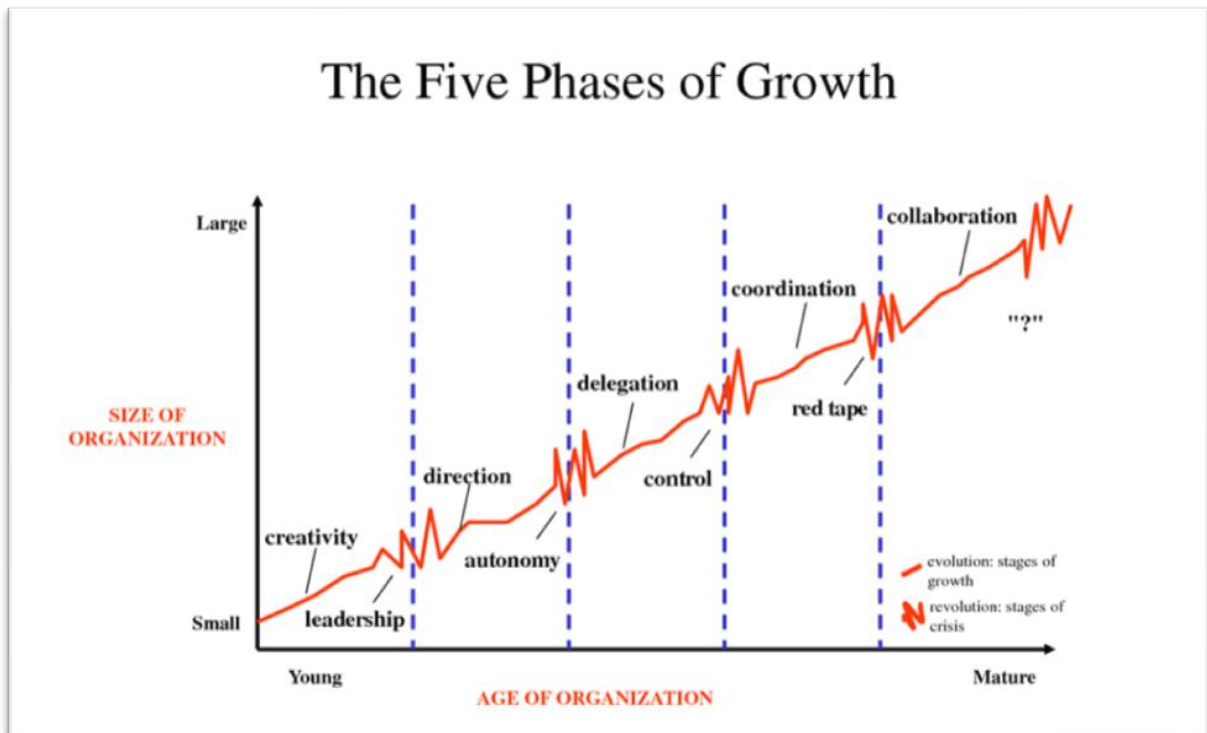
The philosophy of *zakat* is to purify individual wealth from the rights of others. According to Islam, some groups are granted with more wealth and prosperity than others. Hence, in line with the concept of man as the vicegerent to God, the entrusted wealth must be spent for the most goodness which inclusive of the person’s own good and to be shared with the less fortunate people. The *zakat* payment is done in the form of gold, basic crops or items that can be converted into cash payment. According to Majeed (1995) and Sikandar and Mek Wok (2011), *zakat* can be distributed in a productive manner such as to be given out in the mode of business capital in order to elevate the status of the needy and poor group sustainably.

The responsibility for *zakat* collection and distribution in Malaysia is given to state bodies known as department of state religious affairs. Every state has its own religion affairs department. ABC is one of the state authorities responsible for managing Islamic affairs in one of the state in Malaysia. In addition to the normal course of charity-type of distribution, ABC had introduced *zakat* distribution in the form of business capital aids for qualified *asnaf*. The program was known as *asnaf* entrepreneurial program. In this program, the qualified *asnaf* are granted with business capital ranges between RM 2,000 to RM 50,000. The aids are not subjected to any repayment either in the principal or interest charges. The capital aids are usually given in the form of business equipments, machines or business premises. Therefore, this study has chosen several subjects from ABC *asnaf* entrepreneurial program in order to gain insights on the small business potentials and problems operated by the hard-core poor group.

2.3 Small Firm Growth

According to Grenier (1998), there are five phases of organizational growth. As shown in Figure 2, each phase would end with a crisis and followed by another growth stage. The crisis emerged due to various problems parallel with the increased in the organizational age and size. All organizations will experience growth either in the evolution or revolution mode. Evolution refers to prolong growth with no major economic setbacks or severe internal disruptions. The period is considered as the quiet period because only modest adjustments are required to maintain the growth momentum under the same pattern of management. Meanwhile, the revolution requires drastic change in current management style to fit enormous conflicts derive from the crisis. The ability of the organization to overcome crisis will determine its progress to another stage.

Figure 2: The Five Phases of Growth Model



Source: Grenier 1998, pg. 58.

The five phases of growth in Grenier Model consists of creativity, direction, delegation, coordination and collaboration. Creativity phase has been characterized by technical or entrepreneurial oriented effort with most energy directed towards making and selling new product, disdaining management activities and communicating informally among employees. Along the passage of time, the organizational activities grow its complexity and more knowledge are required to handle various organization issues such as manufacturing efficiency, increasing number of employees and obtaining additional capital. This phase presents a management crisis (or leadership crisis) that solicits for knowledgeable and skillful owner-manager to initiate new techniques or solutions.

Growth in the direction phase emerges immediately after the success of managing the first crisis. In this stage, the organization is more structured and formal by having differentiation of functional activities (specialization) such as introduction of specific accounting system for inventory and purchasing, various incentives, budgets and work standards. The organization also practices formal and impersonal communications. After some time, the direction phase creates major problems which resulted to unsatisfactory reactions among the lower level workers. This create an autonomy crisis, thus requires the delegation approach. The growth through delegation phase reflects a relatively decentralized organizational structure characterized with greater responsibility for unit managers and limits the top managers' power in daily operational decisions. However, this phase eventually breeds a parochial attitude and creates crisis control. The following growth through coordination phase reflects the use of formal system for achieving greater coordination among different organizational units. The crisis emerges at the end of this growth phase is called red-tape crisis. The final phase is the growth through collaboration which attempts to overcome the red-tape crisis by the use of interpersonal collaboration.

The momentum of growth can either be slow (evolution) or drastic (revolution). These evolution and revolution modes are very much influenced by industrial growth rate, size of the firm and also the firm's age. Major development in each phase is expected to last anywhere between 3 to 15 years each. As far as the vulnerability of the business, skeptical arises on the growth capacity since the company owners-managers are categorized as the poorest group who lacks many survival aspects. Therefore, this study fills the gap in describing the growth of these vulnerable group business ventures within the framework of Greneir's model. This model serves as the contextual framework that describes the current growth stage before plunging into discussion on small business problems (see Figure 3).

2.4 Problems in Small Business

Most small businesses use owners' personal fund to finance the set up and operations (Hall 1989). Small businesses also have difficulties to obtain funding from market or any externally-based sources (Hall, 1989; Suraiya *et al*, 2012; and Greagory, 2005). Therefore, tight financial condition in the initial stage may retard the progress of small businesses and transform them into sick units. For poor group business venture, the situation becomes severe as the poor owner doesn't have excessive personal fund or collateral assets nor able to convince borrowing from other parties.

Most studies on growth barriers of small business frequently cite that small businesses are prone to typical day-to-day management and operations problems concerning the availability and quality of raw materials, equipments, technologies and power shortages (Sharma, 1979; Barber, 1989; and Coad & Tamyada, 2011). For example, Bosworth (1989) notices that small firms usually employ lower qualified workers and have higher turnover level. Such conditions lead to growth barriers as the firm's operations become limited and interrupted. Similarly, unavailability of slack resources may also prevent small firms from incremental innovations and exploring new ideas as Damanpour (1991) has suggested a positive relationship between slack resources and innovations. Nevertheless, innovation is the key to firm's competitive advantage and long term survival (Damanpour, 1991; Gudmundson *et al*, 2003 and Bhaskaran, 2006).

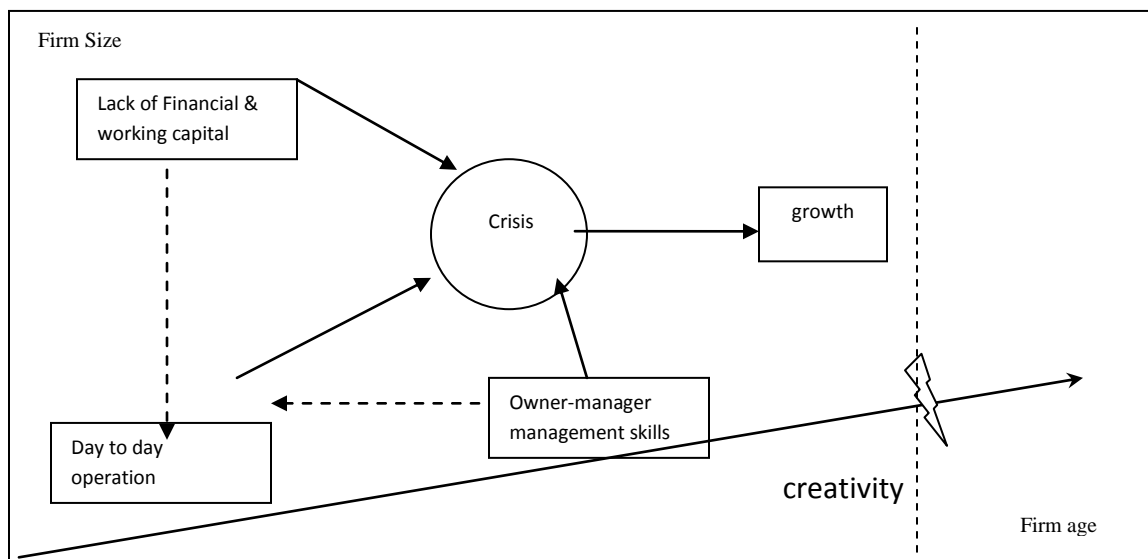
Other pressing problem that affects firms' working capital is the late payment (Howorth and Wilson, 1999). According to Howorth and Wilson (1999), most small firms encountered late payment which originated from problems of undercapitalized, poor credit management and inability to take actions on debtors' late payment. Many small businesses extend their credit facilities in order to improve short term sales (Sharma, 1979). However such action fails as business increases, it will simultaneously decrease the availability of cash due to purchase and cash conversion lag times. The situation worsens as small business rarely perform effective cash management program (Chaney *et al*, 1977).

Thus the business operations are run by chance and not by thorough viable projections and planning. Such conditions may lead to unproductive investment or business decisions.

The unsystematic accounting record worsens the situations as it prevents the business from tracking their business performance, recognizing problems area and taking necessary actions to overcome downwards trends (Chaney *et al*, 1977). As far as the poor group business is concerned, the problems are expected to be more serious. In addition, the owner-manager skills may distort the growth potential of the business. According to Fuller-Love (2006); Lee & McGuiggan (2009) and Redmond & Walker (2008), growing a small business requires varieties of skills such as financial, marketing, human resources, strategy, planning, operation management as well as softer skills such as communications, decision making, team-building and leadership. However, many small business owner-managers have been lacking in those skills and do not even recognize the need to develop such business skills (Redmond & Walker, 2008 and Chaney *et al*, 1977).

Small business problems are related to each other. For instance, the capital problems lead to a bundle of problems in operations such as unattractive site of enterprise, low quality labor, small market coverage, substandard raw material and machinery and low quality productions (Sharma, 1979). As a result, the problems have formed a web of inter-related problems and cumulatively distort the growth of small business. These problems are expected to impose more “cruel impact” on the poor business as they are relatively more vulnerable and fragile than ordinary businessman. Figure 3 represents the conceptual framework based on the relevant literatures and is useful to guide the nature of hard core poor group business potential.

Figure 3: Conceptual Framework of Study



The framework suggests that vulnerable business ventures are still at the infancy phase (refers to the creativity growth phase) as all business entities’ are between 3 to 9 years old (see Table 1). The financial and working capitals are insufficient to operate the business establishment at all stages of the firm life cycle. It is expected to be the most basic growth barrier for all small businesses. During daily operations, various problems such as the increase price of raw material, shortage of employees, and unstrategic location are expected to hinder the growth progress. Other problem rooted from the owner-manager management is the owner-manager skills deficiency. Skill deficiency includes the technical area such as financial management, accounting and general technical skills. The owner-manager inability to solve the daily and strategic problems will eventually lead to crisis. As shown in Figure 3, the dotted arrows indicate that financial lacking and owner-manager skill deficiencies may impose problems on the effectiveness of daily operation management. For example, due to insufficient capital the owner has to run his business from an unattractive location or purchase low quality material. Additionally, the owners’ low financial management skill unable them to find alternatives to solve problems creatively. The conceptual framework has also been developed in light of basic assumptions of poverty factors as depicted in Figure 1 which affect the vulnerability condition of poor owners.

3.0 Methodology

This study used an interview approach with four (4) subjects who are involved in the *asnaf* entrepreneurial program organized by ABC religious authority. The subjects were selected through the purposive non-probability sampling technique. First, a group of potential *asnaf* was identified based on the ABC monthly bulletin which published articles on its' successful *asnaf* entrepreneurs in the monthly bulletin. Finally, eight potential respondents were screened and shortlisted for the interview sessions. Each *asnaf* entrepreneur had been contacted and four of them agreed to co-operate in the study.

Structured interviews were conducted at the entrepreneurs premise. Each interview took about 1 to 2 hours and the study was conducted from 1 April, 2012 until 30 April, 2012. The questions comprise open-ended questions regarding performance and problems encountered throughout business periods. Additional questions on financial management were included in order to obtain information on the management of most critical resource which represents the management skills possess by the entrepreneurs.

The responses were transcribed and thematic analysis was applied to the data. The model presented in Figure 3 was treated as deductive themes and these themes were applied to the data in the first instance. The data were revisited to find (if any) new findings emerging inductively after the model was applied to the study context. This kind of analysis is similar to the one used by O'Donnell (2011). The profile of the subjects is presented in Table 1.

Table 1: Case Background

Subjects	Business product/services	Year of business establishment	Number of employees (currently)	Capital during the commencing year	Aids received from LZS
Mr. Daniel	Selling soy drinks.	2003	2 (Mr. Daniel & his wife)	RM 500	1 unit of shop house in Hulu Selangor (no rental fee) & 2 units of refrigerators
Mrs. Sutinah	Laundry services.	2007	2 (family member)	RM 50,100	A laundry machine which cost RM 50,000 & rental free premise.
Mrs. Rubiah	Produce and sell coconut milk & traditional cookies (<i>dodol</i>).	2003	3 (family member)	RM 19,000	A coconut pressing machine which cost RM 9,000.
Mr. Rashid	Signage/advertisement board.	2009	3	RM 8,000	A cutter machine cost RM 5,000

All respondents are categorized as vulnerable group (*asnaf*) with specific background such as the hard-core poor people. In addition, Mrs. Sutinah and Mrs. Rubiah are also single mothers with 5 and 10 growing children respectively. All of the subjects have received *zakat* distribution from ABC before enrolling in the *asnaf* entrepreneurial program.

4.0 Findings

Table 2 shows the comparison of business incomes between the commencing and current year of business establishment.

Table 2: Comparison between Income before and After Entrepreneurial Program

Cases	Average of business income during the first year of business establishment (RM per month)	Average of current business income (RM per month)
Mr. Daniel	1,000	2,000
Mrs. Sutinah	5,000	10,000-12,000
Mrs. Rubiah	1,000	6,000-7,000 (normal season) dan 8,000 (festive season)
Mr. Rashid	10,000	13,000

All respondents show an increasing pattern of business income. The comparison of average business income between the first and current year of business establishment reiterates the ability of business-based activity as an economic empowerment mechanism for developing countries. The finding also shows that the hard-core poor people are capable of running small businesses with similar growth potential like other ordinary small business operators. These findings support the idea that vulnerable group empowerment can best be achieved through business based program which is salient and sustainable than the charity-based aids. The charity-based aids only contribute passively to the poor group empowerment as it does attempt to rectify the poverty factors as identified in Figure 1. Contrary, business-based program would able to develop the persons’ dignity via stable and sustainable income as well as improving purchasing capacity to acquire basic needs among the poor.

Furthermore, the data reveal that basic structure of the conceptual model as proposed in Figure 3 is valid since the business income showed an evolution progress along the line of creativity growth phase. Most emerging problems are revolved around the typical growth problems/barriers faced by ordinary small business owners. Table 3 presents the summary of problems extracted from the interviews.

Table 3: Summary of Asnaf Entrepreneurs’ Business Problems (Growth Barriers)

No.	Cases	Problems
1.	Mr. Daniel	<ol style="list-style-type: none"> 1. Insufficient working capital. 2. Insufficient equipments (machines). 3. Unable to expand soy product market to wider scope due to unable to get technology which can maintain the freshness of the soy product. 4. Unstrategic business location/premise resulted in low sales volume. 5. Small market-base (local market).
2.	Mrs. Sutinah	<ol style="list-style-type: none"> 1. Stiff competition from other producers. 2. Unable to attract permanent employees. 3. Increased of cost including the detergent and machine mantainence cost. 4. Unstrategic business location/premise.
3.	Mrs. Rubiah	<ol style="list-style-type: none"> 1. Lack of raw materials (coconut supply) and increased of coconut price. 2. Unstrategic business location as it has been operated from owner’s home.. 3. Insufficient capital.
4.	Mr. Rashid	<ol style="list-style-type: none"> 1. Customer late payment. 2. Lack of specialized and technical workers. 3. Capital for expanding business.

The pace of the problems appears slowly, thus allowing the owner-manager to maneuver the current management approach or environment. As shown in table 1, the disruptions just appear in parallel with the organizations’ age which range between 3 to 9 years. Therefore, the problems can be described as relatively new to the business ventures and require stronger managerial capacity to envision the business creatively.

In line with Greneur growth model, all problems must be resolved in order to move to another growth stage. Within creativity growth phase, the unresolved problems eventually create leadership (management) crisis and require immediate immense changes (revolution) in the current management style or approach. Hence, the entrepreneurs must understand the problems in order to fix it.

The following section elaborates empirically on the problems identified earlier by the conceptual model (Figure 3) through interview data.

a) Insufficient Capital /Working Capital

Insufficient capital/fund is most critical to business growth and survival. All four subjects agree that insufficient capital fund is the main problem in their business.

Mr. Daniel:

“I have difficulties to cover my working capital...the sales is quite slow. I always make sure (that) all cash are plough back into the business. If not, my business (will) die. (In order) to solve the pressing problem, I applied for microloan under my wife’s name from XYZ agency. Luckily, the loan was approved and we use the loan as additional capital to run this business”.

Mrs. Sutinah:

“I wish to expand this business...I want to offer more services such as dry-clean service but that will cost a lot...I can’t afford it”

Mrs. Rubiah:

“The availability of capital constrained me from expanding this business. The market is there...and I really hope I can get some additional capital to purchase new machine and also expand my premise”

Mr. Rashid:

“I want to expand this business. But the constraint is fund. I plough back everything into the business and I will try to find other agency to finance my project”.

Based on this, most owners-managers agree that financial constraint has limited their business potential. Most subjects have experienced an increasing sale momentum, however, further momentum is constrained by the tight financial situations and restricted production capacity. Furthermore, the entrepreneurs are unaware of other financing alternatives and hope to get financial aids from typical familiar agency.

b) Operational Problems

Day to day operational problems refer to barriers that distort the efficiency as well as sales and profitability level. Details of the problems are explained according to the particular sub-items:

i. Unattractive business location

Three subjects mention several issues related to unattractive business location. Two subjects (Mr. Daniel and Mrs. Sutinah) receive aid in the form of free-rental business premises. Both premises belong to ABC religious agency. Mrs. Rubiah operates from her own house which is located in a village of a particular district.

Mr. Daniel:

“Well...I actually don’t have enough (working) capital. I try to use whatever I have wisely. My soy drink sales are inconsistent because this location is not strategic at all. I can only sell the drinks to those passing by this road (in order) to get to the palm oil plantation area. I don’t have other alternative to sell my soy drink...I cannot sell far from here because I don’t have vehicle to do so. Only once a week (every Wednesday) I sell my soy drink at the agriculture market. I borrow a friend’s car to bring my soy drink to the agricultural market...”

From observation, the study found that Mr. Daniel free-rental premise is located along the local road in a sub-urban area. The premise building is located at the edge of the road and next to the palm oil plantation area. The production and selling activities are done from the same premise. The production is run at the back of the shop and the selling booth is at the front of the premise. During the interview, we observed that the volume of traffic in the area was a bit low.

Mrs. Sutinah:

“This building belongs to ABC. But I think this business complex is relatively unattractive for my business. You see...this building is surrounded by a row of fence. The customers will have to make one complete round to enter this building site. The patrons cannot access here directly from the main road”

From observation, the business complex is situated at the heart of the city main district. The business complex is located in the same area of ABC’s administration building. Therefore, the fence may have been built for security reason. Although the building can be seen from the main road, the entrance gate is located at the back side of the road.

Mrs. Rubiah:

“...Hmmm... (It is) quite difficult for people to find me here...finding this place is a bit challenge. People don't expect how could there be a business (operated) from here...it's not commercial at all. But I don't have other alternative, this is the best that I can afford and for my children convenience”

Mrs. Rubiah produces and sells her coconut milk and *dodol* from her house. The production is conducted at the back while selling is done in front of her house. Researchers observed several workers operating the machine as well as preparing the *dodol* in a very limited area.

However, one subject (Mr. Rashid) expresses satisfaction toward his business location:

“I rent this place. Luckily, my business doesn't have to be in an exclusive commercial area. The location of this shop building is just enough for me... actually I'm looking forward for better space. I need more spacious area because this job needs ample area and the inventories also need huge place”

Consequently, most owners-managers find that their business locations limit their business potential. However, they still remain in existing locations as they can't afford to find alternative location due to cost constraint. A strategic and commercial area will facilitate the improvement of sales especially for business that sells direct consumer products such as in the case of Mr. Daniel, Mrs. Rubiah and Mrs. Sutinah.

ii. Lack production technology and equipments

Three of the subjects have problems in production technology and equipments. The absence of equipment and technology has hampered the long term survival of their business. The effect is worst if the equipments are the most basic to the output production process.

Mr. Daniel:

“... (showing his grinder and steam machine to researchers)..Look...these machines are not mine. I borrow it from state agriculture department (DEF). I attend a short course on soy drinks production organized by the DEF agency, then. After the course, I pleaded them to allow me to use these machines. They didn't use it.... It was only for demonstration during the course. Luckily, they agreed to lend me these machines. Somehow few months ago, they were asking back their machines. I don't know what to do now. I don't have enough capital to purchase these machines...the machine is about RM 8,000. I cannot dump all my business funds into the machine because I have to reserve it for my tight working capital too...”

Mr. Daniel also adds a statement concerning his production technologies:

“...I want to market this (soy drink) to larger market not only local people. But the problem is it cannot preserve the freshness after few days. But, I don't have the food technology and unable to get it. If only I could improve my product, I can sell it to wider market like other soy producers”.

Mrs. Rubiah:

“I saw growing demand for the coconut milk and *dodol*. But my production capacity is already fully utilized. The squeezing machines cannot go more than this...The machine is very expensive. I also wish to diversify my product to other coconut-base snacks. Again I don't have the equipment to do so.”

Mr. Rashid:

“This business really depends on equipments and technology...You can't make a good design if you don't have the equipments. The clients are asking for various latest designs. Sometimes, I couldn't do it...so I have to pass it to other firms”.

In a nutshell, some owners-managers discover that insufficient equipments and technologies inhibit the expansion of their business ventures.

iii. External environmental pressure

Businesses also face stiff competition from other firms. In addition, all businesses are considered as matured or low barriers for the entry industry. For example, soy drink, laundry services, coconut product producers and signage producers are all easily entered businesses and have low product differentiation level.

Cost is another external factor faced by the entrepreneurs. The price of the raw materials is escalating and this has affected the current working capital of the business. For example;

Mrs. Rubiah:

“The coconut price is increasing. I get the supply from the local people but its' very limited...”

Mrs. Sutinah:

“The detergent is getting expensive.... (And also) the machine maintenance is also increasing. My operational cost has been increasing lately...”

The finding shows that all subjects agree that external environment is imposing some threats to their business survival. This type of problem relates to the nature of industry which is beyond the direct control of the firm. Therefore, it reiterates that environment acts as a threat to all market players even to the special type of entrepreneurs.

c) Management Skills Deficiencies of Owner-Manager

Management skills deficiency of the owner also contributes to the stagnant growth of the small firms. As mentioned by previous studies, running small business requires versatile and multi-skill managers. This capability is much more important at the early years. This study solicits information regarding the management skills of business ventures with specific focus on the financial management aspect since it serves as the most critical problem as acknowledged by all respondents.

i. Capital management

All respondents admit that their business revenue is ploughed back as working capital. In addition, Mr. Daniel obtained additional capital from XYZ under his wife's application. Therefore, the *ansaf* entrepreneurs rely heavily on internal or retained earning source. No additional short term financing is obtained to cover the operational expenditures.

All subjects also have yet to find solution for additional capital expenditure except for Mr. Rashid. He has prepared a proposal for loan application which was presented to one government agency to get additional capital for his business expansion.

Based on this, financial management competencies are crucial since most owner-managers rely heavily on limited internal source as additional capital in their daily operation. However, the retained earnings are insufficient to finance their business expansion and they are also unable to find alternative sources to fulfill their business needs. Furthermore, they don't have established business network to rely on.

ii. Segregation of personal and business financial account

Mr. Daniel and Mr. Rashid do not segregate financial account for personal and business use. Both admitted that they do not segregate them because the accounts are used interchangeably. For instance, sometimes personal problems are pressing that they need to use the business income to settle the problems. In other situation, business matters become seem so critical and all of the money is channeled to business operations. However, both Mrs. Sutinah and Mrs. Rubiah make specific provision from the gross income as their monthly salary and the rest is ploughed back into the business.

In terms of business accounting record, only Mrs. Rubiah and Mrs. Sutinah claimed that they maintain basic accounting records with the help from ABC officer.

Mrs. Sutinah:

“I do basic book-keeping myself. My experience as marketing clerk in a private firm really helps me to manage this business. Also...I get some help from ABC officer to do the accounts”

Mrs. Rubiah:

“...I recorded the cash and credit transaction in the ledger...I do it myself. Well, I just do the basic record of inflows and outflows”

Mrs. Rubiah also has working experience in a groceries store. Therefore, the experience has contributed to her basic accounting skill and practices.

However, Mr. Daniel does not maintain any systematic record for his business. The cash flows are recorded in a simple list without proper documentation. Meanwhile, Mr. Rashid hires an accounting service firm to perform the record keeping with a cost of RM 120 per month.

Mr. Rashid:

“...I kept all the business documents... receipts, invoices and others...At the end of the month I will send the files to the accounting service firm. They will do the accounts record and the final accounts.”

Therefore, Mr. Rashid has better business record compared to other subjects. One benefit derives from his proper accounting records is that he managed to submit a proposal to one of the federal government agencies a few weeks ago (from the date of this interview session). The proposal is now at the final stage of reviewing process by the agency.

Findings related to financial management and accounting record competencies conclude that most owner-manager maintain simple and basic transaction record based on their basic knowledge and work experience with the exception of Mr. Rashid. The finding indicates that entrepreneurs are aware on the importance of financial management and accounting records. However, their basic skills must be improved as both skills are relatively technically oriented.

5.0 Conclusion

This study has significant contribution as it provides early evidence on the potential and barriers of small business owned and managed by the hard-core poor group. Future study could be refined by including a specific comparison of small business between vulnerable group and the ordinary group. In addition, new finding would validate the induction that similar problems impose greater effect on vulnerable group business venture as compared to ordinary group business. Moreover, future study could make comparison on the ability of managing small business problems in relation to gender perspective. This is in line with a study by Fielden and Dawe (2004) that showed role conflict among family-business and formed barrier of growth among women entrepreneurs. This is almost true since one of Mrs. Rubiah's reasons to operate the business from her residential area is to take care of her 10 growing children. Another contribution from the study also is the empirical evidence on poverty alleviation through the utilization of religion-based fund called *zakat* in one Muslim dominant country in Asia. Thus, future studies are encouraged to investigate the performance of an "angel-based seed-fund" business in other countries or other business ventures assisted by other means (other than *zakat*) which possess the same characteristic of "free-repayment" scheme.

Similarly, this paper acknowledges that despite efforts in recent years on small business performance and problems, an accepted framework of vulnerable business venture is largely undiscovered. Some attempts have been made to focus on microfinance as a significant tool assisting vulnerable business activities; nevertheless, the streams have not uncovered the efficiency and effectiveness aspects in the poor-group business entities. Based on the findings, there is a huge potential for poor group business ownership. The subjects have proved that they are able to reach the first level of growth phase. Nevertheless, there are also problems arising which demand a great deal of accurate solutions. These problems could form barriers to the growth and long term business survival of the entrepreneurs. Although the encountered problems are similar to other ordinary small business operators, the magnitude of the problems might impose harder impact to the vulnerable business entities. This is due to their disadvantages which make the problems more serious and hardly breakable by the poor group entrepreneurs. Furthermore, the problems are also inter-connected and influence one another.

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