

Chapter 4

The Impediments to Entrepreneurial Ventures among the Bottom of Pyramid Community in Northern Malaysia

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ABSTRACT

There is a continuing debate among scholars concerning the existence of a fortune at the bottom of pyramid (BOP). While some scholars argue that there is a profitable market at the pyramid base, others argue that targeting poor people as customers could lead to unethical business practices. With the aid of preliminary study, this paper explains that there is a fortune to be made at the BOP if the community is treated as the entrepreneurs than as mere consumers. Nevertheless, for them to develop their own venture in order to reduce poverty is not an easy task due to various hindrances. Therefore, this paper provides insights into the under-researched area of comprehending the impediments that triggered the BOP community readiness to venture into business development. Converting the BOP into active entrepreneurs has become the agenda of the Malaysian government to eradicate the poverty by the year 2020 and thus this paper is expected to provide preliminary findings of the barriers that prohibit them to become entrepreneurs. A series of interview was conducted with a sample of ten BOP communities from Northern Region in Malaysia. In-depth, one-to-one interviews were conducted among them to probe into their outlook on this matter. The findings highlighted on the key factors that hamper the BOP community to create new ventures, new insights and experiences towards entrepreneurship. In sum, this study generates agenda for researchers to reach more conclusive evidence about the concept of entrepreneurship among the BOP community in Malaysia.

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INTRODUCTION

Many emerging countries such as China, India, Malaysia, Bangladesh, Indonesia, and other economies have moved forward very fast in terms of economies and often mentioned as ‘heavyweights’, or ‘rising powers’ (e.g. Bremmer, 2010; Sinkovics, et al. 2014). These countries become the central of attention for politicians, business practitioners and researchers alike, is due to their fast growing economy. Unexpectedly perhaps, these are the countries in which the majority of people in the so-called bottom or base of the pyramid (BOP) are struggling to work and live. This is quite intriguing and previous literature in entrepreneurship continually seeks to enhance understanding on how working with the BOP can generate fortune for both BOP ventures and their partners such as producers and sub-contractors (London, et al. 2010; Sinkovics, et al. 2014) particularly in the emerging countries.

The BOP community which is often located within least developed countries and the more rural and regions of developing and emerging countries are the potential market for new venture development (Prahalad & Hart, 2002). The popularity of BOP has not only spread into all developed countries but also in developing countries including Asian region. Asian countries, despite their impressive growth, have a huge population of poor people who lie at the bottom of the economic pyramid. The BOP comprises of three broad segments based on the income levels (Rangan et al. 2011), labelled as low income, subsistence and extreme poor. The top segment has received most academic attention due to their relative buying power compared to the other two segments that fight for survival. The BOP includes around four billion low-income people in which the majority of world’s population, who survive on incomes below US\$3000 per year in local purchasing power, or approximately US\$8 per person per day (WEF, 2009). The income per day in Brazil is less than US\$3.35, US\$2.11 in China and US\$1.56 in India. According WRI (2007), Asia countries has by far the largest BOP market in which 2.86 billion people with a total estimated income of US\$3.47 trillion. In this respect, BOP community represents 83% of the region’s population. According to initial assertion of BOP 1.0, large organisation would earn profit by providing goods and services to this community (Prahalad & Hart, 2002). Poor people are regarded as the potential opportunity to expand the market for profit oriented organisations. Nevertheless, many researchers criticize that by considering the BOP segment as the consumers particularly in developing countries is actually lead to exploitation of the poor (Ansari et al. 2012; Karnani, 2007; Rahman, Amran, Ahmad & Taghizadeh, 2016). In line with that, proposition of BOP 2.0 was proposed to create income opportunities for people who are at the pyramid base (London & Hart, 2004). In this respect, the BOP community should be encouraged and exposed to become active participant in the socio-economic development by providing more opportunities towards the practices of business venture development. Researchers have posited that the entrepreneurial opportunities for BOP community are an endeavour for inclusive growth, which improves the poverty situation (Hall et al., 2012; London & Anupindi, 2012; Azmat & Samaratunge, 2013).

From the context of Malaysia, enhancing the fortune at BOP is a key principle in the national socio-economic development agenda, to ensure all citizens enjoy the fruits of growth and development regardless of gender, ethnicity, socio-economic status and geographic location. The importance of balanced growth by providing access to education and skills training, infrastructure, and employment opportunities to boost outcomes for all segments of society, in particular the low-income group has long become the main agenda for Malaysia’s economy. The emphasis has been put on ensuring more equitable access to economic growth opportunities while increasing wellbeing and quality of life across all segments (Elev-

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