

# **Social and Solidarity Economy for Sustainable Development in Malaysia: Concepts, Contexts and Case Studies**

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## **Abstract**

To achieve sustainable development, the mainstream economic paradigm needs to be adjusted to address social and environmental costs of production and consumption that have been dismissed as externalities. For this, the social and solidarity economy (SSE) is seen as a pathway, because of its historical position of addressing linkages between social and economic missions, and due to its rootedness in real world practices globally that challenge the neoliberal and market-oriented hegemony. This paper positions the SSE as a vehicle towards sustainable development in Malaysia. It sets out to provide theoretical and empirical insights linking SSE and sustainable development, by uncovering the concepts and contexts, and analysing four case studies within the Malaysian SSE. In the case of Malaysia, its SSE is composed of four main components: cooperatives, social enterprises, civil society organisations that run economic activities, and mutual benefit societies. They are wedged between a strong state and a thriving market economy, with the former driving institutions and policies that shape the SSE's direction, and the latter influencing the rules of the game. Amidst these are proponents and possible allies for inclusive growth, including the push for more corporate social responsibility, a vibrant Islamic financial market, and advocacy groups for business and human rights. Beyond the theoretical concepts and a bird's eye view of the Malaysian SSE, the paper explores initiatives within the SSE in Malaysia that incorporate social, environmental and economic goals. Through the chosen initiatives, the paper seeks to uncover the ways in which the SSE organisations fulfil the triple bottom line, their underlying philosophies, and the common challenges faced. Four cases were chosen in a study that was conducted in 2014: Taiwan Buddhist Tzu-Chi Foundation Malaysia with its community recycling programme, Credit Union Promotion Club in educating and financing the poor, Wild Asia in environmental consultancy, and *Koperasi Belia Islam* with their organic farming programme. The SSE organisations run projects that fulfil the triple bottom line through generating income by providing environmental goods and services in a socially

beneficial manner, or providing social goods and services in an environmentally sensitive manner. Their initiatives are motivated and framed by diverse religious and political philosophies, from local and global influences, enabling them to see and act beyond the prevalent mindset of capitalism and materialism. However, SSE organisations face multiple challenges in integrating themselves within the wider economy, competing against conventional businesses for market share and labour, while having multidimensional targets and constraints of their multiple bottom lines. The mainstreaming of the SSE vision is needed, for public acceptance and also for supportive governmental policy which would ease their operations. The case studies are exemplary not only within the SSE, but also within the wider economy, as a glimpse of how the economy could be more conducive to societal and environmental well-being. In the short term, policies should be put in place to support the SSE, but in the long term, structural changes in the wider economy should be implemented to level the playing field. A balance between top-down and bottom-up approaches in Malaysia's SSE and further research on mapping the movement will maximise its potential in driving sustainable development.

## **I. INTRODUCTION**

The world has changed dramatically. We no longer live in a world relatively empty of humans and their artefacts. We now live in the Anthropocene era in a full world where humans are dramatically altering our ecological life support system. Our traditional economic concepts and models were developed in an empty world. If we are to create sustainable prosperity, if we seek 'improved human well-being and social equity, while significantly reducing environmental risks and ecological scarcities', we are going to need a new vision of the economy and its relationship to the rest of the world that is better adapted to the new conditions that we face. We are going to need an economics that respects planetary boundaries, that recognises the dependence of human well-being on social relations and fairness, and that recognises that the ultimate goal is real, sustainable human well-being, not merely growth of material consumption. This new economics recognises that the economy is embedded in a society and culture that are themselves embedded in an ecological life-support system, and that the economy cannot grow forever on this finite planet.

(Costanza et al. 2012: iv)

The social and solidarity economy (SSE) has gained prominence in recent years as a conceptual and practical critique to unfettered capitalism and the free market ideology. It is a field of work and research that focuses on economic activity that factors in social and environmental bottom lines, often organised with principles of solidarity, co-operation, transparency, and



other values that prioritise social well-being. These organisations often take the form of (but are not limited to) cooperatives, social enterprises, mutual benefit societies, non-profit organisations and such. Conceptually, the SSE broadens the discourse beyond a unidimensional, market-centred view of the economy, showing the diversity of practices and experiences in production, distribution and consumption. A trained eye can then perceive SSE in action across the world, often with remarkable results in community-building, providing decent work and empowerment, as well as preserving the environment at the same time. SSE is increasingly seen as an important pathway towards sustainable development (United Nations Task Force for SSE 2014, Utting et al. 2014).

As stated in the title, this paper looks at three aspects of SSE in Malaysia. Firstly, it establishes the link between SSE and sustainable development, and dissects both concepts to provide the theoretical foundation for the rest of the paper. Secondly, broad strokes of the Malaysian landscape on sustainable development and SSE are painted to provide a bird's eye view, guiding the readers through the different SSE sectors and forces for inclusive growth in Malaysia. Lastly, four case studies conducted in 2014 are presented, exploring initiatives within the SSE in Malaysia that incorporate social, environmental and economic goals. The selection of cases illuminates the diversity of approaches taken to fulfil the triple bottom line, and the wide array of philosophies and ideologies that motivate projects that extend beyond a capitalistic paradigm.

For each aspect addressed, the methodological approach taken is different. On the concepts, SSE and sustainable development are well-established within the literature, hence a review of the literature is provided to set the conceptual foundation. For the Malaysian context on SSE, insights are drawn from discussions with SSE proponents within the country (mainly with *Jaringan Ekonomi Masyarakat Malaysia*, [JEMM]<sup>1</sup>), participation in related conferences and events, as well as literature review. Lastly, on the case studies, cases were chosen via convenience sampling, with a focus on diversity and the fulfilment of the triple bottom line. Empirical data was collected using interviews (with respondents who hold senior positions within the chosen organisations) and field visits.

Properly planned and executed, the SSE has good potential to respond to both mitigation and adaptation needs of society in the era of the Anthropocene. With that goal in mind, we proceed to the next section of understanding what the SSE is, and how it is linked with sustainable development.

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<sup>1</sup> JEMM is a loosely organised network of organisations and individuals that organises regular roundtable discussions circling issues of people-centred development and SSE. It is connected to the regional Asian Solidarity Economy Council (with members from Japan, Indonesia, and the Philippines) and RIPESS-ASIA, a subsidiary of RIPESS (Intercontinental Network for the Promotion of Social and Solidarity Economy). For further context on the solidarity economy in Asia, see Jayasooria (2013).

## **1.1 CONCEPTS OF SOCIAL AND SOLIDARITY ECONOMY AND SUSTAINABLE DEVELOPMENT**

### ***Understanding social and solidarity economy (SSE)***

A point of departure in understanding the SSE is to consider economic behaviour and activity in general. A long-standing debate in the field of economic anthropology between the formalist and substantivist schools of thought presents two sides of academic thinking in this regard. The *formalist* position is based on neoclassical economic theory, arguing that people across cultures consistently make rational decisions to maximise utility and profits in an environment of scarcity. *Substantivists* argue that this paradigm limits economic analyses to the market economy, and does not consider wider social and cultural contexts that shape economic behaviour. Concepts like reciprocity, redistribution and exchange are not taken into account, which may not operate under the notions of rationality and scarcity imposed by mainstream economic theory (see Polanyi 1944; Elardo & Campbell 2006; Rosser & Rosser 1995).

It is the substantivist position that provides a sufficiently broad perspective of economic activity that invites the researcher to scrutinise transactions and resource allocation beyond the market economy. For one, it considers the embeddedness of the production, distribution and consumption of goods and services in their social, political and cultural settings, and moves beyond overly simplistic models of supply and demand. Equally important is that it enables us to situate the SSE as part of a plural economy, of which actors from

the state, the market, and the third sector all play a role (see Figure 1 and Figure 2 for a visual representation).

The United Nations Task Force on Social and Solidarity Economy (TFSSE) (2014) defines the social and solidarity economy (SSE) as:

...the production of goods and services by a broad range of organisations and enterprises that have explicit social and often environmental objectives, and are guided by principles and practices of cooperation, solidarity, ethics and democratic self-management. The field of SSE includes cooperatives and other forms of social enterprise<sup>2</sup>, self-help groups, community-based organisations, associations of informal economy workers, service-

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<sup>2</sup> Known within this paper as social and solidarity economy (SSE) organisations, there is some conceptual confusion with the term 'social enterprise'. Within this cited definition of SSE, social enterprises are referred to as an umbrella term for the collection of organisations including cooperatives, associations, social businesses, etc. that are within the SSE. However, the term has also been used widely to refer to businesses that seek to create social impact through the trading of goods and services. For instance, Fonteneau et al. (2011: 4) states that social enterprises "stress the role of individual social entrepreneurs and their social purpose without other criteria related to the collective ownership or the distribution of surpluses that are particularly important from a social and solidarity perspective". As this research focuses mostly on the Malaysian context, it adopts the meaning consistent with the local usage. According to the Malaysian Global Innovation and Creativity Centre (MaGIC) (201x: xx), a policy driver within the Malaysian social enterprise scene, social enterprises are "entities that achieve a social mission by using a business model". This definition of social enterprises will therefore be used within this paper, whereas the collection of organisations within the SSE in Malaysia will simply be known as 'SSE organisations'.

provisioning NGOs, solidarity finance schemes, amongst others (United Nations Task Force on Social and Solidarity Economy 2014: iv).

This will be the working definition used for the rest of this paper. Unpacking the concept, the social and solidarity economy can be considered in two parts: the social economy and the solidarity economy.

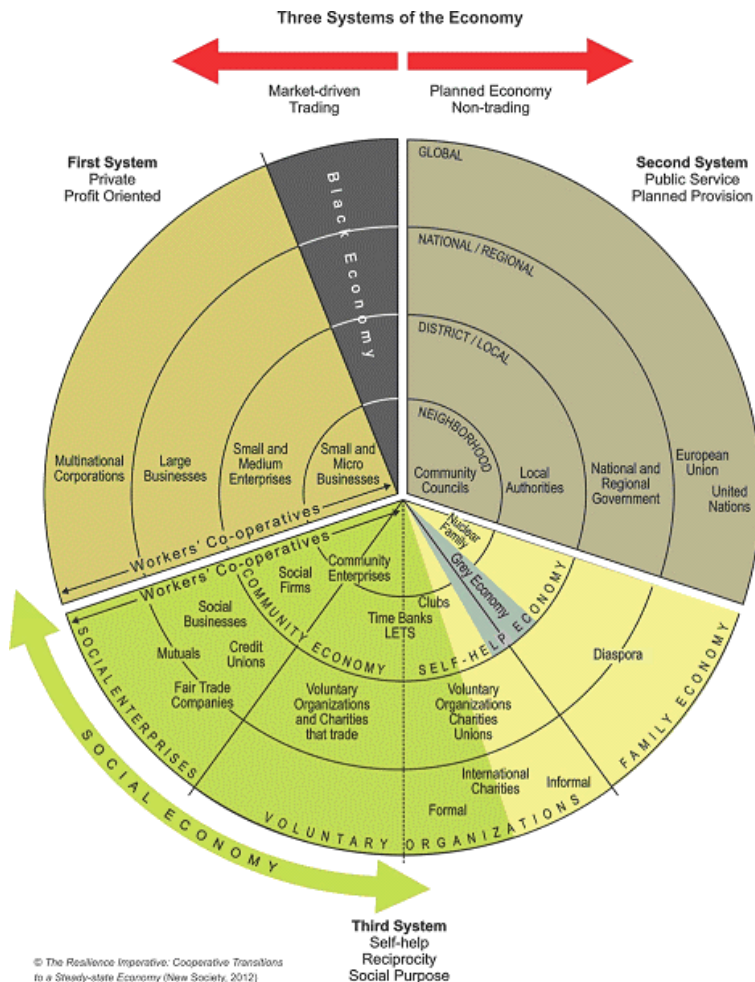


Figure 1 Social economy in the three systems of the economy

Source: Lewis & Conaty 2012 (cf Kawano, 2013)

The *social economy* is part of the “third system” which is apart from the first two systems of the economy: the market-driven economy and the planned economy (i.e. the state).

In Figure 1, three systems of the economy are portrayed from levels of operation – at the neighbourhood level, district/local level, national/regional level, and global level. In the third system, SSE organisations and voluntary organisations within the “community economy” that have specific social aims and sustain themselves economically are considered to be part of the social economy, while the informal economy with small-scale family operations or diaspora contributions are not.

Social economy organisations outlined include community enterprises, social businesses, social firms, mutuals, fair trade companies, credit unions, voluntary organisations and charities that trade, time banks, and local exchange trading systems (LETS). Voluntary organisations, charities and unions that do not trade or generate an income are not considered as part of the social economy. The ‘self-help economy’ that involves minimal organisation or transcendence beyond the family unit is also excluded.

## The Solidarity Economy - An Emerging Movement

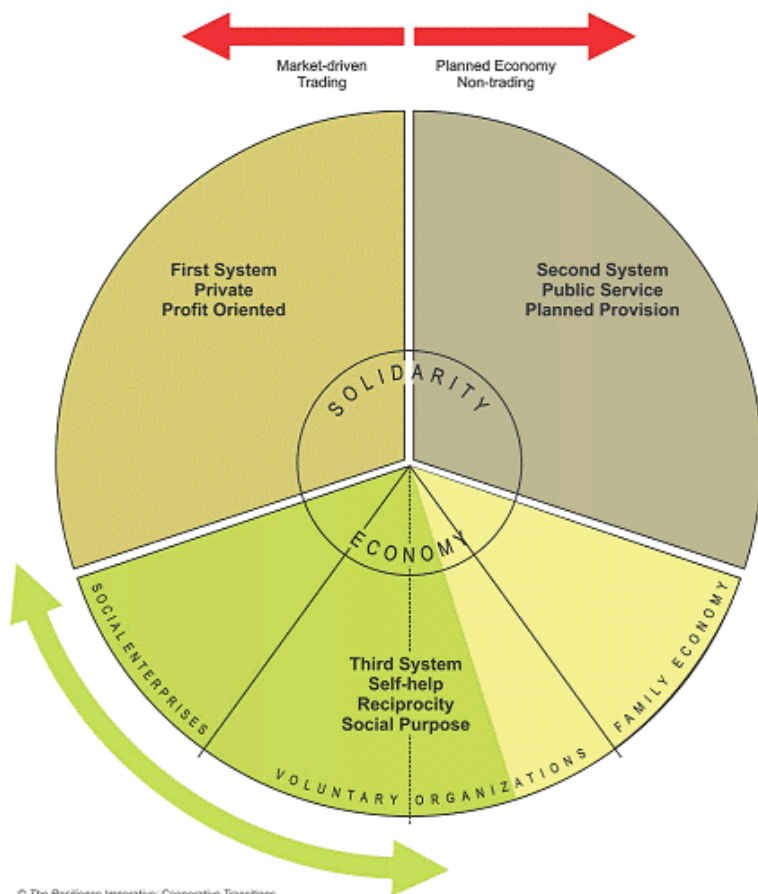


Figure 2 Solidarity economy in the three systems of the Economy

Source: Lewis & Conaty 2012 (cf. Kawano, 2013)



It is noted by Kawano (2013) that the social economy is seen by some to be an important and supportive part of capitalism, to mitigate some of the social issues that result from inadequacies of both the first and second system. However, others see it as an intermediary step towards a transformation of the existing economic system that prizes profits and growth above all. In this regard, *solidarity economy* has a much clearer vision in achieving a transformed economic system that involves all three systems of the economy towards a post-capitalist agenda that works for social welfare under the constraints of a finite earth. As shown in Figure 2, the solidarity economy starts from a local level and seeks to expand the circle of solidarity that encompasses the private, public, and third sector.

As pointed out by McMurthy (2013: 1), the SSE, due to the murky nature of its boundaries and conceptualisations, is vulnerable to the "...the opening up the discursive space for what appears to be less socially oriented policies initiated by opportunistic actors". As the sector has explicit social goals, it enables the government to view it as a 'development panacea' and a reason for reducing social service provision. On the other side, the private sector comes in with the perspective of doing social good when it makes business sense, but choosing profitability over social aims when it does not. Therefore, it is important to understand the normative values and principles that form the SSE's foundations.

Fonteneau et al. (2011) propose to use the following defining (and disqualifying) characteristics for SSE organisations:

Table 1 Defining and disqualifying criteria for SSE organisations

	<b>Qualifiers</b>	<b>Disqualifiers</b>
<b>Core purpose</b>	It has a primary social purpose, which is clearly stated as its core objective	It is not a conventional business, which primary purpose is to maximise financial value for its owners
<b>Production of goods and services</b>	It produces goods or services, and in doing so, earns a substantial proportion of its income	It is not a conventional charity or non-profit organisation, which relies on grants and donations for its income
<b>Independence and autonomy</b>	It is independent and is part of the third sector.	It is not within the public sector (e.g. state-owned enterprises), and from a dependent project or initiative of a private corporation or other entity that is not in the social economy.

*continue...*

...continuation

<b>Accountability</b>	It is accountable to its stakeholders with appropriate mechanisms to ensure accountability to members or beneficiaries, and to measure and report on whether and how its social objectives are being achieved.	
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Source: adapted from Fonteneau et al., 2011: 108

### ***The link with sustainable development***

An oft-cited definition of sustainable development is “development that meets the needs of the present without compromising the ability of future generations to meet their own needs”, from *Our Common Future* (also known as the Brundtland Report) published in 1987 by the United Nations World Commission on Environment and Development. The notion of sustainability has three intertwined components: social, economic, and environmental sustainability, reflecting that sustainable development needs to balance social inclusion, economic distribution and environmental protection.

Not all approaches to sustainable development are the same. UNRISD (2012) summarises four different worldviews of sustainable development with their associated pathways (further elaborations in Table 2):

1. The market liberal worldview argues that economic growth would provide improved capacity to make environmental improvements, and hence advocates for “capitalism with a green face” as a solution.
2. The institutionalist worldview shares the capitalist ideology, but with stronger emphasis on redistribution of income and the role of states and global governance, and sees the solution in “strong sustainability”.
3. In the social green worldview, social, economic and environmental problems are seen as intertwined, and therefore the restructuring of capitalism is required to balance global inequalities. “Social economy” is seen as the pathway.
4. For the bio-environmental worldview, the earth’s limited ecological carrying capacity is emphasized, along with its inability to support infinite economic growth. For this worldview, the “limits to growth” solution is the way to go, in drastically revamping the economic system to achieve sustainable development.

Table 2 Four world views and pathways of sustainable development

<b>Pathways</b>	<b>Capitalism with a green face</b>	<b>Strong sustainability</b>	<b>Social economy</b>	<b>Limits to growth</b>
World view	Market liberal	Institutionalist	Social green	Bio-environmental
Time frame	Short-medium	Medium	Short and long	Long
Social	<ul style="list-style-type: none"> <li>• Green jobs</li> <li>• Social protection for vulnerable groups</li> <li>• Equality of opportunity</li> <li>• Consultation</li> <li>• Green consumerism</li> </ul>	<ul style="list-style-type: none"> <li>• Global cooperation</li> <li>• Redistribution (income)</li> <li>• Stronger institutions</li> <li>• Inter- and intra-generational equity</li> <li>• Capacity building</li> <li>• Social dialogue</li> </ul>	<ul style="list-style-type: none"> <li>• Redistribution (power)</li> <li>• Rights-based</li> <li>• Social justice</li> <li>• Equality of outcomes</li> <li>• Empowerment</li> <li>• Citizen action</li> </ul>	<ul style="list-style-type: none"> <li>• Radical decrease in consumption and population growth</li> <li>• Inclusivity</li> <li>• Needs</li> <li>• Rights</li> </ul>
Environment	<ul style="list-style-type: none"> <li>• Eco-efficiency</li> <li>• Technology transfer</li> <li>• REDD</li> </ul>	<ul style="list-style-type: none"> <li>• Eco-regulation</li> <li>• Strengthen global governance regimes</li> <li>• REDD</li> </ul>	<ul style="list-style-type: none"> <li>• Environmental justice</li> <li>• Agroecology</li> <li>• Grassroots action</li> </ul>	<ul style="list-style-type: none"> <li>• Eco-centric valuing of nature for its own sake</li> <li>• Enforced regulation of global commons</li> </ul>

*continue...*

*...continuation*

Economy	<ul style="list-style-type: none"> <li>• Green growth</li> <li>• Voluntary CSR</li> <li>• Carbon market, PES</li> <li>• Production-focused</li> <li>• Private governance</li> </ul>	<ul style="list-style-type: none"> <li>• Economic/trade reform</li> <li>• Green finance</li> <li>• Green taxes</li> <li>• State governance</li> <li>• CDM</li> </ul>	<ul style="list-style-type: none"> <li>• De-globalisation</li> <li>• Localisation</li> <li>• Institutional reform</li> <li>• Regional solidarity</li> <li>• Green economics</li> </ul>	<ul style="list-style-type: none"> <li>• No-growth/de-growth</li> <li>• Measure beyond GDP</li> <li>• Ecological economics</li> </ul>
Representative organisations	WTO, IMF, WBCSD	UNEP, UNFCCC, Global Environment Facility	World Social forum, Third World Network	World Watch Institute, Pachamama

Source: UNRISD 2012

As seen in Table 2, the social economy pathway (and also the solidarity economy as well, as it is a stronger critique of capitalism with similar standpoints) addresses social, environmental and economic pillars with a strong sense of social empowerment and environmental justice, as well as refocusing the economy on the local. While it is more pragmatic than a 'limits to growth' approach which would be much harder to implement effectively, it takes a more radical approach than the first two pathways. A strong capitalistic model, even with a green face, still draws heavily from market logic and infinite growth, with profit-making trumping all other goals. As for the institutionalist approach, there are concerns regarding the legitimacy and capacity of existing or reformed institutions across the world, especially in the era of trade regimes, elite power, corporate influence in macro-economic policy and such.

The social economy approach is not without its problems. According to UNRISD (2012), the many challenges to the social economy include fragmentation, the political strength of interests pushing for business-as-usual, the lack of a widespread social base for focusing on ethics and justice, and the difficulties in connecting North and South social movements to organise global movements. On top of that, the social economy receives paltry attention when it comes to funding, research and policy work in the area. Therefore, even though it has the potential in effecting real change at a structural level, much work still needs to be done if the SSE is to be a vehicle towards sustainable development.

Elaborating further on the potential of SSE for sustainability, the UN Task Force for SSE gathers eight themes in which the SSE is able to play an integrative role in addressing economic, social and environmental objectives within the context of sustainable development. These themes include: 1) transitioning from informal economy to decent work, 2) greening the economy and society, 3) local economic development, 4) sustainable cities and human settlements, 5) women's well-being and empowerment, 6) food security and small-holder empowerment, 6) universal health coverage, and 7) transformative finance. The rootedness of SSE in real world practices presents it as a viable model of transformative change, in comparison with models that are based on "utopian idealism or blueprints"; and the real world experiences also contribute empirical lessons back to the theory of change, countering neoliberal hegemony in the policy and public space (Utting et al. 2014: 7).

SSE is an important pathway towards sustainable development because of its historical position of addressing the overlaps and trade-offs in between social and economic pillars. Through experience, its proponents understand that inter-linking social and economic goals brings its strengths (when actors succeed in deriving both income and social benefits through well-designed processes) and also weaknesses (when difficult choices have to be made when social and economic bottom lines clash). The environmental factor that constitutes the third bottom line does not require a major paradigm shift, because protecting the environment is prerequisite to protecting human and societal well-being. The economy is seen as a tool towards social betterment and not an end in itself,



which is congruent with the notion of environmental preservation for good quality of life for all beings, born and yet unborn.

Having explored the concepts of SSE and sustainable development and the link between both, the next section focuses on the Malaysian context.

## **II. THE MALAYSIAN CONTEXT**

### **2.1 SUSTAINABLE DEVELOPMENT IN MALAYSIA**

In the New Economic Model (2010) of Malaysia, it is stated that the country aims to become a high income advanced nation with inclusiveness and sustainability by 2020, where no one goal should be achieved at the expense of the others. The policy statement encapsulates the pillars of sustainable development succinctly, with its emphasis on the balance of economic, environmental and social sustainability. This is in line with the global transition towards adopting the Sustainable Development Goals (SDGs), of the 2030 Agenda towards Sustainable Development.

Malaysia's world view towards sustainable development (using the theoretical framework of UNRISD, as framed in the earlier section) lies somewhere in between market liberal and institutionalist. Many of its policies related to sustainable development are geared towards green growth and green jobs. For instance, the National Green Technology Policy declares in its policy statement that "...green technology shall be a driver to accelerate the national economy and promote sustainable development..., focusing specifically on the development and application of technological products

which are environmentally friendly (Ministry of Energy, Green Technology & Water Malaysia 2009: xx). Within the 11<sup>th</sup> Malaysia Plan, there is a chapter on green growth; the Malaysian government has also undertaken an extensive study in collaboration with the European Union as a first step towards a National Sustainable Consumption and Production Plan (Adham et al. 2013). The private sector has responded favourably to these policies, bringing forth a vibrant green building industry for instance, and an enthusiastic uptake of 'Feed-in-Tariff' investments in renewable energy.

There are many institutional structures to anchor sustainable development in the country, including "ministerial councils on green technology, forestry and biodiversity, two (or more) dedicated ministries on environment and natural resources, numerous cabinet processes, cross-agency task forces such as the Inter-Agency Planning council, and a *de facto* environmental policy unit in central planning agency." (Hezri 2014: 159) Malaysia has also been very active in international negotiations and multilateral environmental agreements, and has performed admirably in attaining the Millennium Development Goals. The state holds a strong role in directing development and economic redistribution, thus framing sustainable development not only as a market-driven endeavour but also a state-driven one, linked to global processes and obligations.

The diversity of approaches towards sustainable development reflects that there are multiple forces pushing towards a common goal. However, the multiple forces are not coordinated and streamlined, blunting the impact of the efforts. Implementation silos are

cited as one of the obstacles to sustainability in Malaysia (others being underpriced natural resources, federalism and public apathy), as actors lack a common vision (Hezri 2014). While Malaysia's trajectory towards sustainable development is guided by market liberal and institutionalist world views, there is scant attention on the social green world view which puts forth the SSE as a pathway for change. SSE in Malaysia has been established for decades and has grown and evolved with the country's development, and has been viewed mainly through lenses of entrepreneurship and poverty eradication. The possible link with sustainable development has not been explored.

Sustainable development with its emphasis on environmental concerns is naturally rooted in the realm of environmental policy, linked to issues such as energy and climate change, natural resource management, as well as matters of waste and pollution. The concept is also present in the territory of spatial planning of the country (for example, the National Physical Plan 2 was written based on principles of sustainability) and economic strategy as well. However, the implementation and planning of social policy in the country rarely touches upon environmental issues. Policies in the social sector, such as policies on education and social welfare do not mention the environment, while in Malaysia's Country Health Plan (2011-2015), there are cursory references of environmental pollution being a driver to the rising cost of care, without much else.

The proposition made at this point is that there is need to address sustainable development in a way that brings forth the interlinkages between society, its

economy, and the environment. The SSE's inherent potential in harmonising and balancing social and economic priorities sets us in the right path. In the next sections, Malaysia's SSE and its characteristics are explored, illuminating existing efforts for socio-economic sustainability on the ground, and shaping further discussions on how environmental sustainability fits into the picture.

## **2.2 THE MALAYSIAN SSE LANDSCAPE**

It is worth reiterating that the SSE is the production of products and services by a range of organisations with explicit social and environmental objectives as bottom-lines. They are often guided by principles and practices of cooperation, solidarity, ethics and democratic self-management. This definition by the UN Task Force for SSE (TFSSE) provides a theoretical framework of what is understood as the SSE at an international level. In practice, different localities interpret the SSE differently, forming diverse characteristics and inclinations. This section and the next will explore the Malaysian interpretation.

Available literature on the SSE in Malaysia is often sectoral and piecemeal, rarely with a bird's eye view on the topic. Studies look into specific aspects of given sectors, for instance much has been written about the cooperative sector, from angles of accountability and governance (Mohamad et al. 2013; Othman et al. 2013), development (Othman & Kari, 2008), knowledge management (Bidin 2007), among others. Social enterprises, as a relatively new phenomenon, receive scant academic attention although practitioners are active in carving out the movement. Similarly,

economic activities or provision of products and services of mutual benefit associations or civil society organisations have not been extensively studied. There has been limited exploration on linkages between different SSE sectors as well, and as a result, studies on the big picture are few.

Naturally, the research area is murky because of nebulous definitions of the sectors, and indeed, of the SSE itself. The following subsections are organised by organisational types within the SSE, as cooperatives, social enterprises, civil society organisations and mutual benefit societies. This is a method commonly used for delineating the social economy (for example, see Fonteneau et al. 2011). The categorisation is not strictly delineated by the legal form of the organisations, as organisations can see themselves as a certain type of organisation yet register themselves under a different legal structure. For example, in Malaysia it is not uncommon for civil society organisations to register themselves as companies because of the stringent registration requirements of the Societies Act (1966) (Lee 2011). The last subsection looks beyond the organisations within the social economy, and addresses other actors and forces that are pushing towards inclusive growth, as possible allies in solidarity.

### ***Cooperatives***

A widely quoted definition of cooperatives from the International Cooperative Alliance (2015) states that cooperatives are "... autonomous organisations of persons united voluntarily to meet their common economic, social, cultural needs and aspirations,

through a jointly owned and democratically controlled enterprise". Cooperatives in Malaysia were introduced by the British before Independence to counter credit problems among the rural farmers and public servants in the urban areas. The Cooperative Societies Enactment was passed by the Federal Legislative Council in 1922, which was modelled after India's Cooperative Societies Act of 1912. The development of the cooperatives is closely tied to the historical trajectory of Malaysia, which can be explored further in the comprehensive account by Othman and Kari (2008).

As of 2013, there are 10,914 cooperatives all over Malaysia, with a membership of 7,609,204, which is approximately a quarter of the country's population (Malaysia Cooperative Societies' Commission, 2013). The actual number is likely smaller because of the same individuals holding more than one membership.

Table 3 provides some statistics of cooperatives in Malaysia by nine sectors, with the main sectors being services, consumer products and agriculture.

Table 3 Statistics of the cooperatives in Malaysia by sector

No	Sector	Total Co-ops	Individual Members	Total Shares (RM mil)	Total Assets (RM mil)	Turnover (RM mil)
1	Banking	2	1,009,647	3,349.46	84,060.02	6,263.80
2	Credit/Finance	589	1,653,139	5,342.69	10,820.40	1,853.52
3	Agriculture	2,318	542,130	516.94	2,143.41	799.61
	- School	6	433	0.02	0.05	0.02
4	Housing	180	170,846	206.46	982.31	304.3
5	Industrial	225	18,399	10.03	76.75	40.39
6	Consumer	2,393	591,790	288.08	1,260.33	846.23
	- School	2,280	2,177,096	22.54	271.34	312.96
7	Construction	173	506,314	43.9	360.12	83.86
8	Transportation	447	148,874	64.59	299.58	661.69
9	Services	2,301	790,536	2,967.23	7,624.58	21,806.04
	<b>Total</b>	<b>10,914</b>	<b>7,609,204</b>	<b>12,811.94</b>	<b>107,898.88</b>	<b>32,972.43</b>

Source: Malaysia Cooperative Societies' Commission 2013

Cooperatives are registered under the Cooperative Societies Act (1993, amended in 2007) as a legal identity separate from companies or societies. In the previous arrangement, agro-based and fishery-based cooperatives were monitored by the Farmers' Organisation Authority of Malaysia (LPP) and Malaysia Fisheries Development Board (LKIM) respectively, while the Malaysia Cooperative Societies' Commission (*Suruhanjaya Koperasi Malaysia*, or SKM) oversaw the other types of cooperatives (National Cooperative Policy 2011-2020). The processes have been streamlined and all cooperatives are currently administered under the SKM. According to the Cooperative Societies Act 1993 (Amendment) 2007 [Act 502], cooperatives are guided by the following principles:

- (a) voluntary and open membership;
- (b) democratic management;
- (c) limited return on capital contributed by members;
- (d) equitable division of profits;
- (e) promotion of cooperative education; and
- (f) active cooperation among registered societies;

The cooperative movement is largely government-led. The key agency that handles matters related to cooperatives is Malaysia Cooperative Societies' Commission (SKM), which falls under the Ministry of Domestic Trade, Cooperative and Consumerism. The Cooperative College of Malaysia (*Maktab Koperasi Malaysia*, or MKM) also falls under the same ministry, and provides capacity building on cooperatives. Governmental support for the sector has focused on its entrepreneurial activities rather than social empowerment and democratic participation. The



ultimate goal for the sector, according to the National Cooperative Policy (NCP) (2011-2020), is to increase the country's GDP. Five Key Economic Areas are outlined, including 1) financial services, 2) wholesale and retail, 3) tourism, personal care and health care, 4) agriculture and agro-based industries, and 5) plantations.

According to Othman and Kari (2008), after the independence of Malaysia, the cooperative movement was viewed as a political tool to achieve quick social and economic change, and the rapid growth of the sector did not allow for effective diffusion of cooperative values and principles in its members, which is needed for community and trust building. Instead, the cooperative members viewed the government's support for cooperatives as just another stepping stone to hand-outs and subsidies. The cooperative sector has had controversies of governance problems and government bailouts (Othman et al. 2013), and suffer from other problems such as difficulties of getting young talent (Asri 2013).

Regardless of the extent of success in implementation, social and economic missions are embedded in the rubric of the cooperative movement. The field is also sympathetic to the environmental cause, at least at the policy level. The NCP (2011-2020) lists 'concern for the environment' as one of the objectives of cooperatives, and 'sensitive and proactive towards the environment' as one of the micro perspectives within the policy statement (Suruhanjaya Koperasi Malaysia 2010: 13-14). In the policy's first strategic thrust namely to stimulate participation of cooperatives in high value economic sectors, it is mentioned that "...green

technology will be applied in food production processes to further increase the participation of cooperatives in these activities of a higher level...”, and “...application of green technology elements in cooperative industries [will] ensure the well-being of the people and to generate new income...” (Suruhanjaya Koperasi Malaysia 2010: 17). At the empirical level, academic studies on cooperatives rarely address the environmental aspect, therefore not much is known about the attitudes and behaviour on the ground.

### ***Social enterprises and social businesses***

A social enterprise is “...an entity that achieves a social mission by using a business model” (MaGIC 2016: 4). The social enterprise sector in Malaysia budded in the mid-2000’s, and slowly gained traction in the early 2010’s. The sector is relatively small as it is new, but is vibrant with stakeholder organisations working in areas of incubation and capacity building, funding, awareness, and research. It receives policy support, by Malaysian Global Innovation & Creativity Centre (MaGIC), a key institution mandated by the Malaysian government since 2013 to undertake the development of social enterprises and social entrepreneurship in the country.

The State of Social Enterprise in Malaysia (2014/2015) report by MaGIC (2015) gives an overview of the sector, through in-depth interviews and surveys of 144 organisations, within which were 86 social enterprises. This is the first comprehensive study done on the sector in Malaysia, generating key findings as summarised in the list below:

1. Basic information: The social enterprise sector in Malaysia is still fairly young, with 64% of surveyed social enterprises being six years old or less. It serves mainly urban areas, with the surveyed social enterprise headquarters mainly based in Kuala Lumpur (43%), Selangor (33%) and Penang (6%). Malaysian social entrepreneurs are relatively young as well. 64% of Malaysia's social entrepreneurs are headed by leaders under 40, with the median age of these leaders at 34.5.
2. Financial sustainability: Majority of the social enterprises are financially underdeveloped, with 62% reporting unpredictable monthly revenue. 55% have not reached the break even mark. Many social enterprises have weak financial safety nets, with 43% reporting that they can sustain themselves without revenue for up to three months only, and only four per cent reporting that sustenance can last for a year with no revenue. 92% of social enterprises have not used any credit facilities, including bank loans, corporate credit cards.
3. Products and services provided: Social enterprises provide more services than products. 46% of social enterprises provide only services, 35% sell only products, and 19% provide a mix of products and services. The top four products and services provided are (i) retail products (41%), (ii) training services (36%), (iii) consulting services (20%), and (iv) food and beverage (15%).
4. Revenue model: Business-to-consumer (B2C) and Business-to-business (B2B) are main sources of income, at 37% and 36% respectively. More than a

third of social enterprises still depend on non-commercial income, such as individual donations, corporate sponsorship, government grants, crowdfunding, or other fundraising events.

5. Legal structure: 88% of respondents have incorporated their enterprise, as private limited companies (48%), societies under the Registrar of Societies (35%), Sole Proprietorships (8%), Partnerships (4%), Public Limited Companies/Berhad (4%) or Limited Liability Partnerships (1%). NGOs and the social sector at large are increasingly demonstrating interest in social entrepreneurship. 28% of the surveyed social enterprises began as non-profit organisations, and transitioned to having business models later on.
6. Social impact: The top five areas of social impact are: (i) community development (29%); (ii) environment, sustainability, energy (27%); (iii) economic access and poverty alleviation (27%); (iv) youth development (21%); and (v) disabilities (17%).
7. Challenges faced: The top five challenges faced by social enterprises are: (i) lack of public understanding of social enterprise (51%); (ii) lack of funding and financial support for social entrepreneurs (44%); (iii) lack of business acumen to financially sustain their enterprises (42%), (iv) lack of access to quality talent and manpower (30%); and (v) lack of supportive platform by the authorities or intermediaries (24%).

In 2013, the yearly Global Social Business Summit and its accompanying Research Conference were held in Kuala Lumpur, organised by Prof Yunus and local partners. In conjunction with the Summit, the Prime Minister of Malaysia announced an allocation of RM20 million for a Social Business Fund, parked under MaGIC. Several government agencies from different policy areas have indicated interest in the dynamic social enterprise sector, on small and medium enterprises (Small and Medium Enterprise Corporation Malaysia, or SME Corp), digital and multimedia services (Multimedia Development Corporation, or MDeC), and innovation (National Innovation Agency of Malaysia, or AIM). The private sector has also been active in giving grants and organising annual competitions.

As found in the State of Social Enterprise 2014/2015 report, environmental impact is one of the key focus areas (MaGIC 2015). Creative solutions include activities like upcycling (Biji-biji Initiatives), providing consultancy for sustainable practices in plantations and tourism (Wild Asia), minimising plastic pollution by selling detergent from dispensers (Bring Your Own Bottle (BYOB) Green Concepts), among others. There appears to be much potential for social enterprises to be a vehicle for sustainable development, although more research needs to be done, especially to expand beyond Klang Valley and urban areas in general.

### ***Civil society organisations with economic activities***

As discussed in Section 2.1, there are three systems of the economy, including the state, the market, and the

third sector. As described by Young (1999: 141, cf. Weiss 2003: 2):

Civic associations and public sphere outside state and economy allow self-organisation for the purposes of identity support, the invention of new practices, and the provision of some goods and services. Perhaps even more important, public spheres thriving in civil society often limit state and economic power and make their exercise more accountable to citizens.

Organisations arising from the civil society are collectively known as civil society organisations (CSOs), which are non-profit and non-governmental in nature, with groups of citizens working together towards common goals such as self-help or issue advocacy. In Malaysia, mutual benefit societies, community-based organisations and advocacy-based organisations all fall under the Societies Act, which allow business activities “provided that the society is not formed for the sole purpose of carrying on any lawful business for profit” (Arshad et al. 2011: 10). There are also some advocacy-oriented CSOs registered under the Companies Act to circumvent the difficulty in getting legal recognition under the Societies Act (Lee 2011). CSOs that do engage in business or economic activities are considered to be part of the SSE in Malaysia.

Historically, CSOs in Malaysia began with societal organisation based on ethnic groups or religious communities, such as Chinese clan associations and secret societies, Malay nationalist or Islamic organisations, reformist Indian associations and so on. They were mostly concerned with socioeconomic and moral welfare of their members. Post-Independence, as

the political awareness of citizens evolved, the organisations also diversified from primarily service-oriented to advocacy-oriented, with groups focusing on issue areas including gender and sexuality, human rights and political freedom, and environmental issues (Weiss & Hassan 2003). Contemporary literature focuses on advocacy-based CSOs even though their numbers are small in proportion to the number of CSOs in general, as they are seen to be more politically relevant and contentious; though in the context of SSE, all CSOs that engage in economic activities are considered, whether advocacy-based or service-oriented.

The Registrar of Society's classification scheme classifies societies sectorally, as such: political, charity, social, recreation, mutual benefit, culture and arts, trade and business, professional, human rights, security, and religion-based (ROS XXXX, author's translation). Not much has been written about economic activities of societies or civil society organisations in Malaysia. A guide for the recent Goods and Services Tax (GST) for societies provides some idea of such activities, including (but are not limited to) those below:

1. Membership subscription fees in exchange for some goods and services such as magazines or usage of facilities,
2. Counselling or training services,
3. Library or resource centres,
4. Fundraising activities including sales of donated goods and paid events.

Under the GST regime, provision of some of the goods and services are taxable and some are exempted. For the purpose of this study, production of all goods and services whether taxable or not will be regarded as economic activities by CSOs. The rationale of casting a wide net is the consideration that these activities form part of the SSE supply chain, even if they do not contribute to the GDP.

It is known that CSOs, especially the advocacy-based ones, commonly face problems of financial sustainability and accountability. It is difficult to raise funds locally from the public because of poor public awareness, and state funding is more accessible to organisations with orientations and activities that are better aligned to state policies and priorities. As there is a stigma attached to foreign funds of serving foreign interests, some CSOs distance themselves from that, and prefer to self-finance or source for funding in other ways. While the Societies Act requires all registered societies to submit annual reports that include their financial statements, these are not available for public viewing. There has also been evidence that compliance to this requirement is weak: in year 2001, only 47.9 per cent of the 31,630 registered societies in Malaysia submitted their annual reports (Lee 2011).

On sustainable development, Malaysian environmental CSOs have been active even before Independence, taking three main forms: 'grassroots' or community-based organisations based on volunteer work involving local communities; 'membership' NGOs that work on a professional basis and engage paid staff for their projects; and 'consultant' NGOs that provide consultancy services on technical areas in



environment-related fields (Ramakrishna 2003). They are active in conservation, environmental education, campaigns in environmental degradation issues, participation in governmental processes and plans, and many other areas. Environmental CSOs are reasonably active and well-equipped to participate in sustainable development. The main challenges for sustainable development in Malaysia are to reach non-environmental CSOs in understanding the interconnectedness of social, economic and environmental issues, and to increase collaboration among different sectors for the common good.

### ***Mutual benefit societies***

Mutual benefit societies is a subset of civil society organisations, but is recognised as a separate group as they have a specific function and separate definition from other civil society organisations. According to the Societies Act (1966), a mutual benefit society is defined as the following:

...any society which by its objects and rules either as the principal object or as an ancillary object makes provisions by voluntary subscriptions of the members thereof or subscribers thereto with or without the aid of donations for (a) the relief or maintenance of the members or subscribers, their husbands, wives, children, fathers, mothers, brothers, sisters, nephews, nieces or wards, during sickness or other infirmity, whether bodily or mental, in old age or in widowhood or for the relief or maintenance of the orphan children of members or subscribers during minority; or (b)

the payment of money on the birth of a member's or subscriber's child or on the death of a member or subscriber or of the child, husband, wife, parent or grandparent of a member or subscriber or on the death of any other person or for the funeral expenses of the member or subscriber or of the child, husband, or wife of a member or subscriber or of the widow of a deceased member or subscriber; or (c) the relief or maintenance of the members or subscribers when unemployed or when in distressed circumstances.

(Societies Act 1966)

While the Society Act includes provisions for mutual benefit associations, available literature is very limited. As of 2014, a search through the Registrar of Societies' database yields 3,816 entries within the category of 'Mutual Benefit/Death Welfare Fund' (*Faedah Bersama/Khairat Kematian*) out of 113,544 entries in their database of societies (including also rejected, inactive and de-registered societies). There are only 20 results of organisations with 'Mutual Benefit' in their name, and only 98 for '*Faedah Bersama*' (the Malay translation for mutual benefit). The database provides only a rough indicator, and shows that mutual benefit societies form a small part of the Malaysian SSE, though more research is needed to determine the extent to which they play a role, their characteristics, and the main actors behind them.

As mentioned before, under the GST regime, the provision of some goods and services are taxable and some are exempted. Benefits or payments by mutual benefit societies to members in accordance to their

rules are not addressed within the guide, but are included within the SSE.

### ***Other forces for inclusive growth***

In the Budget 2015 speech, Prime Minister Datuk Seri Najib Tun Razak stated the importance of striking a balance between the 'capital economy' and the 'people economy'. While achieving economic growth in quantitative terms, it is also imperative to make sure that the growth translates to increased participation of the people within the economy, increasing their well-being in general. The nuanced stance of the government in promoting inclusive growth is present also in many factions in Malaysian society. This section addresses some proponents beyond the SSE that are seeking to improve economic activities to be more socially inclusive and/or environmentally conscious, to provide the context in which the SSE operates in Malaysia.

In this overview, the areas chosen are corporate social responsibility (CSR), Islamic finance, and advocacy groups for business and human rights. These are areas outside of the SSE for various reasons – companies practising CSR do not belong to the SSE as their main motivation is still profit-making, while advocacy groups for human rights in businesses fall outside of the category as the organisations do not run business activities themselves. The area of Islamic finance is an interesting case that Pitluck (2014) refers to as a 'convergence paradox', as it is a trillion dollar global market with strong resemblance to its conventional counterpart in terms of pricing and quality. Although the underlying values and principles align closely with

those of the SSE, in practice they are typically hierarchical, profit-oriented public corporations answerable to shareholders and not stakeholders. Therefore, it is still contested if Islamic finance can be considered as part of the SSE – it depends on the context, and should be viewed in a case-by-case basis instead of the sector as a whole.

As discussed in Section 2.1, the circle of solidarity economy is a grey area that is not well-demarcated, and looks at all areas of state, market and third sector. It is important to understand that the SSE does not operate in a vacuum, and positions of actors in the wider economy are also important to observe. There are top-down and bottom-up efforts pushing for ethical business practices, guidelines, and principles, representing a broad range of stakeholders. The scenario painted here is not conclusive; however it provides an idea of the richness of the landscape and much potential for cross-fertilisation across different groups.

### ***Corporate Social Responsibility***

Corporate Social Responsibility (CSR) or Corporate Responsibility (CR) has emerged in Malaysia within the last decade. It is "...a set of voluntary actions a business takes over and above compliance with the law. It includes, but is not limited to corporate governance and philanthropy" (UNICEF 2013: xx). The Companies' Commission of Malaysia (SSM) omits the word 'social' and uses the term CR to connote a wider spectrum that goes beyond the social, such as issues of the economy and the environment. As defined by SSM, CR is a "... commitment by corporations and businesses

towards achieving sustainability in the social, economic and environmental conditions in furtherance to the pursuit of profitability..." (Suruhanjaya Syarikat Malaysia 2009: 27).

The Corporate Responsibility (CR) Agenda published by SSM in 2009 outlines a framework of the organisation's approach to CR, outlining its roles in mandating, facilitating, partnering and endorsing CR. SSM therefore introduces laws and regulations pertaining to CR, develops policies to encourage CR initiatives, forms strategic partnerships with the private sector, and provides political support and endorsement on CR. It is recognised that SSM, as the registrar of all companies and businesses in Malaysia, is a good platform for pushing the CR agenda because of its vast networks and its position as the point of entry into the industry.

It is mandatory for all public listed companies in Malaysia to report their CSR activities, or to provide a statement if there are none. On 22 December 2014, Bursa Malaysia Berhad announced the launch of the FTSE4Good Bursa Malaysia (F4GBM) Index, an Environmental, Social and Governance (ESG) index that was developed in collaboration with Financial Times Stock Exchange (FTSE). The F4GBM is aligned with other global ESG frameworks such as the Global Reporting Initiative and the Carbon Disclosure Project, and measures companies' performance in their ESG initiatives. According to the chief executive officer, the index was developed in view of US\$3.4 trillion socially responsible investments globally.

Although the policy instruments are in place to encourage CSR, with the explicit aim towards

sustainability, Malaysia still lags behind in specific areas of best practice norms within the marketplace, the workplace, and the environment (Sharma 2013). CSR activities in Malaysia focus on corporate philanthropy, mostly conducted with the objective of alleviating the company's status (Amran et al. 2013). CSR is predominantly handled by the public relations department, and rarely involves the board of directors at a strategic level. Thus, there is still a gap between the policy support received and the actual implementation of CSR in companies.

### ***Islamic finance***

Islamic finance has been growing with Malaysia since more than five decades ago with the establishment of Tabung Haji, the first pilgrimage fund management system that enabled Muslims to save for their pilgrimage and invest the money in accordance with Islamic principles. Twenty years later, the first Islamic bank in the country (Bank Islam Malaysia) was set up in 1983, followed by the first Takaful operator (Syarikat Takaful Malaysia) in 1985.

There are two main components to the Islamic financial system, the capital market (*sukuk*, equity and bond markets) and the financial market (Islamic banking and *Takaful*). Islamic finance is based on Sharia principles and provides Muslim and non-Muslim customers an alternative to the conventional financial system. It differentiates itself from the conventional system with certain underlying principles, such as mutual risk and profit-sharing between parties, and the compulsory connection to the real sector (i.e., all financial transactions need to be based on actual business

activities and assets). Among the concepts that are prohibited include *riba* (usury, or profiting through interest), *ghabar* (financial speculation), *maisir* (gambling) and *rishwa* (bribery). For these reasons, scholars have referred to the Islamic economy as a 'moral economy' (Tripp 2006).

According to the World Islamic Banking Competitiveness Report 2013-2014, global Islamic banking assets are expected to grow to US\$3.4 trillion by 2018 (Ernst & Young 2013). There are 38 million customers globally with Islamic banks. Malaysia is one of the rapidly growing markets considered to have most potential within the sector, alongside five other countries collectively known as QISMUT (Qatar, Indonesia, Saudi Arabia, Malaysia, UAE and Turkey). In 2012, they represented 78% of the international Islamic banking assets. The Islamic banking sector in Malaysia had a compound annual growth rate of 20% from 2008 to 2012, about 2.1 times faster than the conventional banking sector. It holds 20% of the market share, with US\$125 billion worth of Islamic assets (Ernst & Young 2013). Malaysia is also a world leader in the *sukuk* market, pioneering many of the world's innovative *sukuk* structures (Malaysia International Islamic Financial Centre 2013). Malaysia's success in the sector is backed by conducive public policies. The government rolled out the Islamic Financial Services Act (2013) to provide greater regulatory clarity, replacing the Islamic Banking Act (1983) and Takaful Act (1984). Bank Negara also included the internationalisation of Islamic banking in its Financial Sector Blueprint towards 2020.

Although Islamic finance in Malaysia enjoys strong policy and consumer support, some scholars on the topic express their reservations, citing tensions between the practice and theory of Islamic finance. For instance, Ariff (2014) stated that in Malaysia Islamic bank products are modelled after existing conventional bank products, which leads to many 'sharia-compliant' products but not 'sharia-based' products. Islamic banks that are subsidiaries of conventional banks outnumber what he refers to as 'wholesome Islamic banks', i.e., banks that exist only in their Islamic form. The share of Islamic subsidiaries of conventional banks in total bank deposits has risen from 3.8% in 2007 to 16.4% in 2012, while that of wholesome Islamic banks has increased only from 3.8% to 4.8%. Islamic banks competed with conventional banks, instead of among themselves, because Islamic bank products closely resemble conventional bank products, follow conventional bank benchmarks in product pricing and behave like conventional banks with hardly any risk sharing (Ariff 2014).

### ***Advocacy on business and human rights***

In 2011, the United Nations Human Rights Council (UNHRC) unanimously endorsed the *UN Guiding Principles on Business and Human Rights: Implementing the United Nations "Protect, Respect and Remedy" Framework* that was put forth by Professor John Ruggie. This set of guiding principles is considered the cornerstone for framing the connection between human rights and businesses, clarifying the responsibilities of states and businesses to protect and respect human rights, and providing other stakeholders with a tool to assess statements and actions of both.



The Malaysian report within a baseline study on business and human rights in ASEAN states that the main laws and key human rights concerns regarding businesses centre on 1) labour rights, 2) sustainable development and rights of indigenous peoples, 3) human trafficking and 4) corruption and lack of good governance (Long 2013). On labour rights, main issues are poor treatment, physical abuse and exploitation of foreign workers. On sustainable development, stringent environmental laws exist but are poorly implemented, affecting the rights of the natives on issues of land rights and cultural heritage. Human trafficking is also a concern, with the trafficked individuals ending up as foreign workers and forced labour. Lastly, there is perception of high corruption, as the anti-graft authority lacks credibility and the public is unconvinced that anti-corruption efforts are adequate.

At the regional level, Malaysia is party to the South East Asia National Human Rights Institutions Forum (SEANF) with the Human Rights Commission of Malaysia (SUHAKAM) being one of the six National Human Rights Institutions (NHRIs) involved.<sup>3</sup> SEANF plays a transnational role in addressing human rights issues of common concern in South East Asia, with business and human rights as one of the five thematic projects handled. SUHAKAM itself is engaged in research and awareness programmes, on topics such as human rights violations on logging and plantation

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<sup>3</sup> *Komisi Nasional Hak Asasi Manusia* (Komnas HAM) of Indonesia; *Suruhanjaya Hak Asasi Manusia* (SUHAKAM) of Malaysia; Myanmar National Human Rights Commission (MNHRC); Commission on Human Rights of the Philippines (CHRP); National Human Rights Commission of Thailand (NHRCT); and, *Provedor de Direitos Humanos e Justica* (PDHJ) of Timor Leste.

industries, and the impact of Trans-Pacific Partnership Agreement (TPPA) on human rights in Malaysia.

The Malaysian government has made no response to the UN Guiding Principles on Business and Human Rights, but the Federal Constitution and other legislations of Malaysia do provide coverage on a range of human rights. Although that is the case, law enforcement remains weak. Advocacy groups view socially responsible business practices from a human rights angle, however most CSR reporting does not touch on human rights impacts (Long 2013).

### **2.3 CHARACTERISTICS OF THE MALAYSIAN SSE**

As discussed in Section 2.1, there are underlying commonalities in SSEs across the world, and the conceptual framework of SSE provides the foundation from which academic discussions can be built. However, beyond that framework, it is important to recognise that the discourses and practices of SSE varies from locality to locality, as local practitioners adapt the SSE to different socio-political, cultural and economic contexts. For example, the SSE in Japan and Argentina have differing implementations, the former being very much top-down and government-led, institutionalised within the Japanese welfare policy (Imamura 2013); whilst in the latter, hundreds of *empresas recuperadas* (recovered companies) have emerged as a movement of workers taking over fledgling private companies and running them as cooperatives (Corragio & Arroyo 2009).

It is therefore important to go beyond organisational types in the Malaysian SSE and explore the conditions

in which they exist, as well as the inclinations and idiosyncrasies of the local interpretation. Serrano and Serrano (2011) suggest seven parameters that underlie the differences and contradictions that exist in SSEs across the world. This section attempts a caricature of the Malaysian landscape by elaborating on the parameters:

*Values and culture:* Generalisations on a country's national culture enable us to picture the context in which the SSE may or may not be accepted, in terms of participation from both perspectives of the production and consumption. Hofstede's cultural framework (see Figure 3)<sup>4</sup> provides a quick snapshot of the Malaysian society as being very hierarchical and collectivist, with a good balance between masculine values (such as competition and achievement) and feminist values (such as being a caring society, with emphasis on quality of life). The Malaysian society has a low preference for avoiding uncertainty, with a reasonable tolerance towards risk and the lack of structure. With a relatively low long term orientation, it has a normative culture with respect for traditions, a relatively small tendency to save for the future and more focus on short term results. Malaysians in general are indulgent, with a positive attitude towards enjoyment of life.

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<sup>4</sup> Hofstede's Cultural Framework applied on Malaysia can be accessed at <http://geert-hofstede.com/malaysia.html>

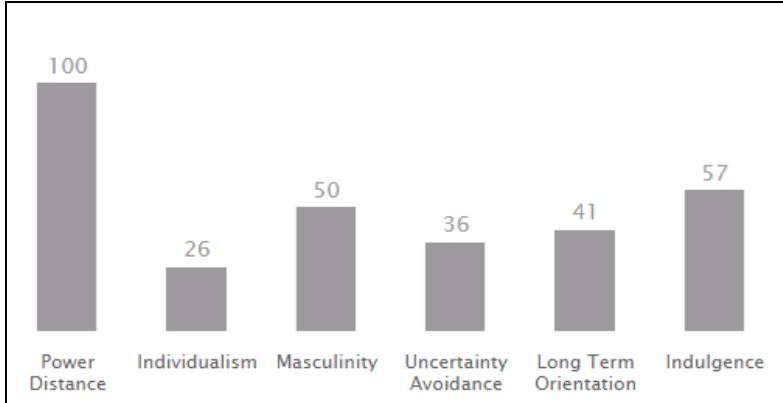


Figure 3 Malaysia according to Hofstede's Cultural Framework

Source: Geert-Hofstede.com (n.d.)

*Role of the market:* The influence of the market in Malaysia's SSE is strong. Cooperatives and social enterprises are expected to compete with their market equivalents benchmarked by the conventional market standards of profit and growth. This is evidenced by the judgment criteria of the Annual Index for Best 100 Cooperatives in Malaysia by Suruhanjaya Koperasi Malaysia (SKM): the cooperatives have to first pass the threshold of good financial performance before they can be shortlisted to be assessed on non-financial criteria. Financial criteria take up 70% of the marks, while non-financial criteria only take up 30%.<sup>5</sup> Another

<sup>5</sup> The financial criteria (70% of total) include current ratio (15%), debt equity ratio (15%), gross profit margin (10%), net profit margin (10%), return on assets (10%), return on equity (5%), net tangible assets (5%). As for non-financial criteria (30% of total), it includes cooperative administration and governance (17%), service to

example that can be observed is that the social enterprise sector receives grants from and participates in competitions funded by the private sector, such as Guinness, Hong Leong Bank (through Hong Leong Foundation), Hewlett Packard and more. The private sector is thus part of the norm-making process, and the Malaysian SSE in general is quite receptive to that.

*Role of the state:* The state plays a relatively strong role in creating policies for supporting the SSE, in incubation, providing incentives, and enforcing regulations. The level and type of involvement differs from sector to sector. For example, the cooperative and microfinance sectors are state led, with many of the key organisations under the government or linked with it. The social enterprise scene has also received some governmental attention and funding in recent years. It appears that the government's interest in these areas is centred on the entrepreneurial prospects for poverty alleviation and economic growth. For example, the main goal of the National Cooperative Policy (2011-2020) is to contribute to the country's GDP. Other aspects of the SSE, on social empowerment and community organisation for instance, receive much less emphasis. Community organisation and civil society movements are constrained by laws limiting freedom of assembly.<sup>6</sup>

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members (5%), social and environmental responsibility (5%), and achievement of cooperative objectives (3%).

<sup>6</sup> According to Freedom House (2015), there are some laws limiting freedom of assembly, such as the Peaceful Assembly Act (2011), which lifted a rule requiring police permits for nearly all public gatherings, prohibited street protests with excessive fines for non-compliance. It also delineates 21 public places where assemblies cannot be held—including within 50 meters of houses of worship, schools, and hospitals—and prohibits persons under the age of 15

*Role of work:* Serrano and Serrano (2011) describes two opposite perceptions of the role of work in the SSE, i.e. work as an unnatural imposition by capital, versus work as the basis of personal and community actualisation. The general observation in Malaysia is that there is very little opposition to the idea of work as a practical means of earning a living, and the SSE provides jobs as well as income generation for the country.

*Science and technology:* Serrano and Serrano (ibid) position that some SSEs are more accepting of science and technology as an essential and appropriate resource to create wealth, and other SSEs subordinate science and technology to indigenous and popular knowledge. Malaysia seems to fall within the former group. The social enterprise sector is aligned with the digital technology hub, with MaGIC tasked to look at technopreneurship and social entrepreneurship at the same time. It is also mentioned in Lee (2011) that CSOs in Malaysia embrace the internet for capacity building, campaigning, and networking with other CSOs.

*Epistemology:* Epistemologies of SSE across the world can be simplified into two schools of thought with their variations: the European approach and the Latin American approach. The European school of thought leans towards the classical social economy with its

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from attending any public assembly. The Societies Act of 1996 defines a society as any association of seven or more people, excluding schools, businesses, and trade unions. Societies must be approved and registered by the government, which has refused or revoked registrations for political reasons. Unions are similarly restricted, limiting the possibility of collective bargaining.

structures of traditional social economy organisations such as cooperatives and mutual benefit societies, and is "...very institutionalised with significant business muscle..." (Lee 2011: 34). The Latin American approach arose in the 1980's and makes a stronger critique on capitalist economic structures and neoliberalism. In the case of Malaysia, the roots of its SSE can be traced back to the British colonial rulers, as cooperatives and service-oriented CSOs had already existed in Malaya before independence. Its history with communist insurgency post World War 2 has also brought about aversion towards questioning pro-market ideology, therefore distancing the Latin American school of thought. Therefore, the Malaysian epistemology towards the SSE is more inclined towards the European approach.

*Institutionalisation:* Extending from the previous point on epistemology, SSEs following the European school of thought tend to have strong institutionalisation, with an environment of vertical integration and centralisation of power. This describes the Malaysian SSE with its strong state that steers the direction of the SSE, with associated laws and responsible agencies to guide implementation. Agencies beyond government and SSE organisations themselves also cooperate closely with the state to work on socio-economic developmental issues.

### **III. CASE STUDIES WITHIN THE MALAYSIAN SSE**

#### **3.1 INTRODUCTION**

In a case study data collection conducted in 2014, four case studies were chosen to illustrate the contribution of SSE organisations to Malaysia's sustainable development. The selection of cases illuminates the diversity of approaches taken to fulfil the triple bottom line, and the wide array of philosophies and ideologies that motivate projects that extend beyond a capitalistic paradigm. All the cases chosen are based in Malaysia, reflecting a variety of SSE organisation types. The report focuses on providing diverse perspectives through a small selection of cases, and does not aim to make representative claims across the field. The selection process takes into account the social, environmental and economic impacts of the specific initiatives run by these organisations, which may or may not be their sole income generator. Table 4 shows a quick overview of the cases chosen.



Table 4 Overview of case studies

<b>Organisation</b>	<b>Taiwan Buddhist Tzu-Chi Foundation Malaysia</b>	<b>Credit Union Promotion Club</b>	<b>Wild Asia</b>	<b>Koperasi Belia Islam</b>
Focus of initiative	Community recycling	Educating and financing the poor	Environmental consultancy	Organic farming
Year started	1996	1974	2003	1977
Organisation type	Foundation	Society	Social Enterprise	Cooperative
Impacts in numbers	<ul style="list-style-type: none"> <li>• 13,500 volunteers actively engaged in recycling</li> <li>• 1,000 recycling stations and recycling points across the country</li> </ul>	<ul style="list-style-type: none"> <li>• 502 credit unions organised</li> <li>• 49,079 adult members</li> <li>• 34,000 children members</li> <li>• Monthly savings: RM57,148,819.03</li> <li>• Special savings in 2013 (including children's savings): RM17,740,962.58</li> <li>• Profit in 2013: RM4,603,278.04</li> </ul>	<ul style="list-style-type: none"> <li>• 100 palm oil projects across Malaysia, Indonesia, Thailand, Papua New Guinea and Cameroon.</li> <li>• More than 194 tourism businesses have entered the Responsible Tourism Awards by Wild Asia</li> </ul>	<ul style="list-style-type: none"> <li>• Approximately 13,000 members in the cooperative</li> <li>• Spearheaded six communities to start organic farming</li> </ul>

Source: Compilation of research findings

The empirical data in this report is collected using interviews (with respondents who hold senior positions within the chosen organisations) and also field visits.

### **3.2 THE CASES**

#### ***Community recycling: Taiwan Buddhist Tzu-Chi Foundation Malaysia***

##### *An overview*

- Location: Throughout Malaysia (both Peninsular Malaysia and East Malaysia)
- Year started: 1996 (established in Malaysia; it was founded in Taiwan in 1966)
- Type of organisation: Foundation
- Facts and figures:
  - 13,500 volunteers actively engaged in recycling
  - 1,000 recycling stations and recycling points across the country

##### *Background*

Taiwan Buddhist Tzu-Chi Foundation Malaysia (here forth Tzu-Chi) is a Buddhist association that originated from Taiwan in 1966, and has been registered in Malaysia as a foundation since 1996. Since 1990, the founder Master Cheng Yen enlisted Environmental Protection as one of the organisation's Eight Charitable Footprints.<sup>7</sup> Her followers all over the world are urged

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<sup>7</sup> The other seven 'footprints' are: Mission of Charity, Mission of Medicine, Mission on Education, Mission on Humanistic Culture, International Disaster Relief, Bone-marrow Donation, and Community Volunteerism.

to recycle as part of their service in exercising their faith. There are four regional headquarters in Malaysia: the central (Kuala Lumpur, Selangor and Pahang), the south (Negeri Sembilan, Malacca and Johor), the north (Penang, Perlis, Perak, Kedah, Terengganu and Kelantan), and east Malaysia (Sabah and Sarawak). Each of the headquarters report directly to the main headquarters in Taiwan.

Recycling is considered to be a meaningful activity to reach out to the public, with a low barrier of entry and visible results. Tzu-Chi regards their recruitment of recycling volunteers as 'recruitment of Bodhisattvas' (source: personal interview), i.e., enlightened and compassionate beings who serve others selflessly as the embodiment of Buddha's spirit. Through recycling at a personal level, many volunteers are inspired to spread the message to their friends and family, or to expand to implementing recycling systems at the workplace.

In terms of operations, Tzu-Chi volunteers run recycling points and recycling stations. Recycling points are temporary locations that the members congregate at specific times to collect recyclables. Recycling stations provide a permanent location for collecting, sorting and storing recyclables. The recycling points and stations are positioned in high density residential areas. Volunteers organise to meet at varied times that enable different types of participants to come, e.g. weekday mornings for housewives and retired people, weekday evenings for office people to come after work, and weekends for families.

Tzu-Chi has volunteers to sort through unwanted clothes (which they get in high volume) and repair broken electrical appliances. For goods that are still in good quality, they are sold through Tzu-Chi second-hand centres at a low price. These centres are frequented by migrant workers, who buy the products for personal use or for re-selling at the market. Other recyclables (such as paper and plastic) are sorted to increase their value, and sold in bulk to interested buyers. The money earned is channelled into Tzu-Chi's operations or charity purposes.

### *Sustainability from the Triple Bottom Line*

*Environmental:* The main quantifiable impact that Tzu Chi has on environment protection comes from its recycling mission. From the recycling programme, volunteers learn about waste and product cycles experientially, and view 'rubbish' as 'resource' with a zero-waste mentality. Through sorting the household waste of others, their own consumption patterns change. Tzu-Chi also does considerable environmental education, reaching out to its thousands of volunteers through newsletters and face-to-face activities. Among the environmental acts advocated are vegetarianism, as well as refraining from burning joss paper during the Seventh Lunar Month to pray to the deceased (which is common in Chinese customs) that releases considerable carbon emissions.

*Social:* The recycling activities such as collection, sorting and outreach are run by volunteers at various recycling points and stations. The motivation for recycling is to focus on the process instead of the outcome, as volunteers do not get material returns for

their labour. However, while collecting and sorting through waste, volunteers experience gratification in turning trash to resource and preserving the environment, and reap the meditative effect of doing repetitive and manual work. The act of recycling has been helpful to people suffering from depression or general loneliness and isolation. People from all walks of life come together to serve as 'the earth's gardeners', with recycling as the tool to rekindle the community spirit and solidarity with other living beings, as well as the sense of appreciation towards life in general. The recycling stations also double as centres for education (for recycling and for Buddhist teachings) and community activities. Tzu-Chi does not discriminate among race or religion, and has volunteers of different faiths.

*Economic:* There are four funds that are administered within Tzu-Chi: the Charity Fund (for low income families, disaster relief and home visit programmes), Development Fund (for supporting the organisation to promote its 4 missions), International Fund (for international disaster relief) and Building Fund (for construction of infrastructure such as the Jing Si Hall). Tzu-Chi collects donations from its members and volunteers, and allows them to choose the Fund that they wish to contribute to. The Charity Fund and International Fund are well-funded, therefore income from the recycling programme goes to the Building Fund or the Development Fund, in maintaining the Tzu-Chi's operations.

### Philosophy

The philosophy behind Tzu-Chi's recycling can be encapsulated in three steps: to purify one's heart and soul, to ensure peace and harmony in society, and to free the world from disasters and calamities<sup>8</sup>. Through the process of recycling, the volunteer cleanses her soul from negativity and greed for material possessions. She uses recycling as a tool for spiritual betterment, and the positive difference is then amplified at the societal level and then the global level. As the individual benefits from the act, she does it willingly and without compensation.

### Challenges faced

The main challenges faced by Tzu-Chi in its recycling mission are the recruitment of volunteers and the lack of market for some of the recyclables. Committed volunteers are difficult to find. Some of the waste are theoretically recyclable but are trashed because there is no local buyer in Malaysia. While working on the ground, Tzu-Chi sometimes faces problems with bureaucracy, on applying for permits for their recycling points and recycling stations. On using recycling stations that are provided by the municipality councils, the stations vary widely in facilities provided, from 'proper' recycling stations that include toilets, to just a small patch of vacant land.

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<sup>8</sup> Translated from: 人心净化, 社会祥和, 天下无灾无难 (personal interview, 2014)

### Future plans

The organisation is looking at establishing recycling points and stations at every community, and aims to work more with residential associations because community centres are ideal for collecting recyclables and inculcating zero-waste values at the community level.

### ***Educating and financing the poor: Credit Union Promotion Club***

#### An overview

- Location: East and West Malaysia
- Year started: 1970, informally and 1974, registered
- Type of organisation: Society
- Facts and figures (as of 31 December 2013):
  - Number of credit unions organised –502
  - Total membership - 49,079
  - Children’s membership – 34,000
  - Monthly savings - RM57,148,819.03
  - Special savings (including children’s savings) for 2013 - RM17,740,962.58
  - Profit for 2013 (of 502 credit unions) - RM4,603,278.04

#### Background

The Credit Union Promotion Club (CUPC) was founded in the 1970s and registered under the Society’s Act in 1974. It was initiated by some community leaders who wanted to use a financial entry point to help the poor and needy within their communities. The main function

of the CUPC is to establish and support credit unions, which are non-profit cooperatives that provide financial services to their members, by linking savers and borrowers in the same community. Credit unions pool the funds of members to provide capital and do not rely on external funding. The non-profit nature of the cooperatives enables the members to have higher returns on their savings and lower interest rates for their loans, as well as less fees to pay.

The CUPC provides education and training programmes related to cooperative administration, management and financing. It provides a platform for like-minded cooperative organisers (mostly from churches and NGOs) to discuss issues faced by their cooperatives, and to network with registered credit and other cooperatives. The CUPC plays a role to help cooperative leaders to understand globalisation processes and their impacts on local cooperatives and communities. It also acts as an internal monitor and evaluator for cooperatives within the Club.

The CUPC also does pre-credit union organising work, targeting the urban and rural poor, including plantation workers, indigenous communities, squatter communities, factory and industrial manual workers, land settlers, flat dwellers, small business owners, drop out youths, as well as single mothers and widows. Among the different credit unions that were built and registered as cooperatives under the CUPC are People's Credit Cooperative (Batang Berjuntai), Workers Credit Cooperative (Kuala Lumpur), Belingian Credit Cooperative (Sibu), and the Indigenous People's Credit Cooperative (Perak).



Credit unions are important for the poorest 40% of the nation because they lack the access to financial services and social mobility. The CUPC aims for holistic human development of the community, through financial intermediation. The three-pronged approach used is: 1) eradication of poverty, 2) eradication of ignorance, and 3) empowerment of local leadership. Credit union promoters go to poor communities and understand the problems faced, and provide them with support and educate them through non-formal curricula.

Among the services provided by the credit unions to the community are as listed in the Table 5 below:

Table 5 Economic and non-economic services provided by the CUPC

Economic services	Non-economic services
<ul style="list-style-type: none"> <li>• Mobilisation of regular savings, special savings, and children savings.</li> <li>• Loans to the members (Credit Loans and Guarantor loans)</li> <li>• Group accidental insurance scheme</li> <li>• Hospital health care insurance</li> <li>• Consumer bulk-buying</li> <li>• Free accidental insurance for school-going children</li> <li>• Development of small</li> </ul>	<ul style="list-style-type: none"> <li>• Gender and Development program</li> <li>• Youth Development program</li> <li>• Children development program</li> <li>• Family life education program</li> <li>• Consumer education</li> <li>• Environmental education</li> <li>• Paralegal training</li> <li>• Organise rural and urban pre-schools</li> <li>• Set up day-care centres</li> </ul>

<p>business in rural and urban areas</p> <ul style="list-style-type: none"> <li>• Development of agricultural business</li> <li>• Education and scholarship for rural and urban children</li> <li>• Benefits from various funds (welfare, volunteer, retirement)</li> <li>• Special assistance for single mothers, widow and drop out youths</li> <li>• Housing for the rural and urban poor</li> </ul>	<ul style="list-style-type: none"> <li>• Organise farmers and agricultural workers to fight for their rights</li> <li>• Conduct awareness trainings on Globalisation, WTO, AOA, TRIPPS</li> <li>• Research and documentation of rural and urban community issues</li> </ul>
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*Sustainability from the Triple Bottom Line*

*Environmental:* The environmental impact of the CUPC's activities mainly centres on environmental education. Among topics covered are water and energy conservation, the importance of organic farming and traditional natural remedies, as well as problems of plastic pollution and mass deforestation. The CUPC also adapts lessons from Sittars<sup>9</sup> in India, explaining that air, water, sky, earth, as well as flora and fauna exist not only in nature but also in human beings. As part of their work with indigenous cooperatives, CUPC spearheads studies of indigenous knowledge on preserving nature and using medicinal plants. It also

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<sup>9</sup> Also known as Siddhars, sittars are saints or spiritual healers from Tamil Nadu in India (source: personal interview with CUPC founder, 2014)

works on protecting customary land rights and fighting against land grabbing by introducing land mapping.

*Social:* The focus of CUPC is poverty alleviation and community empowerment through providing funding, education and opportunities to the poor and marginalised. Through identifying vulnerable communities and propagating the adoption of credit unions, the CUPC's outreach team builds trust with the underprivileged and provides them with skills and knowledge to lift themselves out of debilitating circumstances. The education programmes provided include practical skills (e.g. accounting and business development), values and mindset shift (e.g. self-reliance), and understanding of structural issues that form their circumstances (e.g. globalisation). An important part of organising credit unions is the community-building that also happens in the process, which is instrumental in creating social capital and lifting communities out of poverty. The financial services provided to the community, such as insurance and small loans, also acts as a social safety net.

*Economic:* The operation costs of the CUPC are kept low. Various sources of income include training and consultancy fees, membership fees and interest from credit unions. Fixed costs are low because the offices are owned by the organisation, and many of the credit union leaders work as volunteers or are compensated modestly. The registered credit cooperatives are also now making enough profit to manage and administer themselves, owning their own buildings, paying their own staff, covering all administrative expenses and conducting in-house training programmes.

### Philosophy

The concept of credit unions was brought into Malaysia by a Jesuit-run organisation, the Social Economic Life in Asia (SELA), in the year 1966. It was then picked up by social workers and priests from the Catholic church in Malaysia, which then sent some students abroad to learn about the concepts and implementation of credit unions. Besides its Catholic Christian roots, the CUPC is inspired by several different strands of ideology, including Paulo Freire's *Pedagogy of the Oppressed*, Antigonish principles, and the principles of cooperatives as stipulated by the International Cooperative Alliance.

Table 6 Antigonish and cooperative principles

<b>Antigonish Principles</b>	<b>Cooperative Principles by the International Cooperative Alliance</b>
<ol style="list-style-type: none"><li>1. The primacy of the masses</li><li>2. The social reform of the masses must come through education</li><li>3. The education of the masses must begin with economic initiatives</li><li>4. The education of the masses should be through group action</li><li>5. Effective social reform will involve bringing about fundamental</li></ol>	<ol style="list-style-type: none"><li>1. Voluntary and Open Membership</li><li>2. Democratic Member Control</li><li>3. Member Economic Participation</li><li>4. Autonomy and Independence</li><li>5. Education, Training and Information</li><li>6. Cooperation among Cooperatives</li><li>7. Concern for Community</li></ol>

<p>changes in the existing socio-economic structures and systems</p> <p>6. The ultimate objective is to bring about a full and abundant life for all the masses</p>	
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Source: Credit Union Promotion Club (CUPC) (n.d.)

### Challenges faced

The main challenge faced by the CUPC is the demographic shift of the poor in the country. While it used to focus on the rural poor, urban poverty has become the norm rather than the exception. The main difference between the 'old poor' and the 'new poor' is the disintegration of communities in urban areas, leaving no social support for the vulnerable. What was done in the past was to engage the whole community to solve social problems and to establish credit unions; however in urban areas of scattered nuclear families, trust-building becomes a much harder process. As urbanisation speeds up, the types of social problems faced also become increasingly complicated, such as alcoholism, gangsterism, prostitution and violence against women. As such, CUPC has had to revise their training programmes to adapt to the changing circumstances.

### Future plans

CUPC will continue to work for a Malaysian Malaysia, bringing youths of different races together. It aims to build a values-centred nation of people starting from

the young, against the prevalent culture of materialism, consumerism and self-centredness.

### ***Environmental consultancy: Wild Asia***

#### *An overview*

- Location: Malaysia and international
- Year started: 2003
- Type of organisation: Social enterprise
- Facts and figures (numbers are approximate):
  - Under its Palm Oil Initiative: There are close to 100 palm oil projects handled, across Malaysia, Indonesia, Thailand, Papua New Guinea and Cameroon. Under the Wild Asia Group Scheme for Small Producers, 286 small palm oil producers were involved, across 2,555 hectares of plantations (personal interview with the general manager of Wild Asia, 2014).
  - Under its Responsible Tourism Initiative: From 2006, more than 194 small and large tourism businesses have entered the Responsible Tourism Awards from eleven countries.

#### *Background*

Wild Asia is a social enterprise that provides environmental consultancy in the areas of standards compliance and improvement of business practices. Through consultancy projects, assessments, and training, Wild Asia provides the technical know-how to companies to ensure that their practices are environmentally and socially sustainable.

Among the different areas focused are:

1. Palm oil: Wild Asia works with small, medium and large companies, in all stages of the supply chain from plantations to retail. Services provided include consultancy or advisory support, social and environmental assessments, risk assessments and assurance programmes, as well as training and capacity building. One of the schemes under the palm oil initiative is the Wild Asia Group Scheme for Small Producers (WAGS), which supports small producers in their farming practices to reach international standards such as RSPO, to increase marketability.
2. Responsible tourism: Wild Asia has held its annual Responsible Tourism Awards since 2006, recognising tourism operators that try to run their businesses sustainably. Similar to its palm oil initiative, it also provides consultancy and training to businesses that are interested to green their practices.
3. Biodiversity: On biodiversity, Wild Asia works on spreading awareness and providing consultancy on areas with High Conservation Values (HCV). It was one of the earlier implementers of HCV concepts of the HCV Resource Network, and is endorsed by RSPO to provide HCV assessments.
4. Sustainable building: Wild Asia provides technical assistance to individuals and project developers to build low-impact buildings, and to retrofit existing buildings. It draws upon its in-house expertise in

Earthship Bioteecture to create rainwater harvesting and hydroponic systems for its clients.

*Sustainability from the triple bottom line*

*Environmental:* Wild Asia provides environmental services as their core business, focusing on improving existing business practices towards sustainability. By advocating for change in environmentally sensitive sectors and providing tangible solutions to companies to change their processes for the better, Wild Asia brings about a multiplier effect with every project run. A tangible example is the reduction of pesticides used, through education on proper practices in agriculture.

*Social:* In terms of social sustainability, Wild Asia works from two angles: external and internal to the organisation. External to the organisation, the consultancy projects and training programmes aim to improve the well-being of people who work within various parts of the palm oil supply chain, including worker welfare or livelihoods of small-holders. Within the organisation, the working culture supports work life balance of its employees. Many of its employees do not work full time, and are given flexible office hours.

*Economic:* Wild Asia has expanded from its beginnings in providing online information on sustainable tourism in Borneo to a business of improving business practices in other areas as well. It is economically sustainable, run by an office of 16 employees in Malaysia and five to six associates posted in other parts of the world for different projects.



## Philosophy

The tagline of Wild Asia is “promoting change, inspiring people, engaging businesses”. These encapsulate the philosophy that the organisation operates with, that can be seen as a form of humanistic capitalism<sup>10</sup>. It sees the industry as potential change makers. In equipping companies with the solutions and technical capabilities to improve their practices, Wild Asia achieves its financial, social and environmental goals. In providing training and showcasing best practises (in the Responsible Tourism Awards), it provides inspiration to people on existing efforts and tangible possibilities.

## Challenges faced

Wild Asia faces a number of challenges in its business. Firstly, it is difficult to find and retain good talent, especially from the younger generation. Secondly, some companies that they work with are unwilling to pay a premium for quality work, as there are competitors in the market who offer lower prices with less quality. As the company has the image of a non-profit and non-governmental organisation, it affects the rates that clients are willing to pay. Thirdly, there is no legal entity for social enterprises to provide tax breaks or incentives, which makes it harder for the company

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<sup>10</sup> On humanistic capitalism, Harman (1974: xx) writes that “...corporations [must] assume an active responsibility for creating a healthy society and a habitable planet—not as a gesture to improve corporate image or as a moralistically undertaken responsibility, but because it is the only reasonable long-run interpretation of ‘good business.’ In the end, good business policy must become one with good social policy.”

to survive while competing with regular enterprises which do not have a social mission.

### Future plans

The future plan of the organisation is to continue expanding its business, in Malaysia and beyond. For sustainable palm oil for instance, there is a lot of room for expansion in terms of improving the entire supply chain.

### ***Spearheading organic farming: Koperasi Belia Islam<sup>11</sup>***

#### An overview

- Location: Throughout Malaysia (both Peninsular Malaysia and East Malaysia)
- Year started: 1977
- Type of organisation: Cooperative
- Facts and figures:
  - Approximately 10,000 members in the cooperative
  - Spearheaded six communities to start organic farming

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<sup>11</sup> This case study draws from data collected through interviews and the paper titled "Cooperatives and people-centred development: a case study of Muslim Youth Cooperative Malaysia Berhad", presented by Mohd Asri Abdullah during the Workshop on Urban Poverty, Public Policy and Community-Based Development, December 19, 2013, Universiti Kebangsaan Malaysia.

## Background

*Koperasi Belia Islam* (KBI) is a credit cooperative based on Islamic financial principles, started in 1977. It is the economic arm of the Muslim Youth Movement of Malaysia (*Angkatan Belia Islam Malaysia*, or ABIM) and generates income for its members and part of the expenses needed for the running of both organisations.

In the recent years, KBI shifted its services towards community mobilisation, and initiated its organic farming programme. The objectives of the programme are to generate additional income for households, to create wealth from waste by using low-cost farming technologies, and to contribute towards food security, food safety, and food sovereignty of the country. It forges a smart partnership involving the land owner, the entrepreneur, the investor and the cooperative. Projects have been initiated in the below communities, in urban, rural and peri-urban settings:

- Kampung Bidadari, Bintangor, Sarawak
- Kampung Bukit Cerakah Jaya, Selangor
- Felcra Resettlement Area in Pulau Banggi, Sabah
- Felcra Resettlement Area in Batang Lupar, Sarawak
- Kariah (parish) of Salahudin Ayubi Mosque, Kuala Lumpur
- Kampung Lunas, Kedah

Communities are guided to plant vegetables organically for their own consumption. When production stabilises, they are given guidance to form cooperatives to sell the vegetables. The projects are implemented through the

recruitment and training of community mobilisers, who are able to identify support systems such as local organisations and institutions, local industries, natural and human resources. Box 1 delves deeper into a field visit of Kampung Bukit Cerakah Jaya, one of the organic farming projects initiated by KBI.

### *Sustainability from the triple bottom line*

*Environmental:* Organic farming improves soil structure and has less impact on biodiversity. Not using chemical fertilisers and pesticides minimises air and water pollution, and reduces the carbon footprint of food production. Communities growing their own produce also lessen their food miles.

*Social:* There are many social benefits that accompany the environmental benefits of organic farming. There is positive impact on human health with less exposure to harmful chemicals while producing or eating organic food. People are empowered at the local level to have more control over what they eat, and are less dependent on external sources and cash for food security. KBI aims to alleviate poverty and increase social inclusion, by stimulating the development of micro-enterprises and creating jobs through the farming, processing, packaging and marketing of organic products. Communities are enriched by the increase of social capital through working together, and the increase of environmental consciousness amongst their people.

*Economic:* In terms of economic sustainability, KBI derives income from trading the organic produce that come from the projects that it has started. However, as

the level of production is not very high, it is still supported by other money-making activities within the credit union.

### Peri-Urban Natural Farming at Kampung Bukit Cerakah Jaya

Kampung Bukit Cerakah Jaya, located about 50km from the Kuala Lumpur city centre, is home to one of the organic farming projects spearheaded by KBI. It is a small village with approximately 170 households, and is one of the few remaining villages amidst heavy development of the surrounding areas.

The KBI project in the village began in 2010 with a five-week course on compost-making and other gardening skills. Participants for the course numbered at around 30 people. Some of the participants started kitchen gardens in 2011. In 2012, a piece of public land was secured, on which interested villagers could cultivate small plots of edible plants. At the moment, there are about ten households actively engaged in almost chemical-free vegetable and chicken farming. Most of their produce caters to their own consumption, and the surplus is sold every Wednesday in a small market by the garden.

During the field visit, participants gave very positive feedback about their experience cultivating the land. Growing their own food means that they can ensure that no harmful chemicals are in it. Most of the participants are housewives who felt that the project gave them a meaningful way to spend their time which would be spent watching television otherwise, and their physical and mental health improved as a result. As the

farmland is only five minutes' walk away from where they live, they could also conveniently harvest fresh vegetables whenever they want and save money from buying less. Household income is also supplemented from the sale of surplus vegetables.

The farming done is mainly subsistence farming. The project participants found it difficult to collectively organise the production and sales of surplus vegetables, and decided to sell their produce individually. KBI provides a sales channel of the organic vegetables (to KBI cooperative members), but otherwise the group has limited marketing options and therefore limited possibility to expand on machinery or manpower.

KBI also assigns an officer to visit and help the villagers one day per week. The organic farming project receives support from other parties: the village's Committee of Development and Security (*Jawatankuasa Kemajuan & Keselamatan Kampung*) which provided the public land for cultivation, and the Selangor State Economic Planning Unit which provided some funding for them under the *Desa Lestari* (Sustainable Village) programme.

After four years of farming experience, the participants of the projects are now invited to give talks and trainings to interested parties as far as Penang and Malacca, in a kind of community-to-community cooperation.

Box 1 Peri-urban natural farming at Kampung Bukit Cerakah Jaya

### Philosophy

KBI is founded and run based on principles of Islamic finance, which encapsulates certain values and ethics. For instance, profiteering based on usury and interest is strictly forbidden, and investments are made abiding by certain ethical standards. There is also an emphasis on social justice and sharing of profits and risks. With that, the organic farming programme is less concerned about financial returns on investment, and places more importance on community empowerment and education. Therefore, organic farming is marketed based on its health benefits first (through personal consumption of produce), and income generation second (through selling surplus produce).

The programme is also inspired by international movements such as the 'Growing Power' movements in the United States and La Via Campesina (International Peasant Movement), where goals extend beyond food production, into growing minds and communities. The Growing Power movement develops community food systems to provide high quality and affordable food for all; while La Via Campesina uses small-scale sustainable agriculture to promote social justice and dignity, and as a means to oppose corporate-driven agriculture and neo-liberalism.

### Challenges faced

Some challenges cited include the difficulty in maintaining the projects without on-the-ground supervision, and the difficulty in getting younger people interested in organic farming. Working with local communities with some state funding, their projects

are affected by the changing of political parties at the state level who may withdraw their support. At the federal level, government subsidies on chemical fertilisers and pesticides incentivise conventional farming at the expense of organic farming.

### Future plans

KBI looks forward to recruiting more young people to lead the organisation, while staying committed to their principles of cooperation and non-exploitation. Even though KBI initially decided to promote rice cultivation using System of Rice Intensification (SRI) method, the idea is currently put on hold due to operational constraints. Instead, among its rice growers, KBI promotes composting of rice stalk while employing a limited amount of chemical fertiliser and pesticide. Thus, while the rice produced is not wholly organic, the chemical residue is kept to a minimum. Nevertheless, KBI continues to propagate the knowledge of organic farming and the spirit of self-sufficiency.

## **3.3 DISCUSSION**

### ***Fulfilling the triple bottom line***

International Labour Organisation in a reader by Fonteneau et al. (2011: 127) points out some types of projects that are suitable for addressing issues of social exclusion and environmental degradation concurrently, including the following:

- Conservation and reutilisation of components
- Incentives to use energy systems that make use of local resources (e.g. eolic and solar power)



- Planting of community allotments with a view to stimulating agro-ecology, observing aspects of food safety and reducing the production and consumption circuits
- Social technologies as inclusive objectives and as an answer to territorial problems.

Some of the above examples are represented in the SSE initiatives chosen. Broadly speaking, the cases fulfil the triple bottom line through providing environmental goods and services in a socially beneficial manner, or providing social goods and services in an environmentally sensitive manner. Tzu-Chi, *Koperasi Belia Islam*, and Wild Asia belong to the former group and Credit Union Promotion Club to the latter. Table 7 shows a simple breakdown of economic activities through providing environmental or social goods and services, and other value added services.

Table 7 Overview of environmental or social goods and services provided by case studies

<b>Main Focus</b>	<b>Case</b>	<b>Economic activity</b>	<b>Added value</b>
Environmental goods and services	Tzu-Chi	Waste management and recycling	Environmental education, community building, public health (mainly mental health)
	Wild Asia	Environmental consulting in sustainable palm oil, tourism and building	Well-being of workers working within the supply chain of palm oil products, decent work for their own employees
	Koperasi Belia Islam	Trading organic produce and products	Physical and mental health of farmers, community-building, social inclusion through food security and job creation
Social goods and services	Credit Union Promotion Club	Provision of credit specially catered to the poor	Environmental research, education and advocacy

The economic activities run by these SSE organisations are based on providing solutions to social and environmental problems. The level of integration of social, environmental and economic sustainability differs from case to case. In some cases, such as Tzu-Chi's community recycling programme and KBI's organic farming programme, the initiatives are run so that the outcomes are income-generating and good for the environment, and on top of that the process itself generates social benefits. For Wild Asia and CUPC, the integration of environmental and social functions is not as apparent but positive externalities outside of their core functions are generated as a matter of choice.

Further possibilities not represented by the cases are organisations providing conventional goods and services (with no particular focus on environmental or social ends) with a regular business model, with i) their business practices being environmentally and socially conscious or ii) by channelling some profits into environmental or social causes. As they do not have at least two of the three bottom lines as their *raison d'être*, with the economic goal being the only consistent obligation, it is possible that social and environmental goals might be sacrificed when there is need to prioritise.

### ***Underlying philosophies***

There is a broad spectrum of philosophies that form the motivation and frame the actions of the chosen cases. A purely capitalistic and profit-making philosophy may regard some of the processes as being inefficient. For example, industrial farming yields much more produce than organic farming, at a much lower cost. Through

understanding the thought behind the processes, the rationality of the actions then becomes clearer. The philosophies and ideologies form value systems that transcend materialism, and are sometimes strongly rooted in the identity of the community groups that are mobilised, such as in the case of religion. As summarised in Table 8, the cases, representing both for-profit and non-profit organisations, draw from a diverse range of religious and political views.

Table 8 Summary of philosophies underlying the case studies

<b>Case</b>	<b>Philosophy</b>
Tzu-Chi	Buddhism
Credit Union Promotion Club	Catholicism, Antigonish principles, International Cooperative Alliance principles, Pedagogy of the Oppressed (of Paulo Freire)
Wild Asia	Humanistic capitalism
Koperasi Belia Islam	Islam, La Via Campesina, Growing Power movement

Three case studies (Tzu-Chi, CUPC and KBI) are strongly influenced by different religions – Buddhism, Catholicism and Islam. This is not surprising, given Malaysia’s cultural diversity of different ethnicities and faiths. Religious kinship connects the followers through shared values and beliefs, enabling them to organise activities meaningful to their community. These shared values and beliefs allow them to act with a higher purpose, even though religion is not the only vehicle for shared values and beliefs, which can also come with other world views.

While globalisation opens up the developing world to the hegemony of mass consumerism and neoliberalism, local movements also draw upon the richness of thought from international movements and thinkers. Although respondents do criticise rampant capitalism and the negative externalities it brings, in the most part capitalism is accepted as the prevalent economic paradigm within which the SSE have to work within.

The discussion on philosophy is based on the organisations' visions and missions, and is drawn from the interviews and documents provided by the interviewees or on the organisations' official websites. It is possible that respondents might have included their personal views as well, as the line is not always clear, but efforts were made by the researcher to clarify ambiguities whenever faced.

### ***Challenges faced***

In general, SSE organisations that aim to achieve economic, environmental and social sustainability have to consider multi-faceted targets and constraints, and therefore face more complicated challenges than their counterparts in the wider economy.

SSE organisations need to generate enough of funding to keep their operations running and to compete with other organisations offering similar products and services but without externalising environmental and social costs. Competition does not stop at income-generation; attracting quality human resources is also a problem as the ability to pay is lower. Out of the cases, KBI and Tzu-Chi receive income from other sources (other projects or donations) besides their

projects discussed in this paper. The mainstreaming of their vision is therefore important, as to justify higher prices for products and services, and lower pay for human resources. However, respondents explained that it is still difficult at this point of time to communicate the social and environmental benefits to the wider public.

Another common challenge voiced is the lack of supportive governmental policy. There is no legal structure to differentiate social enterprises with normal businesses, for instance; social enterprises are largely self-governing with no legal obligations to prioritise their social goals. Charities and cooperatives get tax breaks, but social enterprises like Wild Asia do not. While new policies may be considered to boost the SSE, existing policies should also be looked into and streamlined. For example, Box 2 illustrates the difficulties of setting up a cooperative in Malaysia, especially for the poor and marginalised, and this should be addressed.

#### Difficulties in Setting up a Cooperative in Malaysia

Setting up a cooperative in Malaysia is difficult for the poor and marginalised. One of the interview subjects, Mr. K was attempting to register a rubber-trading cooperative for the orang asli in Pekan, Pahang. The purpose of the cooperative was to organise about 50 rubber planters to sell their products and share profits, eliminating the middle man who was charging unfair prices.

*continue...*

*...continuation*

The bureaucracy involved in registering a cooperative, as described by Mr. K, was riddled with hurdles. First was the form-filling which had very rigid specifications in its content as well as formatting, resulting in numerous resubmissions. The resubmissions eventually ended up with extortion of money by a public official, in exchange for 'help in registering'. Secondly, it was found that the applications for loans by cooperatives were subjected to many restrictions, such as the requirement to submit three years of audited accounts, which made it very difficult for start-up cooperatives to access funds required to grow.

Having gone through the procedures of registering the cooperative, Mr. K discovered that the system was biased towards larger cooperatives or organisations that had the capacity and connections to register themselves, and access the funding allocated. The poor, who did not have the resources to manoeuvre the bureaucracy, were exploited or left behind.

As such, he decided to register the organisation as a company initially, and convert it to a cooperative at a later date.

Box 2 Difficulties in setting up a cooperative in Malaysia

Other challenges are specific to the domains that they operate in, such as CUPC's case of shifting demographics of the poor from rural to urban, or KBI's difficulties in establishing organic farming because of governmental subsidies on chemical fertilisers, or Tzu-

Chi's inability to sell certain recyclables because of the lack of a local market.

#### **IV. CONCLUSION**

Conceptually, SSE is viewed as a viable pathway to sustainable development because of its inherent experience in addressing the interlinkages between social and economic goals, whether in ensuring alignment or in addressing trade-offs. The SSE is also well-positioned to broaden discourses on the economy through a wide range of global empirical experiences rather than ideological and theoretical arguments. As the interpretations and implementations of SSE vary from country to country, it is important to consider the local developmental context, as well as existing practices and their orientations.

A broad perspective has been taken in this study to unite Malaysia's SSE sectors (cooperatives, social enterprises, mutual benefit societies, and civil society organisations that run economic activities) under one umbrella. The bridging of sectors is important to provide policymakers and practitioners the conceptual framework to look beyond the silos that contain each field, emphasising the common vision, and enabling subsequent networking and conversations to happen across boundaries. Anchoring the SSE as a part of the plural economy also enables the movement to scrutinise its values in being economically sustainable yet maintaining social and environmental priorities, establishing a common identity to lead on to a streamlined supply chain based on solidarity principles.



Malaysia's SSE is led by the state and influenced by the market, bringing forth certain strengths and weaknesses to its role as a vehicle towards sustainable development. A strongly institutionalised SSE enables the state to disseminate a common vision for sustainable development; certain policies within the SSE have already included some elements of environmental consciousness. Strong governmental support also enables the sector to grow in terms of capacity and size. However, a top-down approach places the onus of sustainable development on the state, which may utilise the SSE to accomplish certain social and economic goals as an extension of its welfare system, and neglect nuances that build social or human capital that come from a decentralised and empowered SSE. A good balance between top-down and bottom-up efforts in the SSE should be struck, to fully reap the benefits of SSE in building socially sustainable and resilient communities.

To supplement the broad overview, this paper also reviewed four case studies representing different SSE organisational types and models of initiatives fulfilling the triple bottom line. Some are for-profit and some are non-profit, but all integrate environmental or social products and services into their economic activities, generating positive externalities in the process. Within a predominantly capitalistic economy, the SSE organisations operate with more constraints and fewer resources. Faced with multiple challenges, they draw from rich philosophies and value systems to motivate and frame their actions. The SSE challenges the status quo of business as usual by doing more with less, although some of their contributions are unquantifiable by conventional standards. In this regard, policies and

regulations supportive to the SSE should be put in place by the government, not only to ease their operations, but also to provide the recognition that these actors are going the extra mile for society. Legal structures, followed by evaluation frameworks and market incentives for the SSE would do much to strengthen the sector.

However, as the SSE is not isolated from the wider economy, they would always face an uneven playing field. This begs a critical examination of the current economic system and its emphasis on profit accumulation, sometimes at the expense of the well-being of society and the environment. A longer term solution is therefore to implement policies that change the rules of the game to reflect the vision of the SSE, towards a more inclusive and sustainable future.

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### **About the Author**

Dr Tan Jun-E (PhD) is an independent policy researcher with her research interests anchored on social and environmental sustainability, within the context of sustainable development. She worked as a senior analyst at the Institute of Strategic and International Studies (ISIS) Malaysia from July 2013-June 2015, during which she focused on topics including social and solidarity economy, climate change, and green technology.

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Dr Tan is a board member of non-profit organisation Centre for Environment, Technology and Development, Malaysia (CETDEM). She runs a number of non-profit projects such as the environmental platform MESYM.com that crowdsources information on environmental issues, projects, and events in Malaysia; and TPPDebate.org, a website that supports public engagement and discussion on Malaysia's participation in the Trans-Pacific Partnership. She holds a PhD in Communication from Nanyang Technological University, a Master in Public Policy from University of Malaya and a Bachelor in Information Systems Engineering from Universiti Tunku Abdul Rahman. She is also the main author of *Blogging and Democratization in Malaysia - A New Civil Society in the Making*, published in 2008.

### ***About KITA***

The Institute of Ethnic Studies (KITA) was officially established on 8 October 2007 by Universiti Kebangsaan Malaysia (UKM) to undertake academic research on subjects pertaining to ethnic studies in Malaysia. This research institute is 'only one of its kind' in Malaysia, focusing specifically on 'ethnic studies' with thematic studies orientation. The Institute emerged out of the need to maintain at home the present peaceful inter- and intra-ethnic existence against worldwide problematic, and sometimes violent ethnic situations.

Organisationally, KITA has six research clusters, each being led by a prominent scholar or a highly experienced Professional person. The six research clusters are: Social Theory and Ethnic Studies; Ethnicity and Religion; Ethnicity at Workplace; Ethnicity and Consumerism; The Arts and Social Integration; Ethnicity and Food. KITA's postgraduate program (PhD and Masters) was launched in December 2009.

### ***Mengenai KITA***

Institut Kajian Etnik (KITA) ditubuhkan secara rasmi oleh Universiti Kebangsaan Malaysia pada 8 Oktober 2007. KITA merupakan satu-satunya institut penyelidikan di Malaysia yang memberi tumpuan sepenuhnya kepada segala kajian berkaitan dengan 'etnik' dan 'etnisiti'.

Dari segi organisasi, KITA mempunyai enam rumpun penyelidikan. Setiap satu rumpun diketuai oleh seorang sarjana atau ahli Profesional yang mempunyai rekod prestasi cemerlang. Enam rumpun penyelidikan berkenaan adalah: Teori Sosial dan Kajian Etnik; Etnisiti dan Agama; Etnisiti di Tempat Kerja; Etnisiti dan Konsumerisme; Kesenian dan Integrasi Sosial; Etnisiti dan Makanan. Mulai Disember 2009, KITA menawarkan program siswazah (PhD dan Sarjana).