

## Chapter 15

# Unlocking the “Base-of Pyramid” Readiness: Towards an Inclusive Entrepreneurship Framework for “Malaysian Rural Transformation Agenda”

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### ABSTRACT

*The potential of the Base-Of Pyramid (BOP) community cannot be realized without an entrepreneurial orientation – an orientation that aims to create market and promote innovation. In line with the notion of the world is searching for avenues for profitable growth and innovation, converting the BOP into active entrepreneurs will foster innovations in business models (Simanis & Milstein, 2012). Realizing this situation, the Malaysian government stated the ambition of becoming a developed nation by the year 2020, and thus, the government has to accelerate their transition into an innovation-based economy. Poverty eradication has become the most important issue in Malaysia. In fact, Malaysia has embarked on many poverty eradication programmes, evidenced by the sharp decline in the incidence of poverty from 52.4% in 1970 to 12.4% in 1992 and further decreased to 3.8% in 2009 (Tenth Malaysia Plan, 2011). Under the Government Transformation Program (GTP), Malaysian government has established Rural Transformation Program (RTP) to reduce the extreme hardcore poor household to zero and also to halve the number of the BOP community. In this manner, Rural Transformation Centre (RTC) was introduced to optimize the potential of rural areas as the generator and growth of new economy. Although Malaysia has done remarkably well, there are challenges to serve this segment in which they need specific interventions to increase attention to eliminate inequalities between rich and poor. Hence, this chapter unlocks and explores the BOP community readiness to venture into business development.*

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## INTRODUCTION

Poverty is one of today’s most unrelenting social problems and one of the most critical, yet unfulfilled, Millennium Development Goals (United Nations, 2004). Despite recent improvements in absolute poverty levels (i.e., living on less than US\$ 1.25 per day), the achievement of global poverty reduction targets set for 2015 remains in question (United Nations 2009) as global income disparities continue to widen (Calder, 2008; Cheema, 2005). Today’s poverty debate is focused chiefly on the over three billion people believed to be living in ‘absolute’ poverty in developing, low income countries (Chen & Ravallion, 2007). These are the people living at the ‘bottom of the world’s income pyramid’ (Prahalad & Hart, 2002). Figure 1 shows the statistics of pyramid of the BOP community in the world.

In Malaysia, the poverty eradication has become the important agenda for the Government by trying to improve on the poverty targets set through the Millennium Development Goals (MDGs). The Ninth Malaysia Plan, 2006–2010, repeated the commitment to achieve growth with distribution and set targets of reducing the overall poverty rate to 2.8 per cent and eradicating hardcore poverty by 2010. This agenda continues to be prominent and as stated in the 2012 Malaysian

Budget, RTC was set up to encourage the BOP community to establish their own business. In fact, RTC sought to improve the marketability and promotion of BOP community produce.

In 2007, the government has built the database of Sistem Maklumat Kemiskinan Negara or eKasih system which comprised the complete information of the poor family nationwide. The ultimate aim of eKasih is to assist the Malaysian Government in planning, implementing and monitoring the poverty eradication programme. According to Muhamed and Haron (2011) as at 14 January 2011, there were 67,033 (0.82%) households registered as poor in the eKasih database. The information from eKasih will be used as a base for providing aids or projects’ involvement which programmed for the poor family. Obviously the issues of poverty reduction become crucial as the Malaysian government’s target to achieve the high income country by 2020. The poverty rate in Malaysia is clearly shown in Table 1.

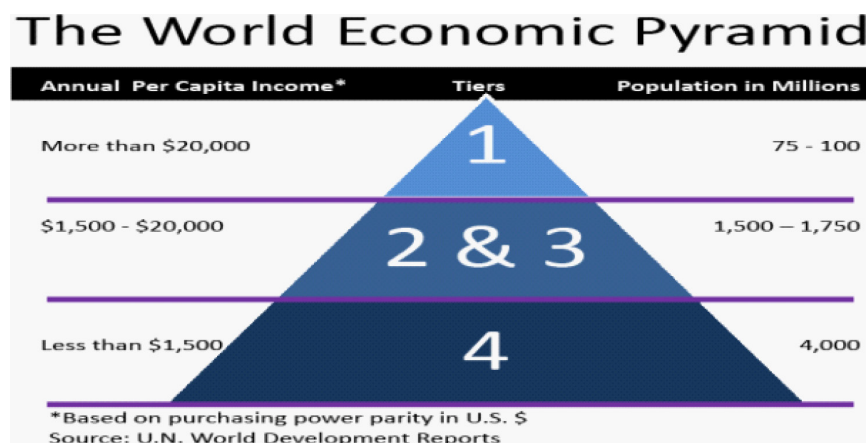
Table 1. Income and poverty rate in Malaysia

	2000	2005	2010
Income (RM)	13,939 (13,939)	16,025 (19,951)	18,294 (26,175)
Poverty Rate	7.6	4.9	3.6

Source: www.epu.gov.my

Figure 1. The world’s income pyramid: \* based on purchasing power parity in US\$

Source: UN World Development Report cited in Prahalad (2004)



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