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# DEVELOPING THE CASH TRANSFER-BASED ENTREPRENEURSHIP MODEL FOR B40 COMMUNITY USING HOUSEHOLD LIVING AID



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NUR HAZWANI BINTI ZOLKIFLY

SULTAN IDRIS EDUCATION UNIVERSITY

2024



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DEVELOPING THE CASH TRANSFER-BASED ENTREPRENEURSHIP MODEL  
FOR B40 COMMUNITY USING HOUSEHOLD LIVING AID

NUR HAZWANI ZOLKIFLY

THESIS PRESENTED TO QUALIFY FOR A  
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2024



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## ABSTRACT

This study aimed to develop a cash transfer-based entrepreneurship (CTBE) model for the B40 community using household living aid. To achieve the research objective, a mixed-method design was chosen and the Input-Output Model and Entrepreneurial Success Components Theory were used. The study's first phase involved a qualitative approach to explore the phenomenon associated with household living aid and entrepreneurship. The qualitative research was conducted through in-depth interviews with 10 B40 microentrepreneurs selected using a purposive sampling technique. From this initial exploration, qualitative findings were used to develop a quantitative feature that was tested with a large sample. The qualitative study results showed that B40 entrepreneurs believed that household living aid could be used for entrepreneurship, and 13 essential elements in the CTBE model were discovered. Subsequently, a quantitative research based on a sample survey was conducted on 190 B40 entrepreneurs using a multi-stage sampling. Questionnaires using a five-point Likert scale were distributed face-to-face and online. The descriptive analysis and Pearson correlation were performed using SPSS v.28. The confirmatory study and exploratory factor analysis showed a high agreement on elements of the CTBE model. Interestingly, the most preferred element was entrepreneurial traits, suggesting that personality traits and attitudes of an individual are crucial in B40 businesses. Meanwhile, Pearson correlation analysis showed that all variables were significant at the significance level of 0.05 and positively related with a moderate to strong relationship. Overall, all hypothesized relationships were supported and CTBE model is made up of all 13 elements under four categories. In implication, the CTBE model may be a guideline for B40 entrepreneurs to operate and sustain their businesses using household living aid and give insight to the government in curating entrepreneurial policy for B40 and incorporating entrepreneurship in the cash transfer distribution system.



## **MEMBANGUNKAN MODEL KEUSAHAWANAN BERASASKAN PEMINDAHAN TUNAI UNTUK KOMUNITI B40 MENGGUNAKAN BANTUAN SARA HIDUP ISI RUMAH**

### **ABSTRAK**

Kajian ini bertujuan membangunkan model keusahawanan berasaskan pemindahan tunai (CTBE) untuk komuniti B40 menggunakan bantuan sara hidup isi rumah. Bagi mencapai objektif kajian, rekabentuk kaedah campuran telah dipilih dan Model Input-Output serta Teori Komponen Kejayaan Keusahawanan digunakan. Fasa pertama kajian melibatkan pendekatan kualitatif untuk meneroka fenomena yang berkaitan dengan bantuan sara hidup isi rumah dan keusahawanan. Kajian kualitatif dijalankan melalui temu bual mendalam dengan 10 orang usahawan mikro B40 yang dipilih menggunakan teknik persampelan bertujuan. Daripada penerokaan awal ini, dapatan kualitatif digunakan untuk membangunkan ciri kuantitatif yang diuji dengan sampel yang besar. Keputusan kajian kualitatif menunjukkan bahawa usahawan B40 percaya bantuan sara hidup isi rumah boleh digunakan untuk keusahawanan, dan 13 elemen penting dalam model CTBE telah ditemui. Seterusnya, kajian kuantitatif berasaskan tinjauan sampel dijalankan ke atas 190 usahawan B40 menggunakan persampelan pelbagai peringkat. Soal selidik menggunakan skala Likert lima mata telah diedarkan secara bersemuka dan dalam talian. Analisis deskriptif dan korelasi Pearson dilakukan menggunakan SPSS v.28. Ujian pengesahan dan penerokaan faktor menunjukkan persetujuan yang tinggi terhadap elemen model CTBE. Dapatan menunjukkan elemen yang paling diutamakan ialah ciri keusahawanan, yang menjelaskan bahawa ciri keperibadian dan sikap seseorang individu adalah penting dalam perniagaan B40. Sementara itu, analisis korelasi Pearson menunjukkan semua pemboleh ubah adalah signifikan pada aras keertian 0.05 dan berkait positif dengan hubungan sederhana hingga kuat. Secara keseluruhan, semua hubungan hipotesis telah disokong dan model CTBE terbentuk daripada kesemua 13 elemen daripada empat kategori. Implikasinya, model CTBE boleh menjadi garis panduan kepada usahawan B40 untuk mengendalikan dan mengekalkan perniagaan mereka menggunakan bantuan sara hidup isi rumah dan boleh memberi gambaran kepada kerajaan dalam menyusun dasar keusahawanan untuk B40 dan menggabungkan keusahawanan dalam sistem pengagihan pindahan tunai.



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## LIST OF ABBREVIATIONS

AIM	Amanah Ikhtiar Malaysia
B40	Bottom 40 (Low income household)
BKM	Bantuan Keluarga Malaysia
BLT	Bantuan Lansung Tunai
BPN	Bantuan Prihatin Nasional
BPR	Bantuan Prihatin Rakyat
BR1M	Bantuan Rakyat 1 Malaysia
BSH	Bantuan Sara Hidup
CCM	Companies Commission of Malaysia
CCT	Conditional Cash Transfer
CTBE	Cash Transfer-Based Entrepreneurship
CTP	Cash Transfer Program
DOSM	Department of Statistics Malaysia
FAMA	Federal Agriculture Marketing Authority
GKP	Geran Khas Prihatin
M40	Middle 40
MARA	Majlis Amanah Rakyat
MARDI	Malaysian Agricultural Research and Development Institute
MEDAC	Ministry of Entrepreneur Development and Cooperatives
MOH	Ministry of Health
MPI	Multidimensional Poverty Index



NEP	National Entrepreneurship Policy
NGO	Non-Government Organizations
OKU	Orang Kurang Upaya
PLI	Poverty Line Income
Q-Q Plot	Quartile-to-quartile Plot
REAP	Rural Entrepreneur Access Program
SDG	Sustainable Development Goal
SIRIM	Standard and Industrial Research Institute of Malaysia
SME	Small and Medium Enterprise
STR	Sumbangan Tunai Rahmah
TEKUN	Tabung Ekonomi Kumpulan Usaha Niaga
UCT	Unconditional Cash Transfer
YOP	Youth Opportunities Program

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## CHAPTER 1

### INTRODUCTION

#### 1.1 Introduction

This chapter provides a brief explanation of the research. Following the introduction, section 1.2 presents the background of the study, while section 1.3 specifies the research problem. Further, section 1.4 outlines the research objectives, while section 1.5 and section 1.6 describe the research questions and hypotheses, respectively. Next, section 1.7 provides the operational definitions used in this research, while section 1.8 gives the limitations of the study. Finally, section 1.9 discusses the significance of this study, while section 1.10 presents the overall structure of the research, and section 1.11 summarizes this chapter.

#### 1.2 Research Background

Sustainable Goal Development (SDG) 1 aims to end poverty in the world with action plans that consist of improving access to sustainable livelihoods, giving entrepreneurial opportunities, and increasing productive resources (*United Nation: Sustainable*

*Development*, 2021). To assist underprivileged groups, cash transfer is given to them as a social safety net (Gobin et al., 2017). Cash transfer refers to payments given by the government or non-government organizations to citizens, usually the underprivileged to improve the citizen's well-being (Tabor, 2002). Cash transfer is divided into two categories namely conditional (CCT) and unconditional (UCT) (Haushofer & Shapiro, 2016) with the objective to solve issues related to monetary poverty, education, health and nutrition, savings, investments and productions, employment and empowerment (Bastagli et al., 2016).

Nevertheless, merely providing cash transfers may be insufficient to substantially relieve poverty. Although studies have demonstrated that they contribute positively to certain poverty indicators such as housing conditions, access to basic services, and asset ownership (O. Njuga et al., 2022), the impact of cash transfers on extreme poverty reduction is not substantial (Fotta & Schmidt, 2022). The efficiency of cash transfers might vary depending on factors such as the program's design, as well as whether it is unconditional or conditional (Wollburg et al., 2023). Therefore, Morris, (2021) regarded entrepreneurship as a tool to break away from the poverty cycle and he also believed that entrepreneurship should be a norm among the underprivileged group.

UCT is a recurrent and predictable monetary transfers intended to assist the impoverished and vulnerable, but it is not contingent on the recipients' behaviour (Handa et al., 2018). Thus, UCT is not subject to any restrictions (Yusuf, 2018), and recipients may freely use the cash. Hence, although the cash transfer program (CTP) is concerned with eradicating poverty and rising the targeted group's individual income,



previous researches have shown that CTP may have effects on entrepreneurship. Cash transfers are viewed as providing the essential funds for those who aspire to initiate a business but lack the financial resources to do so (Ribas, 2014b). Cash transfer can be used as a source of business capital (Handa et al., 2018), which in turn is able to alleviate poverty through investment in entrepreneurial activity (Altındağ & O'Connell, 2023; Haushofer & Shapiro, 2013), and this lead to economic multiplier effect where the funds are used to establish or expand businesses (Handa et al., 2018; Yi et al., 2016). Previous research also has recognized that cash transfers can encourage entrepreneurial activity (see Ribas, 2019; Lichand, 2010; Bandiera et al., 2013). Consequently, the significance of cash transfers in influencing entrepreneurship is notable.

In Malaysia, a form of UCT named household living aid, is given to the bottom 40 (B40), which is categorized as those with household incomes below RM4,850 per month. Utilising cash transfers as an initial investment for company capital enable recipients, particularly those in the B40 demographic, to boost their household earnings and free themselves from poverty (Ndlovu & Ndlovu, 2019). Household living aid can facilitate entrepreneurial endeavours by offering individuals the essential funds to begin a business or allocate resources towards productive activities (Zolkifly & Habidin, 2022). In practice, the Malaysian government tries to promote entrepreneurship among the recipient of the household living aid by initiating several entrepreneurial initiatives, including the car rebate program (Kumar, 2016) which could earn them RM2,000 to RM8,000 per month (Omar et al., 2019), as well as People's Income Initiatives (IPR) (Bernama, 2023). Unfortunately, the car model required for the incentive was unsuitable (Noor, 2017), which led to its abandonment (Zolkifly et al., 2022). As for IPR initiative, even though the entrepreneurial opportunity is provided





and rental fees are not charged on those in the low income bracket, B40 entrepreneurs still have to prepare the working capital (Bernama, 2023).

Thus, the lack of resources like financial capital could prevent entrepreneurial endeavour among the B40 entrepreneurs. In fact, there is evidence that businesses which begin with insufficient capital, have lack of financial controls, and do not receive professional guidance are more likely to fail (Adeola et al., 2021). Therefore, if potential business owners are given training and resources to help them identify and pursue viable business opportunities, as well as assistance in resolving the various obstacles they face, entrepreneurship can be a viable route out of poverty for the disadvantaged (Morris et al., 2023). Another factor namely the motivation to become an entrepreneur among the B40 has been under researched (Omar et al., 2019). This may due to the complex and changing motives that occur over time in underprivileged places (Santos & Neumeyer, 2023) and a lack of comprehensive knowledge regarding the impact of entrepreneurial engagement on behaviour and the utilisation of local resources to reduce poverty (Ouyang et al., 2023).

In order to understand the way cash transfer, specifically household living aid can be used for entrepreneurial purposes, this study requires an exploration of the perceptions of the household living aid recipients towards using the cash assistance for entrepreneurship, and elements that influence the cash transfer-based entrepreneurship (CTBE) model among B40 entrepreneurs who have received the household living aid. Therefore, this study uses household living aid provided by the Malaysian government such as Sumbangan Tunai Rahmah (STR), previously known as Bantuan Prihatin Rakyat (BPR), Bantuan Prihatin Nasional (BPN), Bantuan Sara Hidup (BSH), and



Bantuan Rakyat 1 Malaysia (BR1M) as the context to explore and then confirm the elements found in CTBE.

### 1.3 Problem Statement

The mere provision of cash incentives is considered insufficient in improving the quality of life of the recipients (Saripah, 2018) and the most effective way to overcome poverty is to guide the poor on ways to increase their income so that their earnings are more guaranteed and last longer by encouraging an entrepreneurial culture among the targeted B40 community (“BR1M Tak Mampu Atasi Kemiskinan,” 2019). However, to date, there is a lack of empirical finding which discusses the B40 involvement in entrepreneurship using household living aid. Moreover, there is limited research that investigates the productive uses of household living aid other than its function to fulfil the recipients’ basic needs. For instance, Saripah (2018) concluded that recipients spent the cash incentive mostly on necessities (68.6%) and only 16.9% on saving. Bastagli et al. (2016) also reveals that there are less research and fewer statistically significant findings for business and enterprise development which are based on the cash assistance. Therefore, it is pertinent to investigate the use of household living aid for entrepreneurship purposes: this is done by exploring the perception of the B40 entrepreneur towards using household living aid for entrepreneurship, and consequently identifying the elements that form the CTBE model.

There is a limited number of research which investigates the B40 entrepreneur and household living aid recipients’ perceptions toward using household living aid for entrepreneurship. Previous research investigating the perception of cash assistance use

on entrepreneurship reveals that individuals who receive cash transfers viewed entrepreneurship favourably as it offers them a chance to boost their earnings and enhance their financial circumstances (Ribas, 2020). Nevertheless, it is crucial to comprehend the indirect consequences of liquidity shocks, specifically the movement of these shocks from recipients to others via private transfers, on entrepreneurial choices (Ribas, 2014a), specifically for micro entrepreneurs. However, the impact of cash transfer programmes on the perception of entrepreneurship among recipients in Indonesia demonstrates a diverse range of results (Musa Deji & Salleh, 2020). According to Khomaiini (2019) and Ribas (2020), the perception of cash transfer for entrepreneurship is influenced by multiple factors, such as the institutional context, business support networks, and subjective wellbeing. Thus, the study needs to further explore further the B40 entrepreneurs' perception on using household living aid for entrepreneurship.

Prior research has attempted to develop a cash transfer-based entrepreneurship model (Afif Muhamat et al., 2013; Iman & Mohammad, 2017; Musa & Che Mohd Salleh, 2018; Nusrate Aziz & Mohamad, 2016 ). However, the model is restricted to Muslim recipients as it employs waqf and zakat which are monitored by a specialized institution. Besides, most cash transfer-based entrepreneurship model utilizes CCT which is not exclusively attributed to the direct alleviation of financial limitations: it is also subjected to indirect factors such spillover effects and private transfers between households (Ribas, 2014a, 2020). Hence, current studies on cash transfer-based entrepreneurship model using CCT has limitation which can be offset using UCT such as household living aid. Therefore, the process to develop the CTBE model for B40 using household living aid needs to be investigated.



In addition, the current knowledge in micro-businesses model is limited (Ropuszyńska-Surma & Węglarz, 2020). The literature has identified a research deficit in micro business models. There has been a lack of research on the business model practice among micro and small firms in emerging economies (ElNaggar & ElSayed, 2023). Moreover, research has yet to settle the question of the structure and diversity of business models in micro and small firms (Pfeifer et al., 2017). These study gaps emphasise the necessity for additional inquiry into micro business models, especially those that utilizes household living aid as business capital.

The success of micro, small, and medium-sized enterprises depend on number of factors, including institutional environment, government policies, access to capital, and entrepreneurial talents (Abebe & Gebremariam, 2021). However, due to poverty, the underprivileged also faces the lack of exposure to entrepreneurial role models, mentors, and entrepreneurs in the family, as well as low self-efficacy which can undermine the sense that one is capable of launching a business (Morris & Tucker, 2021).

Moreover, one of the main obstacles faced by poverty entrepreneurs is the restricted availability of both human and financial resources (Morris, 2022a). Furthermore, poor entrepreneurs frequently possess inadequate literacy skills, exhibit a mindset of scarcity, confront significant non-business pressures, and lack a safety net which collectively add to the vulnerability of their businesses (Nicolás, Montalbán, Martínez., Rubio, 2014). These constraints hinder poor entrepreneurs from effectively allocating resources and establishing viable enterprises (Morris et al., 2022).





In addition, there is a limited understanding of ownership characteristics and their influence on financial performance (Mittal & Raman, 2022), and the impact of ownership structure on the developmental phases of micro enterprises (Richard & Janice, 2011). Furthermore, with regard sectoral choice, B40 entrepreneurs are typically involved in small and micro enterprises and low-added-value sectors such as manufacturing, wholesale, retail, and transportation (Siwar et al., 2019). However, McKenzie and Paffhausen (2017) found that the mortality rates of small businesses involved in manufacturing firm is the lowest. Besides, some micro enterprises frequently neglect conducting market research to ascertain consumer preferences (Romero-Zarate et al., 2019). Thus, to confirm whether these factors are important and whether there is a relationship among the elements in the CTBE model using household living aid, a study which incorporates inductive and deductive approach is required.



#### **1.4 Research Objectives**

The main objective of this research is to develop the cash transfer-based entrepreneurship (CTBE) model using household living aid for the B40 community. Therefore, this research examines the perception towards using household living aid for entrepreneurship and explores the element of the CTBE model. Specifically, this research seeks to:

1. explore the B40 entrepreneurs' perception of using household living aid for entrepreneurship
2. develop the CTBE model for the B40 entrepreneurs.
3. identify the level of CTBE model elements.





4. determine the relationship among the elements of the CTBE model.

## 1.5 Research Questions

From the objectives of this study, four research questions (RQ) have been prepared to complete the study. The mixed-methods study is inclusive of two qualitative research questions namely RQ1 and RQ2 and two quantitative research questions which are RQ3 and RQ4. All of these questions address the objective of developing the cash transfer-based entrepreneurship model (CTBE) for the B40 community. Research questions (RQ) for this study are:

1. How do the B40 entrepreneurs perceive the use of household living aid for entrepreneurship?
2. How to develop the CTBE model for the B40 entrepreneurs?
3. What are the different levels of CTBE model elements?
4. Is there a relationship among all the elements of the CTBE model?

## 1.6 Hypotheses

At the proposal stage of an exploratory-sequential, mixed-methods study, the to-be-tested variables were unknown. Thus, only the form of the hypotheses, which included variables identified in prior research as stand-ins, was developed. The potential hypotheses were developed to test the quantitative aspects of the mixed-methods research question, specifically RQ4, as follows:



- H1: There is a relationship between financial management practice and financial capital
- H2: There is a relationship between financial literacy and financial capital
- H3: There is a relationship between financial literacy and financial management practice
- H4: There is a relationship between marketing tactics and financial capital
- H5: There is a relationship between marketing tactics and financial management practice
- H6: There is a relationship between marketing tactics and financial literacy
- H7: There is a relationship between network and financial capital
- H8: There is a relationship between network and financial management practice
- H9: There is a relationship between network and financial literacy
- H10: There is a relationship between network and marketing tactics
- H11: There is a relationship between business skills and financial capital
- H12: There is a relationship between business skills and financial management practice
- H13: There is a relationship between business skills and financial literacy
- H14: There is a relationship between business skills and marketing tactics
- H15: There is a relationship between business skills and network



- H16: There is a relationship between business equipment and financial capital
- H17: There is a relationship between business equipment and financial management practice
- H18: There is a relationship between business equipment and financial literacy
- H19: There is a relationship between business equipment and marketing tactics
- H20: There is a relationship between business equipment and network
- H21: There is a relationship between business equipment and business skills
- H22: There is a relationship between government policy and advisory support
- H23: There is a relationship between entrepreneurial traits and entrepreneurial

- H24: There is a relationship between ownership structure and sectoral engagement

## 1.7 Operational Definition

### 1.7.1 Cash Transfer

Cash transfer involves the provision of financial remuneration by either governmental or non-governmental entities to individuals, with the objective of alleviating poverty and addressing societal issues (Hwang, 2022; Tabor, 2002). These cash aids are given to the underprivileged as a social safety net.

### 1.7.2 Cash Transfer-Based Entrepreneurship Model (CTBE)

The cash transfer-based entrepreneurship model involves utilising cash transfers, which are given by either the government or non-governmental organisations, as a source of capital for recipients to initiate business ventures with the objective to encourage entrepreneurial endeavours and enhance household income (Zolkifly & Habidin, 2022). The approach highlights the significance of integrating crucial elements such as institutional environment, business support system, and organisational context to guarantee its efficacy (Ribas, 2014b). In this research context, CTBE refers to an entrepreneurship model utilizing household living aid given by the government to the qualified recipients.

### 1.7.3 Unconditional Cash Transfer (UCT)

Unconditional cash transfer (UCT) refers to as recurrent and predictable monetary transfers intended to assist the impoverished and vulnerable individuals, not contingent on the recipient's behavior (Handa et al., 2018). UCT has the same redistributive and social safety net objectives as conditional cash transfer (CCT) but it does not impose conditions on recipient behavior (Biscaye et al., 2017). In the context of this research, UCT refers to household living aids, a form of short-term, one-time, and anticipated cash the federal government gives to the bottom 40 (B40) group without any conditions imposed on them (Prime Minister's Office of Malaysia, 2021).

#### 1.7.4 Household Living Aid

Household living aid is a type of UCT, as the payment is not contingent on the recipient's behavior (Prime Minister's Office of Malaysia, 2021). Other names include living and family assistance. In Malaysia, household living aid is known as Sumbangan Tunai Rahmah (STR) or previously known as Bantuan Keluarga Malaysia (BKM), Bantuan Prihatin Rakyat (BPR), Bantuan Sara Hidup (BSH) and Bantuan Rakyat 1 Malaysia (BR1M). Household living aid is given in few phases and the amount depends on the household's monthly income and number of dependents (Lembaga Hasil Dalam Negeri Malaysia, 2023).

#### 1.7.5 Household Living Aid Recipients

The recipients are qualified B40s who are Malaysian citizens, of at least 18 years old, and have a monthly household income of less than RM4,850, regardless of their type of employment. Cash assistance recipients include senior citizens, disabled persons, and singles who meet the prescribed conditions (LHDN, 2022).

#### 1.7.6 Bottom 40 (B40)

A national definition of B40 is those receiving a monthly household income of less than RM4,850 (Department of Statistic Malaysia, 2021a). The B40 community is further categorized into four categories; (1) B1 with monthly household income less than RM2,500, (2) B2 with monthly household income between RM2,501 to RM3,170, (3) B3 with monthly household income ranging from RM3,171 to RM3,970 and (4) B4

with monthly household income between RM3,971 to RM4,850 (Department of Statistics Malaysia, 2020b). However, B40 does not represent the absolute poverty as it is only a subset of the B40 group.

### 1.7.7 B40 Entrepreneurs

A B40 entrepreneur refers to an entrepreneur who makes up the lower 40% of the income distribution in Malaysia (Jalil, 2022; Mohamad Nasir et al., 2022). B40 entrepreneurs are usually involved in small and micro enterprises and low-added-value sectors such as manufacturing, wholesale, retail, and transportation (Siwar et al., 2019). In this study, a B40 entrepreneur is an individual with monthly household income below RM4,850, and is involved in microenterprises, operating a low-added value business sector, and facing various challenges in business start-up and operations.

### 1.7.8 Entrepreneur

Cantillon (1755) defined an entrepreneur as someone who purchases a known-priced raw material in order to sell it for an undetermined price while Schumpeter (1934) pointed out that an entrepreneur is an innovator and the driving force behind the economy's exponential growth as a result of the process of creative destruction. In this research, the definition used is based on Filion (2021), who stated that an entrepreneur is defined as a person who identifies entrepreneurial opportunities, makes moderately risky decisions with the intention of innovating, and takes action to implement a differentiated vision that adds value.

### 1.7.9 Entrepreneurial Individual

An entrepreneurial individual is a person who assumes personal responsibility for developing and executing a new business (Morris et al., 1994). The entrepreneurial orientation (innovativeness, proactiveness and risk-taking) and motivation are measured on an individual's level (Koe, 2016): thus it is considered as the dimensions of the entrepreneurial individual. This study thus defines an entrepreneurial individual as someone who possesses personal factors which consist of entrepreneurial traits and motivation which influence an entrepreneur to form, lead and nurture the business.

#### 1.7.10 Microentrepreneurs

Microentrepreneur is classified as either self-employed or an owner of a micro enterprise (Ribas, 2020; Blanchflower & Oswald, 1998). In the research context, microentrepreneurs are individuals who manage microenterprises with a small workforce.

#### 1.7.11 Microenterprises

Hayelom Abrha Meressa (2020) describes a microenterprise as a small-scale business that typically employs a small number of individuals and has low capital expenditures. Similarly, Munoz et al. (2015) define a microenterprise as a small business that typically employs fewer than ten individuals and has a modest level of investment capital. These enterprises frequently belong to the informal sector and are the primary source of income for a substantial portion of the population in the developing nations

(Levitsky, 1989; M. Sharma et al., 1990). In Malaysia, micro-enterprises refer to small-scale businesses with a sales turnover of less than RM300,000 or employees of less than five (SME Corporation Malaysia, 2023).

### **1.7.12 Organizational Context**

Organisations can be seen as the context in which entrepreneurship takes place (Stam & Welter, 2020). Specifically, organisational context refers to the specific attributes of a company, such as its size, level of centralization, degree of formalisation, and managerial structure (Heverin & Zach, 2012). Organizational context can range from sole proprietors to self-sufficient businesses (Morris et al., 1994). In this research, apart from the ownership structure, the organizational context is also measured by sectoral choice.

### **1.7.13 Poverty**

In Malaysia, the poverty level is measured in two ways; Poverty Line Income (PLI) and the Multidimensional Poverty Index (MPI). In this research, by looking at the PLI measurement, poverty is measured at RM2,208 nationally, RM1,020 for Sarawak, and RM1,180 for Sabah. Those with monthly incomes below these levels are considered poor (Ministry of Economic Affairs Malaysia, 2019).



#### 1.7.14 Productive

The term “productive” from the perspective of cash transfer’s outcome is associated with the investment of impoverished households in activities or asset using cash transfer which enables them to establish sustainable sources of income (Njuga et al., 2022). Hence, given that cash transfer programs possess the capacity to be utilised for productive endeavours, such as entrepreneurship (Biscaye et al., 2017), the term “productive” in this study refers to cash transfer usage for entrepreneurship purposes. Conversely, non-productive refers to the conventional method of offering financial assistance to vulnerable people, without considering their capacity to stimulate entrepreneurship and foster economic growth.

#### 1.7.15 Resources

Resources encompass a variety of financial and non-financial assets (Morris et al., 1994). Meanwhile, Barney (1991) categorizes resources into intangible and tangible resources. Ultimately, this research measures resources by looking at the tangible (financial, raw materials, and physical location) and intangible resources (networks) as adapted from ( Khan et al., 2021).

#### 1.7.16 Supports

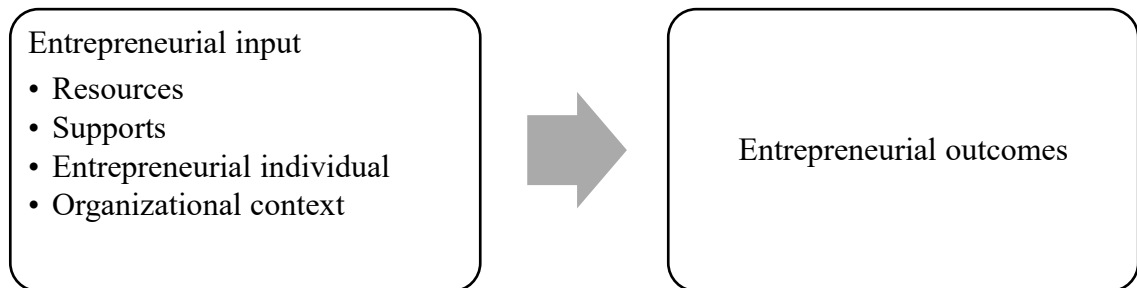
SME business support is the external supply of services designed to help SMEs maintain or enhance their effective business operations (Mallett, 2019). Other terms like entrepreneurship industry (Hunt & Kiefer, 2017), entrepreneurial environment

(Park et al., 2020), or entrepreneurial support ecosystem (Theodoraki & Messeghem, 2017) are used to group the business support components. Advisory support is considered as one ‘soft’ business support (Ramsden & Bennett, 2005), hence, this research measures support by looking at the regulation set through government policies and advisory services given by external parties.

## 1.8 Scope and Limitation of the Study

The scope of this study mainly aims to identify the chosen context of this research which will lead to the development of the CTBE model. Four elements were chosen to be the focal point of this study namely resources, supports, entrepreneurial individual, and organizational context. These four factors were adapted from the input-output model (Morris et al., 1994) and entrepreneurial ecosystem (Isenberg, 2011), as depicted in Figure 1.1. According to Morris et al. (1994), an individual entrepreneur refers to the individual who undertakes personal responsibility for conceptualizing and carrying out a new enterprise. Thus, this research discovered the entrepreneur’s attributes like traits and motivation. Other than that, the organizational context extends from a sole proprietorship to a self-sufficient business unit within a large corporation, while resources cover numerous financial and non-financial resources (Morris et al., 1994). Meanwhile, Isenberg (2011) listed supports as services given by government, professional, and non-government institutions in terms of legal, finance, infrastructure, and training. Many previous researches supported that business input could influence business performance. However, it requires long-term monitoring to identify whether the usage of household living aid in business could increase business performance.

Thus, this study focuses on developing the cash transfer-based entrepreneurship model by only investigating the entrepreneurial input.



*Figure 1.1. Scope of the Study*

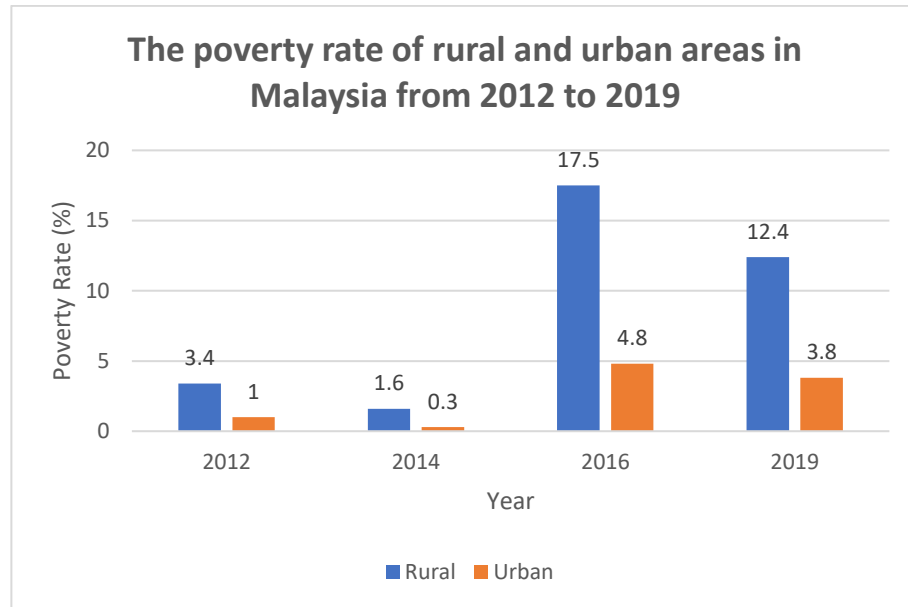
In addition, this study investigates the potential use of household living aid, a form of unconditional cash transfer for entrepreneurship. The unconditional cash transfer was chosen because it does not impose any conditions on recipients' behavior (Biscaye et al., 2017), the use is not subject to any restrictions (Yusuf, 2018), and it is common in low-income and developing countries (Loeser et al., 2021). Besides, most unconditional cash transfer program produces productive outcomes indicating that the freedom of usage can extend the benefits of a cash transfer like entrepreneurship.

Furthermore, this model is intended for B40 entrepreneurs to use as a guideline for their business operations since the household living aid can be utilized as additional or working capital. The B40 group was chosen because they were among the country's most vulnerable population that requires the government assistance through monetary and non-monetary support. As part of the efforts, the Malaysian government tries to promote entrepreneurship among them by initiating several entrepreneurial initiatives, including the car rebate program (Kumar, 2016) and People's Income Initiatives (IPR) (Bernama, 2023). Nevertheless, insufficient resources, especially financial capital,

could hamper them from pursuing the opportunities. Thus, the cash transfer-based entrepreneurship model using household living aid could serve as a guideline for B40 entrepreneurs to improve their businesses and take opportunities provided by the government.

### 1.8.1 Research Setting

Malaysia has been selected as the background setting for this study. The country is located near the equator and the climate is hot and humid throughout the year. It is also known to have a multiracial population in Southeast Asia. Moreover, Malaysia is known as an upper-middle-income country in East Asia and Southeast Asia, next to China and Thailand, by the World Bank (Pavon, 2019). The country is chosen because it is one of the developing countries where poverty is still an issue. Findings of this research this will provide a frame of reference for other emerging economies. Referring to Figure 1.2, the poverty rate had slightly declined in 2019. A dramatic increase in 2016 was due to the revision of the poverty line income in 2019 from RM980 to RM2,208 (Hirschmann, 2021). However, like any other country, the COVID-19 pandemic threatened the improvements made in the economic aspect.



*Figure 1.2.* The poverty rate of rural and urban areas in Malaysia from 2012-2019 (Hirschmann, 2021)

### 1.8.2 Unit of Analysis

Malaysian multicultural society is formed by three main ethnic groups namely the Malays, Chinese, and Indians. Hence, in this research, the multicultural demographic was presented by these three significant ethnicities. Table 1.1 shows that the Bumiputera ethnic group has the second lowest average monthly household income, RM6,127, compared with Chinese (RM8,371) and Indians (RM6,907). Additionally, the Malay represents the most significant population in Malaysia, consisting of more than 60% of the population (Department of Statistics Malaysia (DOSM), 2020).

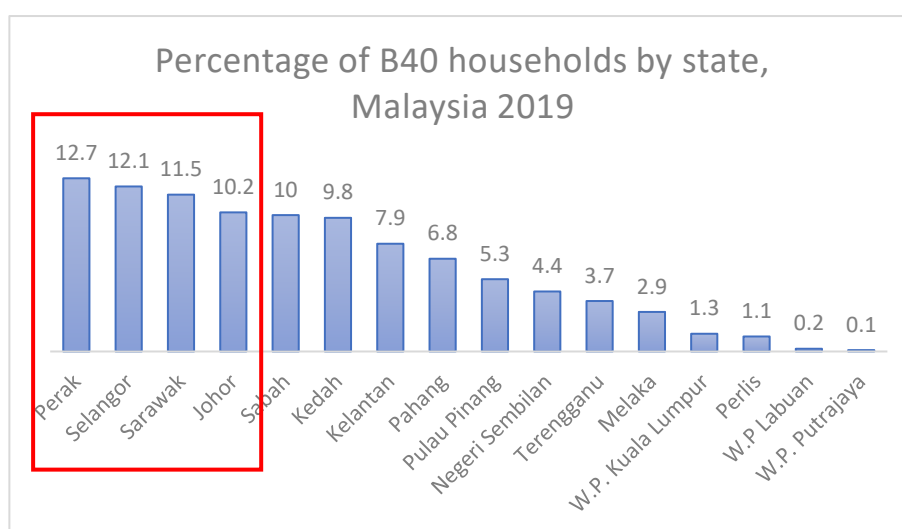
Table 1.1

*Average Monthly Household Disposable Income By Ethnic Group, Malaysia, 2019*

Ethnic group	RM
Bumiputera	6,127
Chinese	8,371
Indian	6,907
Others	5,239

Source: (DOSM, 2020)

Perak has the highest number of household income in the B40 group at 12.7%, followed by Selangor (12.1%), Sarawak (11.5%), and Johor (10.2%) (Jabatan Perangkaan Malaysia, 2020). Due to the logistic limitation, Sarawak is excluded from this study. For the purpose of this study, the respondents are limited to Perak, Selangor, and Johor.



*Figure 1.3. Percentage of B40 households by states in Malaysia 2019 (Department of Statistics Malaysia, 2020a)*

Furthermore, for the qualitative phase, microentrepreneurs aged between 18 to 50 years old were chosen as the sample. This is supported by Ribas (2019), which states



that the typical characteristics of entrepreneurs are found among those between 25 and 45 years old. In addition, the participants should be household living aid recipients with at least three years' experience in business. Moreover, in the quantitative phase, the observation unit will be the B40 entrepreneurs receiving household living aid.

## 1.9 Significance of Research

The theoretical basis and empirical research in cash transfer-based entrepreneurship may not have been completely developed. Thus, this research adds to the literature by expanding on the unconditional cash transfer-entrepreneurship relationship research.

Theoretically, this study aims to extend the literature by integrating entrepreneurship and cash transfer systems to develop an entrepreneurship framework for the B40. Hence, this study develops a conceptual framework by incorporating the household living aid. Previous research centred mainly in the microeconomics literature and focused on assessing the cash transfer program. Since entrepreneurship is part of economic resources, this research expands the knowledge of cash transfer outside the microeconomic framework. As a result, the study hopes to clarify the cash transfer contribution in the context of entrepreneurship. Besides, to date, attempts to integrate entrepreneurship and cash transfer in one framework are still unclear. Hence, this study embedded the entrepreneurship concept in the cash transfer system by referring to the established zakat and waqf entrepreneurship model.

Methodologically, this study took a different avenue by using the mixed method approach in developing the entrepreneurship model. It explores the mixed method





literature for the cash transfer study. At the same time, previous research in the literature focuses on descriptive studies like panel data and experiments (for example, Lichand (2010) and Ribas (2019)). Although the quantitative study provides descriptive data, it does not explore the underlying factors. Hence, this research began with an in-depth interview, and finally, to examine the model's generalizability, this study adopted the quantitative design. In addition, the lack of studies which address the issue of cash transfer-based entrepreneurship raises concerns regarding the availability of a valid and dependable scale to measure the dimensions. By exploring the elements of the cash transfer-based entrepreneurship, this study develops a new scale to measure the dimensions and verifies the validity and dependability of the measurement scales. In addition, the findings provide a comprehensive and in-depth explanation of the elements of the cash transfer-based entrepreneurship in forming the entrepreneurship model using household living aid. Thus, the validated scales would add to the repository of entrepreneurship metrics for researchers to use confidently to understand cash transfer-based entrepreneurship dimensions.

Given the scarcity of empirical research investigating the elements of cash transfer-based entrepreneurship, this research broadens the insight into the conceptualization and operationalization of cash transfer-based entrepreneurship. Specifically, this research empirically explains the elements of cash transfer-based entrepreneurship and validates the measurement scale used. Furthermore, the outcome of this study provides an alternative to zakat, waqf, and another entrepreneurship models for the underprivileged. The cash transfer-based entrepreneurship model is more practical due to the accessibility of the fund. It encompasses all the citizens in a country regardless of religious belief or ethnicity. Unlike micro-financed or debt-







financed businesses, the recipients do not have to pay back the money. Moreover, this study investigates the practicality of the household living aid as the business capital for micro businesses. Additionally, this study will provide an empirical explanation for the influence of cash transfers on entrepreneurship.

Lastly, governments in many countries face difficulties assessing and embedding entrepreneurship in the cash transfer distribution framework for the disadvantaged (Gobin et al., 2017; Ribas, 2020). It has been highlighted that such difficulties are primarily driven by the unsustainable, incomprehensive, and unclear cash transfer program (The World Bank, 2020). Provided that this research investigates the elements of cash transfer-based entrepreneurship, it may provide accurate and comprehensive guidance on how governments can assess the suitability and tendency of the B40 involvement in entrepreneurship. In the end, this study will benefit the B40 group and the household living aid recipients by providing a framework for the government to incorporate entrepreneurship in the cash transfer distribution system. To the B40 entrepreneurs, the cash transfer-based entrepreneurship model may provide them guidance in utilizing household living aid for business ventures. Hence, the B40 may be able to improve household income and alleviate poverty in the long run. This is aligned with the sustainable development goal (SDG) 1, which aims to end poverty in the world, of which the action plan includes improving access to sustainable livelihoods, entrepreneurial opportunities, and productive resources (*United Nation: Sustainable Development*, 2021). Table 1.2 summarizes the contributions of this research.





Table 1.2

*Contributions of This Research*

Area of research contribution	Level of contribution	
	Replication	Extension
	Conceptual	<ul style="list-style-type: none"> <li>Clarify the relationship between cash transfer and entrepreneurship</li> <li>Develop an entrepreneurship model using household living aid (cash transfer-based entrepreneurship model)</li> <li>Producing a conceptual framework incorporating household living aid in the cash transfer distribution system</li> </ul>
	Methodological	<ul style="list-style-type: none"> <li>Utilizing mixed methods to explore the elements of CTBE and confirm the factors</li> <li>Development of a new scale for measuring the CTBE model</li> <li>Verify the validity and reliability of scales to measure dimensions of the CTBE model</li> </ul>
	Empirical	<ul style="list-style-type: none"> <li>Verify the practicality of household living aid as the business capital for micro business</li> <li>Clarify the dimensions of the CTBE</li> <li>Develop a cash transfer-based entrepreneurship model</li> </ul>

*(continue)*

Table 1.2 (continued)

Area of research contribution	Level of contribution	
	Replication	Extension
	Managerial	<ul style="list-style-type: none"> <li>• Provide a tool to assess the suitability and tendency of the B40 involvement in the entrepreneurship</li> <li>• Produce a cash transfer-based entrepreneurship model using household living aid</li> </ul>

### 1.10 Research Structure

This research is separated into five chapters. Chapter 1 introduces the issue associated with the investigated topic and explains the research's central concept. The second chapter examines the pertinent literature on cash transfer-based entrepreneurship and the underlying concepts to be incorporated into the conceptual framework. The third chapter describes the methodology utilized to answer the research questions. Chapter 4 is divided into two sections that present and interpret the findings from the exploratory and confirmatory phases of the research. Chapter 5 discusses the primary finding of the research, identifies its limitations and implications, offers suggestions for future research, and draws conclusions.

### 1.11 Summary

This chapter has introduced an outline of the research with an overview of the research background and the justification of the gap in theory and practice, which led to the

identification of the research objective and research questions. Next, the operational definition, scope of research, significance of the research, and overall structure of the research has been addressed. The subsequent chapter provides a discussion of the existing literature and a thorough explanation of the underlying theories and conceptual framework.