Exploring the prospects and challenges for entrepreneurship among rural small island community in Sabah, Malaysia

Noor Fzlinda Fabeil 1,2,* , Roslinah Mahmud 1,2, Janice Nga Lay Hui 1,2, Rasid Mail 1,2

1 Faculty of Business, Economics and Accountancy, Universiti Malaysia Sabah, Jalan UMS, 88400 Kota Kinabalu, Sabah, Malaysia  
2 Small Island Research Centre, Universiti Malaysia Sabah, Jalan UMS, 88400 Kota Kinabalu, Sabah, Malaysia

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In developing countries, especially in rural areas, the role of entrepreneurship has been viewed more crucially as a key strategy to combat poverty. Thus, the Malaysian government has been promoting entrepreneurship in rural areas including the small islands, by encouraging them to earn their income from small scale business activities by making good use of their diverse local resources and cultures. However, despite various entrepreneurial development initiatives that have been provided by the government, there is still low involvement among local community in entrepreneurial activities. In addition, relatively little has been focused on entrepreneurial opportunities on islands where problems tend to be different due to constraint environment in terms of access to infrastructure, market and supply of resources. Therefore, this study investigates among the local people in Mantanani Island, the challenges and prospects for entrepreneurial activity. Specifically, it asks their opinion on ‘what stimulates and hinders a person to start a business in the island. Personal observation and small-scale semi-structured face-to-face interviews were conducted with 60 local people of Mantanani Island. The results were presented in Ishikawa Fishbone Diagram, which include several internal and external factors that influence and hinder small business start-up. This study hopes to contribute to the entrepreneurial development organisations (EDOs) on effective support policies for rural island community involvement in entrepreneurship.

Keywords: Entrepreneurship, small business start-up, rural island, Sabah

1. Introduction

This study investigates from the personal point of view of local community in Mantanani Island, Sabah, Malaysia, the challenges and prospects for entrepreneurship in the island. Inspired by the different conceptualisations from the period of early economic models until the modern era, entrepreneurship can be defined as an activity of commercialisation of new ideas [1] by individual who owns and manage enterprises [2] and who possess specific aptitudes [3] like independence, risk

* Corresponding author.
E-mail address: fzlinda@ums.edu.my (Noor Fzlinda Fabeil)
taking, innovation, creativity and opportunism, and whose behaviour and processes are also shaped by environment context, including social and financial institutions, government agencies, and education institutions, for continuous economic growth [4][5]. In a nutshell, entrepreneurship is a process of changing the social and economic resources for commercialisation to gain income at various level of economy, i.e. micro (individual) and macro (firm and national) level. The role of entrepreneurship in rural areas has always been viewed by social scientist as the agent for poverty eradication and employment opportunities. Many previous studies of rural entrepreneurship have been investigated entrepreneurs in the inland or in sub-urban areas [6-8], but there is still lack of studies of entrepreneurship opportunities in small island state, especially on the issues and prospects perceived by the local people or potential entrepreneurs. Although, some authors have focused on start-up success among entrepreneurs [9], while others have studied on socio-culture influences on economic activities [10]. Notwithstanding, it is acknowledged from the literature that small island state experience much less infrastructure support and access to resources compared with those in mainland or larger state, and may also have different motivations and challenges for business start-up and success. These differences suggested a need to study the local people in Mantanani Island, Sabah from their personal point of view, the challenges and prospects for entrepreneurial activities in the small island.

Mantanani Island is well-known as one of the small islands in Sabah, Malaysia for its potential tourism-based economic activities due to its scenic island and unique culture as the main tourist attractions, including the natural endowments [10-11]. It is famous for its name as ‘pearl of Sabah’, thus, has been frequently visited by the local and international tourists, as well as the government and non-government agencies for their corporate social responsibility (CSR) program and outdoor recreational activities. Majority of the community in Mantanani Island are from the Bajau Ubian ethnic group. Currently, the island is populated by more than 1,000 people, with 150 families approximately resides in the island. The men are actively involved as fishermen, while others especially the women, are involved in homestay program under the villagers’ initiative and also supported by the Ministry of Tourism and Culture Malaysia (MOTAC). Besides, they also involve in small-scale downstream business like making salted fish, handicraft making, selling fresh coconuts and operating small retail shop. Figure 1 shows some of the small economic activities in the island.

The Malaysian government has been intensifying the rural people to involve in homestay program, handicraft making, and native processed food, as the appropriate means to improve their
socio-economic status [11]. Nevertheless, from the observation and informal conversation with the village leader, only few of them involve in entrepreneurial activity as full-time, in fact most of them rather like to work at the nearby resorts or at companies in the inland. It is crucial to investigate what makes an individual start (or not) a business, particularly to people in remote small island state. Hence, a structured face-to-face interview was conducted with the local people in Mantanani Island, in order to gather their point of view on the challenges and prospects for entrepreneurial activities in the island.

2. Literature Review

Greater studies have contended that the rate of development for small enterprise in rural area is lower compared to urban areas because they are exposed to a greater range of challenges due to the constraint environments [6,7,12]. Some of the challenges that have been always mentioned in the literature include lack of training and support, as well as lack of access to capital resources and manpower to start and grow a business. Thus, the involvement of community in the rural area into entrepreneurial activity is less compared to in the urban areas. Some authors agreed that starting up and operating a business in rural small island state face greater challenges than in the larger inland state [9].

In Malaysia, particularly in rural areas, through endogenous growth strategies, various programs have been initiated by the government which aims to encourage rural entrepreneurs to convert the available natural resources in their district/village, using local experts and their creativity, to produce resource-based and cultural-based products for commercialisation [13]. Under the One District One Product (ODOP) for example, the rural communities are facilitated with advisory services and technical training, which aim to develop their business knowledge and interest towards commercialisation for community-based tourism production, like homestay, handicrafts and local food. Nevertheless, despite the government’s aim to encourage formal involvement in entrepreneurial activity, through financial and technical supports it has put in place, there is still low involvement of community in rural areas into entrepreneurship, especially in small island state.

Analyses of past literature on entrepreneurship rural area lend some insights that beside personal characteristics, the external factors also play important role to successful start-up. For example, two influential factors which are often mentioned in the literature are government assistance for entrepreneurial development [13-15] and social/family support [7, 16-17]. Nevertheless, internal factors like personality traits, skills and motivations are also found to contribute to entrepreneurial activity. Among the personality traits that first proposed by the early works of McClelland [18] and Brockhaus and Horwitz [19] namely self-achievement, personal control and risk taking tendency. These traits have always been found to play strong impact to successful entrepreneurs.

Previous studies found that government support was critical for entrepreneurial development in rural areas, for example in the form of subsidised equipment, and business or technical assistance [14][20]. Likewise, another study has also found that training or education in relating to how to start a business is one of the key success factors for to nascent entrepreneurs in rural area [13]. A number of studies mentioned lack of skilled labour as one of the main reasons why small enterprises in rural areas are not so well developed compared with those in urban areas [21]. Nevertheless, previous studies on reasons for business start-up also found that “non-financial goals” as important, for instance, personal pleasure, freedom [22], to preserve local tradition [12] or to sustain the native’s cultural identity [23]. These findings emphasise the importance of taking into account entrepreneurs’ goals or motivations when deciding to involve in entrepreneurship.
Overall, it is found in the literature that government assistance like facilities/infrastructure, especially access to resources (financial, technical knowledge and skill), family supports, and personal goals or motivations have particular influence on the involvement of an individual in entrepreneurial activity. Nevertheless, much is still unknown about the nature of these influences, for example, the significance and impact of each factors towards different community and native. For example, family and friends might not be the main sources of support to community in rural areas to start a business, whereas government agencies might become more important sources of technical and knowledge support to them. Therefore, the current research needs to explore further empirically, the challenges and prospects that may be important from the perspective of the local community for them to involve in entrepreneurial activity.

3. Research Approach

The objective of the study is to obtain personal perspectives of local people in Mantanani Island about what influences (or hinders) them to venture a business in the island. Specifically, this study aims to identify the prospects and challenges for entrepreneurship in Mantanani Island. Relevant studies on entrepreneurship inspiration have been carried out by many scholars using two main approaches, (i) subjective perceptions by entrepreneurs about why they act as they do and (ii) quantitative scales to measure the extent to which entrepreneurs have certain motives or reasons behind their intentions [24]. Therefore, this study has considered gathering the data befitting the objectives through survey and observation to gather respondents’ perceptions.

The study involved 60 respondents among the local community of Mantanani Island, regardless whether they own a business or not. All interviews were conducted in Malay language using structured questionnaire. The questions included dichotomous (demographic background and perceptions on motivation to involve in entrepreneurship) and open-ended questions (perceptions on what influences and hinders entrepreneurial activities in the island). The samples were chosen conveniently from the list of 150 households provided by the village leader and the selection of the samples then were based on the availability and willingness of the respondents to be interviewed for the study. Altogether, 60 households were successfully approached by the researcher which led to 60 respondents whom are among the representative of the family, mainly the men, who are also the bread-winner in the family. All quantitative data then were analysed using simple descriptive analysis, while the qualitative data were coded and categorised manually which then were tabulated appropriately in the cause-and-effect diagram, to present the challenges and prospect for entrepreneurial activity.

4. Results and Discussion

4.1 Respondents’ Profile

A total of 60 respondents among the local community of Mantanani Island involved in the study. The respondents are mainly the male (64 percent), half were among the youth aged below 40 (51 percent), followed by 30 percent of them at middle age, and 19 percent were matured group, aged over 50 years. In terms of respondents’ education background, almost half of the respondents finished high school (46 percent), followed by 31 percent completed their primary school, 19 percent have no formal education and only few have a certificate or diploma. More than half of respondents have a household of 4 to 6 people (56.7 percent) and 28.3 percent of households have more than 7 people. In terms of occupation, nearly three-quarter of the respondents earned fixed income, with 30 percent of them work as fishermen (30 percent), followed by resort workers (26 percent), paid for
odd jobs (20 percent) and homestay operator (12 percent). There are also respondents who are involved with their own businesses such as operating a small retail shop and as a school teacher in the island. In terms of income, more than half of respondents (53 percent) mentioned they receive incomes between RM 501 to RM 1,000 per month, 31 percent of them earn RM 500 and less, while only a small number have an income exceeding RM 2,000. It can be said, in terms of income, the respondents involved in this study can be considered as ‘poor’ as their average monthly income is less than the poverty line income of RM 1,050 per month for Sabah as reported by the Household Income Survey [25].

4.2 Challenges and Prospects for Entrepreneurship in Mantanani Island

The outcome from the observations and respondents’ comments related to entrepreneurship opportunities in Mantanani Island were analysed qualitatively using cause-and-effect analysis. In this analysis, all relevant data on internal and external factors to entrepreneurial opportunities in Mantanani Island were categorized into challenges and prospects. Figure 2 presents the analysis of internal and external challenges and prospects for entrepreneurial activities in Mantanani Island.

![Fig. 2. Analysis of challenges and prospect for entrepreneurship in Mantanani Island](image)

Many studies of entrepreneurial behaviour have been concerned with identifying factors that influence start-up intention, predominantly person-related factors like demographic and psychological traits [18][26][27]. There is a growing interest in other studies which not only focus on internal forces as predictors of entrepreneurial behaviour, but other variables external to a person, for example, the level of support of government agencies in terms of provision of subsidies of raw materials, production space and training facilities [28][13] and the role of family and friends in providing access to resources, access to new markets and skills [29][30]. The current research draws from both types of study to investigate the challenges and prospects for entrepreneurial opportunities in Mantanani Island from both internal and external contexts.

The results portray respondent’s perceptions regarding motivating (prospects) and inhibiting (challenges) factors for entrepreneurial start-up in the island. It is found that in terms of factors that perceived as challenges to respondents, the external support seemed to be regarded as the main hindrance to get involved in entrepreneurial activities. Mainly respondents mentioned unsatisfactory physical infrastructure especially the lifeline facilities, lack of capital resources especially the
financial, source of labour and lack of support and assistance from related institutions for entrepreneurial development, as well as the uncertainty and security in the island due to exposure to natural disaster and land invasion from the neighbouring island. The surveyed respondents have expressed their expectations and hopes to have better physical infrastructure in the island in order to encourage more community involvement in entrepreneurial activity. In relating to internal factors, respondents mentioned lack of favourable personality traits like passion and self-confidence as well as lack of business skill as the challenges to an individual to start a business in the island.

Since larger proportion of the respondents are youth, these results are consistent with findings reported by Sabah Youth Development Strategic Plan 2016-2020 which involved 1,068 respondents throughout Sabah [31]. The study reported that most of the respondents who have involved in business said they take up a business because they have passion to do it. Furthermore, the study also found that youth in rural areas are more interested in going into business compared to salaried jobs. Therefore, the community of Mantanani Island, especially the youth should be channeled to the appropriate development and motivational efforts in order to boost their self-confidence and knowledge. Interestingly, previous studies on youth entrepreneurship has also found that some of the youths interviewed proposed several entrepreneurship development programs and activities for them, namely entrepreneurship fair, carnival, exposition, workshop and simulation courses, that may instill their entrepreneurial spirit and interest [31].

As depicted in Figure 2, the most mentioned factors that perceived as prospects for entrepreneurial start-up by the respondents in the island is the internal influences. This includes the perceived rewards they might receive from taking up a business, such as able to enjoy decent income, able to create jobs to local people and able to preserve their culture. Besides, some respondents have also mentioned about the importance of having collaborative community in order to pursue entrepreneurial activities in the island. According to them, this can be achieved through collective work that they currently have in the island, such as fishermen association, homestay program and salted fish business community. Besides, the personal talents like boat making, handicraft making, salted fish processing skill and tour guiding that possessed by local people in the island was also perceived as prospects by some of the respondents. They believe, through collective work, having personal talents and supportive village chief, all business activities can be done successfully. In addition, the beauty of local culture and natural resources that Mantanani Island have also mentioned by some respondents as the opportunities for entrepreneurial activities. Mantanani Island is popular with its local language, traditional custom and history, for example traditional dance and a tale of dugong fish (the Malay Mermaid).

The study also found that some respondents believed that having good networking with regular visitors, including the tourists, non-government agencies, university students and researchers may help them to generate ideas for start-up. West et al. [32] in their research on the impact of knowledge resources on start-up performance suggest that knowledge and information gained through networking with other people and agencies in business can lead to successful entrepreneurial start-up. Some respondents mentioned that creating good network with local and international institutions who regularly come to the island for CSR activities, as the opportunity for future market via good word-of-mouth. Some respondents also perceived that the existence of few nearby resorts in the island provide opportunities for new business start-up to the local people for example local food, craft-based, and cultural-based or to become as tour guide in the village. Based on author’s personal observation, its scenic island and marine resources can be the source for small downstream business activities, such as handicraft, salted fish, fish crisp, coconut-based product like jelly, ice-cream and virgin coconut oil. This business opportunities have been realised by the village chief,
however, there is still low involvement of this kind of business activities in the island. It is found from the study that most respondents believed that lack of external supports especially in terms of physical infrastructure, access to financial and technical supports as the main challenges for entrepreneurial activities in the island.

5. Conclusion

This paper presents an exploratory investigation on the prospects and challenges for entrepreneurial activities in Mantanani Island, one of the rural small island in Sabah, Malaysia. The interviews conducted in this study were quite exploratory in nature and the findings limited to the evidence provided by 60 handicraft entrepreneurs. Nevertheless, the data provided considerable detail which assisted in developing initial entrepreneurial development supports for rural small island community. Overall, this study found that the list of items under prospects category, is more visible than the challenges encountered from the observation and interviews. Among the key internal factors that provide opportunities for entrepreneurial activities in Mantanani Island are its wealth natural resources, community, culture and the natural skills of the local community. Meanwhile, the external factors like receiving regular visit from students and non-government organisations, listed as a tourist attraction place in Sabah tourism calendar, small-scale of downstream business and also the growing numbers of resorts on the island, should be treated as valuable opportunities by the community through entrepreneurial activity. These strengths and opportunities may contribute to the development of small business by local community like homestay, retailing, and local food processing such as salted fish, fish crackers, village tour guide, restaurants, and event management such as handicraft and boat making demonstration, and cultural performances. Although the observation found some challenges that may hinder the involvement of the community in entrepreneurial activity, it is not something that are impossible to be addressed or treated, for instance, self-motivation can be fostered through appropriate business courses or workshop by local successful entrepreneurs or related institutions. Whereas in relating to unsatisfactory physical infrastructure, it should be tackled by the government as well as to provide support for new start-up, especially in terms of financial capital, equipment and raw materials. The growing number of resorts on the island should also be treated as a trigger for more new business ideas among youth of Mantanani Island, for example, to start a tourist guide agency, local cuisine restaurant, souvenir shops and handicrafts, selling coconut-based drinks or dessert and the like. These businesses do not only provide income to the entrepreneur, but also create employment opportunities for the local community.

In addition, the study also suggests that financial capital is not the paramount factor for rural community involvement in entrepreneurial activity, but, personal factors such as a lack of passion and lack of self-confidence, as well as the external factors such as access to government support for physical infrastructure seem to play an important role in promoting the development of entrepreneurship in Mantanani Island. These findings are consistent with several previous studies in the field of micro-enterprises in rural areas, where financial motive is not the main factor that drives rural community to venture a business. Other factors like to achieve own satisfaction, to grab opportunities [22][33], government support and infrastructure [6, 8, 12] was found to be important reasons for the development of entrepreneurial activities in rural areas. In a nutshell, community of Mantanani Island has the potential to take up entrepreneurial activity because of the fascinating features of the natural resources and culture they possess. The tourism-based entrepreneurial activities such as homestay, handicraft, cultural and heritage event or seafood restaurant were able
to give decent revenue to the local economy. The awareness of the importance of using the local resources and culture to develop business idea should be instilled among the people of Mantanani Island, especially among the youth, in order to raise the standard of living and the local economy of the community. Overall, the small-scale interviews conducted in this study were quite exploratory in nature tough structured and the development of propositions limited to the perceptions of 60 residents in the island. Nevertheless, it is believed that the data provided considerable detail which assisted in developing initial factors for entrepreneurial start-up in rural areas to be used in the development of comprehensive questionnaire for large-scale survey in the future.

References


