

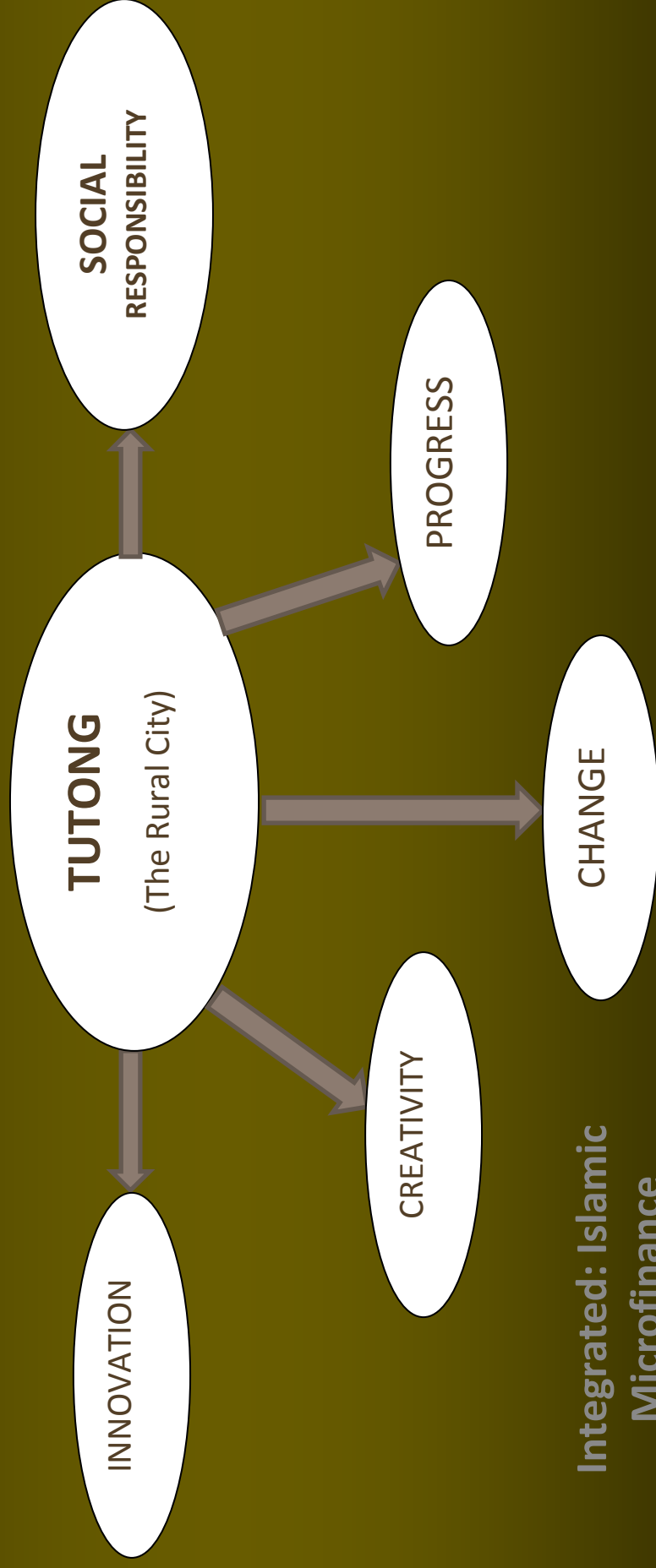
Islamic Microfinance Project Enterprises

Tutong District: Managing the challenges

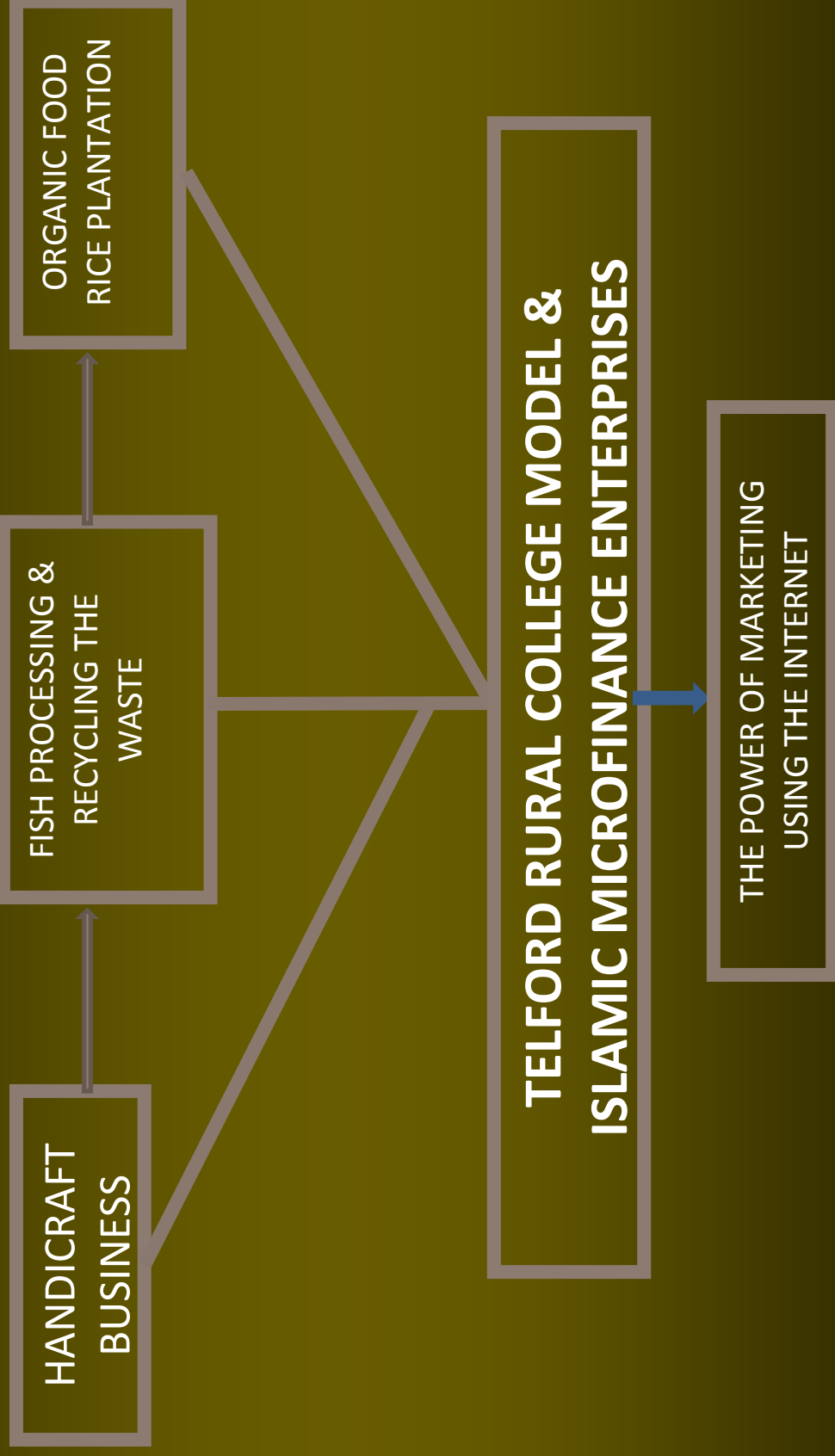


TUTONG: 'The New Vision'

The Rural City of Innovation, Creativity & Social Responsibility



SHORT & MEDIUM STRATEGIC PLANNING



Reality

- Socioeconomic indicator
- Unemployment rate
- The importance of Tutong district.

Tutong District: Managing the challenges

- Introduction
- Vision
- Reality
- Future

Unemployment Rate

Unemployment	2003	2004 (Revised)	2005 (Provision)
Male	3,100	2,600	3,000
Female	4,000	3,200	4,200
Total	7,100	5,800	7,200
Unemployment Rate (%)	4.5%	3.5%	4.3%

The figures above is based on registered job seekers at the Labour Department.
Source: Department of Statistics, Department of Economic Planning and Development, Prime Minister's Office

The Importance of Tutong District

- Tutong District (TD) has a great potential in agriculture development, fishing and forestry industry.
- It has also potential in handicraft that requires attention by Masters students to examine.
- TD has various projects such as the coffee plantation at Kampong Bukit Udal, Tapioca and Cinnamon Farms at Kampong Sinaut that require further assessment.
- Resource Centre was established and various training programs were conducted.
- TD has small number of farmers who grow rice, vegetable and fruits.
- At Sinaut Agricultural Training Centre various SME programs are already underway to help local economy to grow.

Expected Results

- Islamic project financing at the grass roots is important to the economy and we are keen to implement some Islamic financial instruments by applying either interest free loan (Qard Al-Hasana) or Mudarabah and Musharakah financing, Salam financing in order the district and its people.
- Master students will gain practical experience by applying what they have learnt in the class in terms of the Islamic financial instruments.
- We want students to be well versed in Shariah financial concepts.

Socioeconomic Indicator

1. Poverty is not a subject which is readily discussed as part of banking and finance nor in the media, where the focus is on matters such as Sukuk issuances and Initial Public Offerings (IPOs). It is even least raised as a public topic in Brunei Darussalam which is ranked one of the most highest per capita income (\$32,501) in the world based on IMF ranking for 2007. However, like most country in the world, there is poverty in this country which has to be addressed.
2. Recently, the government through its senior officials has started to address this social ill in the different forums either in workshops or seminars and is looking for practical solutions.

3. Today some government officials are looking for different models of poverty reduction from the neighbouring countries to be examined with the objective to be replicated in the country. But it is indeed hard to bring one model or any model and copy it here because the culture and values of people are different and so does the environment.
4. Government today is looking for practical solution that is drawn from Islamic Microfinance Project. This report can provide a few good directions for policy makers in their attempt to reduce the poverty problem. We are of the opinion that Salam financing (one of the Islamic financing instruments) has great potential to reduce poverty and if properly implemented it can lead to bring benefit to the underprivileged people in the community which ultimately improves economic development in the rural areas.

5. In this applied research, a group of students in Masters in Islamic Banking reports on the socioeconomic status of a handicraft community in the Tutong District whose average monthly income is not more than \$200.
6. The role of financial and government institutions are to help the poor in the economy is discussed next. The methodology of the survey is followed by analysis of the result of the survey. Problems and constraints of the survey are also discussed. The research concludes with recommendation on the financial services, which can help the handicraft producers in the Tutong District to alleviate their poverty.

Introduction

1. The aim of the project is to study the potential of cottage industry in the district in particular the production of local handicrafts. This study examines the socio-economic status of those involved in handicraft production including their awareness of financial support and the awareness of Islamic Micro financing as an alternative to existing financial products. Tutong District also has great potential in agricultural development, fishery and forestry as well as the handicraft industry.
2. Tutong District has an area of 1166sq.km making it the third largest district after Kuala Belait and Temburong. It has a population of 43,200 people living in eight Mukims namely Pekan Tutong (which is the main town), Keriam, Lamunin, Rambai, Tanjong Maya, Ukong and Telisai.

This research discusses two separate studies. The first is merely and exploratory study on the potentiality of Islamic Microfinance in the handicraft industry and second, an exercise on Islamic Microfinance in the Handicraft Industry. An objective of the research to be achieved is purely for gathering vital information for future in-depth studies among others.

- To study the potential of the cottage industry focusing on the production of local handicrafts in the Tutong District.
- To examine the current mechanism use by the subject community in the sale and promotion of their crafts.
- To gauge the level of assistance provided by the governmental and non-governmental bodies.
- To assess the socioeconomic status of the community involved in the production of the local handicrafts within the Tutong District.
- To gauge their awareness of financial support for their business cum livelihood.
- To assess their awareness of Islamic Microfinance as an alternative to existing financing provided by financial institutions.

This involved the introduction of the Tutong Handicrafts Producers to a new market in Bandar Seri Begawan. This serves as ground work research in terms of the community's social skills, business skills and networking.

3. Brunei Darussalam Economic Background

a. Oil & Gas

Brunei's economy is highly dependant on the production of oil and gas for the last 78 years. Brunei Darussalam is the fourteenth largest oil producer in the world and the fourth largest natural gas producer (Asia & Pacific, 1995). Regionally, its is the largest oil producer.

b. Population Structure

Description	Brunei-Muara	Belaait	Tutong	Temburong
By Area (square kilometre)	571	2,724	1,166	1,304
Total Population	255,600	61,800	43,200	9,500

c. Labour Force

Total Labour Force as of 2006 was 180,400 with unemployment rate estimated to be 4% (2006). However, there is no data as to which district has higher unemployment, which is significant to our studies. Out of the working population of 146,254, only about 20,945 are production craftsmen and related trade workers. Out of the 20,945 4,853 are Malays 3,301 are Chinese, 80 are indigenous groups and 11,992 are other groups (Brunei Statistical Yearbook 2003. These data are based on population census conducted in 2001. Further there is no specific description on the types of crafts involved and in which area those crafts are produced.

d. Brunei Small & Medium Enterprises (SMEs)

- i. As with other regional countries, Small and Medium Enterprises (SMEs) have always been advocated as a major building block in economic development. In the Brunei situation, it is expected to spearhead the economic diversification effort away from the Oil & Gas Industry which Brunei has totally dependent upon for the past 78 years.
- ii. SMEs are categorised into the micro industry (1 to 5 employees), small enterprises (6 to 50 employees), medium enterprises (51 and 100 employees) and large companies (more than 100 employees).
- iii. SMEs currently account for 98% of all active business enterprises in Brunei, and they provide approximately 92% of the country's private sector jobs. They also contribute a little more than two-thirds of the non-oil and gas sector's GDP.

- iv. There is no shortage of funding for SMEs from the government, as well as from the financial institutions in the country. Expenditure for 2007-2008 is about \$138 million which has been allocated to various agencies involved in the development of entrepreneurship programs across the country with the aim to widen the private sector base, increase local and regional competitiveness, and enhance the provision of business plans, financial planning and strategies.
- v. The challenges faced by SMEs are business sustainability and lack of local expertise. Brunei can emulate the best practices from its regional neighbours such as Asean, China, Japan and South Korea. The Asean Small & Medium Enterprise Agencies Working Group Meeting provide such forum.

- vi. The main issue for failure is usually attributed to the small local market and lack of understanding of the importance of strategic alliances in order to learn from others. Though there is a certain truth to this but in reality SMEs should focus more on how to attract this market with their products.
- vii. Other issues includes too many establishments offering the same products. The mushrooming of too many restaurants are good examples of lack of market intelligence and good understanding of the market dynamic which has resulted in the lack of market differentiation including the problem of selecting the right location of business. In short many entrepreneurs are ill-prepared to venture into businesses. With a market of less than half a million people, there is no wonder that in 2006, 114 businesses in the country were served bankruptcy adjudication orders. There were only 3 in 1996 (Brunei Times, 13 Dec 2007)

viii. Therefore, to survive in such market environment, entrepreneurs essentially required to be innovative and creative. Assuming a high level of personal integrity and adopting a strong capacity towards business management, especially financial discipline are equally essential since a true understanding and strict demonstration of financial discipline would always underpin a successful business.

e. Microfinance & Poverty Alleviation

- The traditional handicraft producers from the Tutong District are mostly in the moderate poor category that is self-employed and very hard working.
- Microfinance is already seen as a new paradigm for bringing about development and reducing poverty, which is ideal for the local traditional handicraft producers.
- In summary, poverty impacts of Microfinance include the following:
- Increases in incomes and investment in assets
- Reduction of vulnerability such as increased ability of the poor to cope with shocks and economic stress events.
- Improved personal financial management

- Being an Islamic country, Brunei would obviously prefer Islamic Microfinancing. Essentially the innovative format of operation of conventional microfinance is retained and orientated the programme towards Islamic principles and values
- There are several distinct differences between Islamic Microfinance as compared to Conventional Microfinance. With respect to funding, Islamic Microfinance generates funds from *Waqf* and *Zakat*. Conventional Microfinance assets are interest bearing debt whereas Islamic Microfinance asset comprises of different types of non-interest bearing financial instruments such *Qard Hassan*, *Bai Muajjal*, *Murabaha*, *Musharakah* and *Salam* Financing.
- As mentioned previously the clients of Microfinance are those from the moderately poor and as a result, the poorest section of the population such as the destitute and the extreme poor are left out. The reason for this is due to the diversion of funds by the very poor from productive activities to consumption and asset purchases. This results in lower return on investment and makes it difficult for the poor to repay the borrowings. Islamic Microfinance is able to manage this gap by combining financial services with *Zakah* and *Sadaqah* both are two important tools in Islamic Microfinance for fair and just redistribution income and growth.

- Under Conventional Microfinance, part of the principal is deducted immediately for different funds such as group and emergency funds. On top of this, borrower has to pay interest on the total amount borrowed. Under the mode of Islamic financing, such practice is not possible as no cash is handed out as only the goods required by the borrower are delivered. This will reduce
- the scope of diverting money for other uses. Group dynamic, which the core character of Microfinancing is being used differently in both types. In the event of any default, Conventional Microfinance uses group and peer pressure to collect whereas in Islamic Microfinance, the spirit of brotherhood, cooperation and mutual help are applied. This can be in the form of group guarantee or *kafalah* or providing *Qard Hasan* or interest-free loan the members who encounter repayment problems. Social development programmes in both types of Microfinancing also differ. Social programmes of Islamic Microfinance unlike the Conventional Microfinance is not secular in nature but introduced in the light of Islamic principles and values.

f. The power of Salam Financing (SF)

- Islamic Microfinance project enterprise (IMFPE) has the power to alleviate poverty at the grass roots level that requires hard work, competent and skill manpower and problem solver practitioners that what the sub-sector is lacking today. Therefore, our efforts will not end in SF but it could be the starting point for a long and efforts will not end in SF but it could be the starting point for a long and noble journey in life to realise through this mode of Islamic finance that is indeed is the pathway to achieve economic growth in the rural community.
- What is SF? It is a sale contract whereby the seller undertakes to supply some specific goods to buyer at a future date in exchange for advanced payment made at sport. At the same time of Prophet Muhammad (S.W.), this sale was intended to help small farmers or women in handicraft businesses who are struggling hard for cash money to enable them to create demands for their products that will lead to the development of proper line of production.

- The same is also true for the small farmers who lack financial resources to grow crops. Undoubtedly, receiving cash advancement to buy seeds and fertilisers, assisting the farmers to cultivate their lands to ensure the delivery of the commodity at future date. At the same time in return delivers the produces at specific times. Both farmers and financiers benefit from Salam because it is through this mode of financing price is lower at the spot price.
- According to Taqi Usmani, the basic purpose of Salam contract was to meet the needs of the small farmers who need money to grow their crops and to feed their family up to the time of harvest. We are keen in this article to explore the opportunity far beyond harvest that what we can do.

g. Exploratory study on the potentiality of Islamic Microfinance in the Handicraft industry.

Research Methodology

- The research was conducted by six students who are currently pursuing their Masters in Islamic Banking and Finance. The respondents were mainly handicraft producers from the Tutong district. Information was collected by way of personal interviews and completion of survey questionnaires.
- Personal interviews were conducted to clarify problems arising from the survey questionnaires and also to collect additional information not covered by survey questionnaires including verifying information which was deemed ambiguous.
- Survey questionnaire were designed to collect information relating to the respondents including their socio-economic status both at the individual and household level, financial status, business, skills and entrepreneurial knowledge, marketing of their products, level of education, credit information and awareness of financial support including awareness of Islamic Micro financing as an alternative to existing financing.

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- **Sample Population.** Sample population was provided with the assistance and participation of the Tutong District Office. The District Office supplied the project group with a list of 26 entrepreneurs, of which 17 were selected as they were involved in the handicraft producing business, the subject of this project.

The respondents were mostly from the far remote areas of Tutong District such as Lamunin, Ulu Tutong, Kampong Bukit, Long Tedion, Supon, Merimbun and Rambai. These areas are prone to flooding and inaccessible by motor vehicles.

h. Conduct of Study:

- Two different study trips were made to Tutong District.
- The first study conducted on 9th September 2007 was held at the Tutong District Office. Respondents were contacted by the District Office and transport was arranged to collect them at an agreed collection point to the District Office on that day. A majority of the respondents were residing in the remote areas without modern amenities and transportation. Information was collected by way of personal interview and completion of survey questionnaire form.
- Prior to the interviews, the focus group was given a briefing on the purpose and intention of the visit.
- Personal interviews were conducted by six students with two respondents assigned to each student. The interview session took about one hour. The number of respondents expected to attend the survey was 23. However, due the poor weather condition, only 12 respondents turned up. The other respondents were not able to attend as they were not able to come out of their villages due to floods.

- The first visit was subsequently followed up with another visit on 4th October 2007 to the new Tutong market. This later visit gave the Group a general first-hand view of how the respondents were conducting their businesses. Again information was also gathered by way of personal interviews and completion of survey questionnaire form at the place of business.

Problems and Limitation of the Field Survey

- There are a number of constraints faced by the Group during the exercise.
- Time constraints.**
- The local handicraft producers were not a homogenous group; they differ in types of handicraft they produced. They were from different ethnic groups such as Dusun and Ibans and they were from different kampongs or villages in the district.
- It would take more than a couple of study visits to truly understand their socio-economic positions, the ability and capability of these entrepreneurs to obtain financial support and to gauge their awareness of Islamic Microfinancing, or any mode of financing. Further, the success of the project depended upon the assistance provided by the Tutong District Office in contacting and transporting the respondents to the study centre (Tutong District Office). There might be some potential respondents who were not contacted by that office.

ii. Communication

- Communication was the major obstacle in conducting the interview and survey. Primarily, this was due to ethnic differences of the respondents resulting in a few having difficulties conversing in Malay. The respondents are simple people who are not well-educated. In fact, some of them are not even educated. Thus, their level of understanding on the purpose and intention of the Group may be lost in translation. Saad Al-Harran
2008

Results and Findings

- Despite the small sample, the study was able to gather adequate data and information for analysis. The result of the survey and interview can be summarized as follows:

Individual Level

- Most of the respondents were mainly married women aged over 40 years old. The survey results showed that 91.7% of respondents earned less than \$500 per month. The result of the interviews with the same respondents indicated that their average income was in fact much lower, ranging from \$100 to \$200 per month. Spouses were mostly dependents and could not supplement the respondents' income.

Household Level

- More than 40% of the respondents were heads of household. The size of the household ranged from 2 to 9 persons and a majority of the members were over 18 years old. Only one household had a disabled or elderly person. About 66% of the respondents have 2 to 4 persons actively involved in generating income. However, almost all respondents were either drop-outs from school or had no formal education and majority did not have children attending formal school.

Savings and Income

- About 58% of the respondents did not have any personal savings and in fact all had expenses of less than \$200 per month. All of the respondents stated that their average incomes were insufficient to cover their expenses. Surprisingly, more than 90% of the respondents owned houses that they stayed in. It is uncertain whether the classification of ownership is legal ownership or by virtue of possession. This shows that the matter is serious and requires serious attention by the policy makers in this country.

Business

- More than 91% of the respondents focused on handicraft production. 75% of the respondents started the business when they were under 21 years of age and had been in business for a period of between 5 to 10 years. 41.7% of the respondents took up handicraft production because of their limited skills. 41.7% took up handicraft production because of social and family influence. The rest took up handicraft production because of the lack of employment. All managed their production single-handedly or with the aid of unemployed family members. All respondents do not have any other source of income and 58.3% of the respondents stated that they require assistance from the government. There is no indication what sort of assistance is required however it is generally understood that hand-out is expected.

Community Framework

- Only about half of the respondents stated that they had electricity, water supplies and sewage system in their houses. The interview with respondents indicated that only those living in the remote areas were deprived of such facilities.
- On the question regarding income disparity within the community, all respondents stated that they were not sure of any disparity. This shows that the community there are simply minded and naïve and don't there rights.

Marketing

- 66.7% of the respondents interviewed market and sell their products without middleman or through any associations or cooperatives. Products were only sold within the district and they determined the pricing of their products of which they were completely satisfied.
- Common to all respondents, the transportation of goods to the market was inadequate. 75% of the respondents stated that the present facilities provided to them to market their products were not satisfactory. From the interviews and survey questionnaires, most of the respondents demanded better facilities in term of better transportation system, access roads, better marketing channels, good marketing agent and a suitable market.
- We are of the opinion that Salam financing is the answer to their daily struggle for sale their products.

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Finance and Credit Information

- About half of the respondents interviewed stated that they could not sustain their business. This is due to lack of finance and demands for their products. In fact all respondents stated that they do not possess any savings as they do not have adequate income to save. Majority of the respondents did not know about credit or financing facility offered by financial institutions nor even dealt with. Basically their knowledge of credit facilities offered by financial institutions is nil. It is a fact, that financial institution does not play any role in their life, infact financial institution seen as agencies are far reaching.
- The interviews highlighted the feeling of the respondents that it was impossible to obtain credit from any financial institutions be it Islamic or non-Islamic and as a result they were not even attempting to apply for any credit facility. In light of this, Islamic Banks has a moral and social responsibility to serve the community in order to ease their pain and suffering and have a major impact in their livelihood. This is a challenge for Islamic Institutions in Brunei Darussalam to go beyond not only to seek profit for the organization in light of the “*Maqasid of Shariah*” perspectives.

Business Potential

- 91.6% of the respondents stated that in the best month their income range from \$50 to \$600. However, in a bad month income is either nil or less than \$100. Most of the respondents were unsure as to whether their businesses would grow over the next 12 months. Most respondents highlighted the following constraints as the most important to the future development of their businesses.
 - Lack of marketing and promotion skills
 - Lack of market
 - Lack of capital / access to financing / appropriate financial product

Other Support

- Although Welfare assistance continued to be given to certain groups of the community including the unprivileged, old age and disabled person in the country, all respondents stated that they did not receive any assistance from the government and they were not aware of any assistance provided nor did they know about which government agency or department would provide assistance to them.

Interest Free Loan (Qard Al-Hasanah)

- As expected, all respondents did not have any knowledge of such facility. However, all have indicated their interest to obtain such a facility if available and 75% of the respondents stated that they would use it to expand their businesses. Others would use it to finance their children education.

Analysis of Results

- The result showed that the typical profile of the handicraft producer is married women aged over 40 years old with a meager income of about \$200 per month. With the lack of education and the lack of employment, most turned to handicraft production to supplement the household income given that most of their spouses were dependent. Additionally, skills were passed down from previous generation and influence from family members were the driving force towards this business.
- The standard of living of the handicraft producers are simple and require basic facilities and only those living in the remote areas are without basic facilities such as water and electricity supply.

Additionally, skills were passed down from previous generation and influence from family members were the driving force towards this business.

- The lack of knowledge about the usage and capacity to obtain financial assistance from the financial institutions and government departments or agencies prompted majority to resort to self-financing resulting in limitation in the growth of their businesses.
- The respondents have no problem in obtaining raw materials as the surrounding rainforest adequately supplies all the required resources. The only other input required is their labor. However, majority of the respondents highlighted the following constraints as the most important with regard to their future business operations.
 - a. Lack of marketing and promotion skills
 - b. Lack of market
 - c. Lack of capital / access to financing / appropriate financial product

- The two studies had shown that there were no problem with actual production of the handicraft which is basically contingent upon the supply of materials from the rainforest as well as the labor input and creativity of the respondents themselves. The greatest challenge would be how to expand their marketing and promotion efforts so that their products could be sold not only confined to within the district but to the rest of the country and if possible globally.

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- The other challenge is to develop financial support both with respect to financial product and usage so as to enable them to grow. With such meager income and the lack of appropriate collateral, no financial institutions would agree to lend them capital. The only possible financial support could be through *Qard Al-Hasanah* or interest free loan granted by government agencies.

Conclusions and Recommendations

- There are two challenges which must be met concurrently namely
- Producing a simple and effective marketing plan and strategies that can be easily replicated and understood by the handicraft producers. However, Salam Financing model can to certain extent provides some comfort on the sales of their wares.
- Identifying avenues of financial support both from the private and public sectors.
- Small successes in improving sales are important and will motivate the handicraft producers to be more creative and productive. Through greater exposure to the market, these producers will be able to gauge the type and quality of the products sought by the market. Thus, it is very crucial that different sales avenues have to be identified to improve sales. Initially, the local handicraft products have to be introduced to several target markets especially those with high concentration of Caucasians, expatriates and foreign tourists from outside this region as such groups have high affinity for locally produced handicrafts in particularly those utilizing materials from the rainforest.

A target market which has high concentration of Caucasians and expatriate includes International School gatherings and fairs, International Clubs and Diplomatic Mission functions. Those target markets with high concentration of tourists will be port of entry and hotels such as the Sheraton Hotel, Brunei Hotel and the Empire Hotel. Perhaps the Ministry of Industry and Primary Resources may assist to direct tour operators to promote only local handicrafts souvenirs instead of imported ones. This will add demand for the products of the Tutong handicrafts.

- It will be very tedious for the handicraft producers to move from one market to another to sell their products. Our recommendation is that there should be a legal entity to manage the daily sales and marketing effort leaving the production and creative development of new products to the handicraft producers themselves. Such legal entity can be a non-profit entity dedicated to serve this community. Of course management of this entity must always build trust with the handicraft producers and refrain from taking advantage of the poor and simple people. Further, the legal entity can protect any creative ideas as intellectual property. Where long-term planning is concerned, selling their products through the internet can reach customers on a global scale. The legal entity can ensure that a website is designed and operated to achieve the desired goals.

- *Qard Al-Hasanah* is another Islamic financing instrument primarily to serve the underprivileged. So far nothing can stop an Islamic Bank in extending help to the poor as the primary foundation of Islamic Banks require them to do so, which is to create a just and fair society by extending assistance to the poor and underprivileged. This can be done to their Zakah fund system whereby the Zakah Fund is utilized as a seed funding program for SME's development.
- The bank will therefore will have two advantages from this avenue, first is that they will be helping the underprivileged to sustain themselves financially to the creation of small businesses and secondly, it is good business sense for the Islamic bank as the loans issued are non interest bearing and no pressure for them in terms of performance.

- Another source of financial support could come from government grants and loans. The Ministry of Industry and Primary Resources can provide such facilities in conjunction with the Ministry of Welfare, Youth and Sport. Economic diversification need not have to come in the form of large corporations and manufacturing giants. Development of many small enterprises can also promote economic growth and primarily general employment for the poor and less privileged.
- Our recommendation is that the results of this study should be presented to the appropriate officers from both ministries in order first to create awareness of the problem and second to identify what financial support they can provide. This will require strong cooperation between the Centre for Islamic Banking, Finance and Management (CIBFM) and those ministries concerned with CIBFM playing the facilitating role at the initial stage.
- But the task of rural development is complex one that requires help from Consultancy Company whose professional staff should have wide experience in Small Businesses and international outlook. They need to work independently to produce tangible results so that the government can see real economic growth not only for this industry but far beyond the boundary of their scope.

Financial support from the private sector can come from private foundation such as the Yayasan Sultan Haji Hassanal Bolkiah Foundation, private corporations; service Clubs, wealthy and prominent individuals. To ensure good response from these private organizations, a responsive and transparent channel should be developed.

- The other source of financial support from the private sector is conventional banks. Some of these banks have allocated community development funds which can be tapped for this project.

Study No 2: An Exercise On Islamic Microfinancing In The Handicraft Industry

Introduction

- The objective of this exercise was to introduce the Tutong Handicraft producers to Bandar Seri Begawan market. The first project was to participate in the International School Car Boot Sale organized by the school's Parent Teachers Association (PTA). This is a bi-annual event for ISB PTA activities. Under this event, it was agreed that the place was ideal to introduce Tutong local handicrafts while at the same time helping to alleviate their monthly gross income.
- The introductory sale exercise is in line with what have been raised previously in the report for the second study visit to Tutong District on the 4th October 2007 whereby two distinct challenges have been identified (Strategic marketing and financing) that must be achieved concurrently.

- As stated earlier, these two challenges are:
 1. Producing a simple and effective marketing plan and strategies, which can be easily replicated and understood by the handicraft producers.
 2. Identifying avenues of financial support both from the private and public sectors.
- Through this initial sale project by introducing the Tutong handicraft producer community into the new markets, it was hoped that they would have the chance to improve their marketing and business skills through the sales of their handicraft products. In fact, any small successes in improving sale of their handicraft will motivate these handicraft producers to be more creative and productive in their goods.

Observations

i. Products:

- The handicraft products that were sold by Tutong Handcrafts community were of various varieties such as baskets of different sizes, pencil case, bowls, vase liked basket, mats, bags and pillows of different shapes.
- However, due to the lack of organization, products were not displayed properly and were left unattended. The women entrepreneurs were not keen on marketing their products and left the customers to choose and select the product they wanted. One main reason for this is the lack of communication between the customer and the seller, which is attributed to the language and social barriers.

ii. Target Market:

- The target market intended was foreigner's mainly British and Australian communities who are looking to buy gifts for Christmas. This is because Westerners appreciate Brunei local handicrafts simply because such items are difficult to find in the Brunei market. Most of the handicrafts shops in the Brunei-Muara Districts sell handicrafts primarily from Vietnam, Bangkok and China whereas handicrafts from Tutong are locally produce and handmade. Besides, Brunei local traditional handicrafts are made by the "Dusun" communities which are rarely available in the market.

iii. Pricing:

- The pricing of the handicrafts was relatively high as compared when they were sold at the Tutong Market. This might have cost the Tutong Handicraft producers many potential buyers because the first impression is very important in terms of price affordability of the local handicrafts. The need to take advantage of the opportunity by increasing their prices is premature at this stage and will not augment well for the producers. In fact, such act will only put customers off in the long run.

iv. Lack of Leadership

- The lack of leadership in the group results in dispersion of the members. There was not enough cohesion relating to pricing strategies and selling efforts. Many chose to sit by the place to chat rather than putting effort in promoting their produce or making sales simply because these women are naives and do not appreciate the importance of marketing and serving the customers.
- The relative small number of Caucasians there made most of the purchases to be given as gifts to their family members in their home countries or merely in appreciation of the products itself.

c. Recommendations

i Basic Business Training

- Definitely, there is a severe lack of training in sales and promotion within the group. Without such proper business skills, pricing and promotion strategies of their products, sales would be hampered and their business will never expand beyond what it is now. It is imperative to reach sustainability of the handicraft business, these group need to be empowered and trained within the respected areas.
- Micro entrepreneur empowerment program might take longer in terms of trying to train these women entrepreneur and producer to be financially independent. There are professional videos and books that can act as guide which can be had from some western development agencies like Fair Trade or Oxfam.

ii Innovative and Artistic Handicrafts.

- To be self-reliance among the handicrafts community, these women have to be more innovative in their products. No doubt, they have great talent and potential to succeed in the international market. However, they must come up with appropriate costing of their labor if they want to market their products locally or internationally. We think that the local and foreign market can appreciate these products if pricing is correct.
- Their handicraft skills can be enhanced through handicrafts workshops organized by local and foreign communities or learned through magazines and handicraft books that relate to this industry.
- Their finished products can then be advertised in local and foreign communities' magazine such as "Expats" or "Muhibbah" or BIG Magazines. This will certainly raise awareness of their products and creates marketability and depth.

iii Trade Fair Exposure Potential

- Exposing them to more frequent trading environment in a different market with the right target market and correct business and pricing strategies can help these community to be more innovative and develop their entrepreneurial skills in the long run. At this point, they are not ready and need a lot of assistance in every business aspects. We are of the opinion that Ministry of Industry and Primary Resources and Brunei Tourism need to include them for any international trade fair so there products will be known internally. Other Ministries and NGO's can contribute to their cause through sponsorships of booths and shop spaces so these handcrafters can produce their goods and sell them in Bandar Seri Begawan.

iv Potential website Design

- To enable these potential women entrepreneurs to succeed we are of the opinion that they need to get help to design website in order for them to market their products internationally through the World Wide Web. An independent entrepreneur needs to be appointed who will act as business agent, selling their product on their behalf.

v Use of Islamic Banking Financing – *Bai Salam*

- *Salam* is deemed appropriate to provide financing to the Tutong handicraft producers. *Salam* financing involves contracting the handicraft producers to produce handicraft which would be delivered at a fixed and agreed time in the future, whilst payment for the goods is paid upfront and at the time of contracting.
- This method will provide much needed cash for them to start production. A small advance of \$500 will be sufficient to enable buyers to secure their products delivery at a specific time.
- Of course, this method of financing requires high degree of trust between the producers and the buyers but the Tutong handicraft producers are simple people and have much integrity in conducting business.

d. Conclusion:

- Despite of all the difficulties and shortcomings of this experimental project during that rainy day Sunday 18th November 2007, the exercise has been a vital learning curve and unique experience for all of us.
- Implementing microfinance project is not an easy task; nevertheless it is and will be a rewarding mission in life. No doubt, changing the life of people from poverty to successful entrepreneurs requires hard work and commitment including a long-term vision for the poor to improve both themselves and their families' standard of living.
- The project needs proper planning, organization, strategies, monitoring, and follow up to make it a real success. The experimental project is indeed a learning curve for both students and entrepreneurs and it is hoped from the experiences both parties can learn from the shortcomings and improve accordingly.

- Despite of the heavy rain which had been continuous throughout the day and the highlight of the unexpected target markets, the entrepreneurs managed to sell most of their items and sale for that day reached to almost \$500.00.
- Leadership, long-term vision to succeed and good planning are very important in order to have a cohesive group and successful venture. This will no doubt improve selling efforts and management of the whole exercise. Pricing strategies and product development strategies are imperatives as to promote and sustainability of the handicraft business.

The Future

Objectives

- To assist in creating a new innovative line of production designs in order to diversify the products so that the women in Handicraft cottage industry in Tutong District can sell their products locally and internationally.
- To help promoting and marketing the handicraft products domestically (in collaboration with the relevant agencies)
- To assess the feasibility of developing a local Handicraft product website for international market.
- To direct them to Ministry of Industry and Primary Resources (and through Brunei Women Business Council) so that these women could involve in Trade Fair so their creative products could be exposed internationally.
- To further investigate the use of Islamic Financing instruments in the handicraft business.

Strategies

- To come out with a Market Research on the marketable handicraft designs so that the handicraft producers could make the kind of handicraft products that have demand by customers
- The 2nd cohort team members would also help in the giving ideas, designs and specification of the handicraft Products
- To collaborate with hotels and other avenues
- By using SWOT analysis (strength, weakness, opportunity, threat) of developing a website for handicraft and create a model layout of the website.

Strategies ...continued

- To liaise with Brunei Women Business Council so that their products could be exposed to any exhibition and expo organised by Ministry of Industry and Primary Resources.
- By interviewing the handicraft entrepreneurs on the use of Islamic financing instrument for their Handicraft business.
- End (Thank you for your attention)



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