

# Enabling Social Innovation in Malaysia



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## Country Snapshot

**Social innovation: "the processes and outcomes of developing novel approaches to address societal challenges facing people and planet." ↓**

This snapshot represents a descriptive, non-exhaustive overview of key highlights from Malaysia's social innovation ecosystem.

- ✓ Direct focus on social innovation    Ⓜ Connected but indirect focus on social innovation    ✗ No focus on social innovation

## INSTITUTIONAL FRAMEWORK

### Official Definition of Social Innovation Ⓜ



Malaysia does not have a formal legal definition of "social innovation." In practice, the government uses **social entrepreneurship** as a proxy concept. The [Malaysian Social Entrepreneurship Blueprint 2030](#) defines social enterprises as purpose-driven, financially viable entities addressing social or environmental challenges (introduced 2022). This working definition guides policy implementation, even though "social innovation" itself remains informal.

### Government Body for Social Innovation ✓



Malaysia does not have a single dedicated ministry for social innovation. Responsibilities are shared across agencies:

- [Yayasan Inovasi Malaysia \(YIM\)](#) (2008), under the Ministry of Science, Technology and Innovation (MOSTI), leads **grassroots and community-based social innovation**, funding and mentoring local solutions aligned with SDGs .
- [Malaysian Global Innovation & Creativity Centre \(MaGIC\)](#) (2014), originally under the Ministry of Finance, played a major role in social enterprise development before merging into **MRANTI** in 2021, which continues some social innovation and social enterprise programming .
- [The Ministry of Entrepreneur Development and Cooperatives \(KUSKOP\)](#) oversees social enterprise accreditation and ecosystem development.

Together, these bodies form a fragmented but active institutional backbone.

### Government Strategy for Social Innovation ✓



- [Malaysian Social Entrepreneurship Blueprint 2030 \(SEMy2030\)](#) (2022) provides a roadmap to grow social enterprises through accreditation, financing access, capacity building, and market integration.
- [National Social Innovation Policy \(Dasar Inovasi Sosial\) 2025–2030](#) (launched 2024) focuses on community-level innovation, inclusive development, and SDG alignment, with dedicated grant mechanisms for grassroots solutions.

These strategies mark a shift from ad-hoc initiatives to structured national support.

## Policies, Laws & Regulations

### Social-innovation-specific frameworks:

- No Social Innovation Act or dedicated Social Enterprise Law exists.
- **Social Enterprise Accreditation Guidelines** (introduced 2017; revised 2019, 2022) formally recognises social enterprises and enables access to limited incentives.
- Accredited top-tier social enterprises (SE.Ac) qualify for **corporate income tax exemption**, currently extended to 2028, though uptake remains limited <sup>6</sup>.

### Broader enabling frameworks:

- **ESG disclosure requirements** by Bursa Malaysia mandate sustainability reporting by listed companies, indirectly encouraging corporate engagement with social innovation.
- **Sustainable and Responsible Investment (SRI) Sukuk Framework** (2014) enables Islamic finance instruments for social and environmental projects, creating a distinctive financing channel.

## Official Statistics

Malaysia does not publish dedicated national statistics on social innovation. However, partial proxies exist:

- **Social Enterprise Accreditation Registry:** As of late 2025, there are 525 accredited social enterprises (215 aspiring, 245 basic, and 65 fully accredited). The accreditation mandate is under the Ministry of Entrepreneur Development and Cooperatives (KUSKOP), with INSKEN serving as the agency facilitating accreditation on behalf of the Ministry.
- **Cooperative sector data:** Over 16,000 cooperatives with 7.2 million members, generating ~RM68 billion annually—captured through a Social Economy Satellite Account focused on cooperatives.
- Independent estimates suggest a much larger universe of mission-driven organisations beyond formally accredited entities.

## Government Programs


Key programs supporting social innovation include:

- **Social Outcome Fund (2017):** RM3 million outcome-based fund piloting pay-for-results models, among Asia's earliest social impact financing mechanisms.
- **Social Impact Matching Grant (2020):** RM10 million matching-grant scheme doubling public donations raised via crowdfunding platforms .
- **Malaysia Social Innovation (MyIS) Grants:** Ongoing MOSTI/YIM programs providing RM50,000–RM300,000 to grassroots innovators; over 40 community projects supported between 2021–2024.
- **Social Enterprise Financing Schemes:** Loans from development banks (e.g. SME Bank, TEKUN Nasional) tailored to social enterprises, though scale remains modest.
- **Public-private initiatives**, such as the **Hasanah Social Enterprise Fund**, co-funded by government-linked foundations, providing capacity-building grants.
- Dana Inovasi Sosial (DIS) by Malaysia's Ministry of Higher Education (KPT) is a funding initiative that supports innovative solutions to social challenges through collaboration between universities/polytechnics and communities, aiming to improve socio-economic wellbeing and deliver sustainable impact.

# ECOSYSTEM


## Stakeholders

Malaysia's ecosystem is multi-sectoral:


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- **myHarapan (Youth Trust Foundation)** supports youth-led social innovation through grants and challenges.
  - Chamber of Social Entrepreneurship Development (CSED), an NGO championing the Malaysian social enterprise landscape, is currently active. The Government of Malaysia works closely with them, including INSKEN. The Biji-Biji Initiative, representing the corporate sector, is also very active in organising capacity-building programmes such as workshops and accelerator initiatives.
  - Corporate foundations (e.g. AirAsia Foundation, Shell Malaysia, Yayasan Hasanah) channel CSR and ESG resources into social innovation.
  - The Sabah Creative Economy and Innovation Centre (SCENIC), located in Sabah on Borneo Island, has challenged the status quo. Despite being the poorest state in Malaysia, it has supported the development of more than 200 social enterprises, most of which are founded by individuals from underprivileged backgrounds. In Sarawak (also on Borneo Island), the Sarawak Digital Economy Corporation (SDEC) has been generous in providing funding and initiatives related to social enterprise.
  - Cooperative federations and civil-society coalitions (e.g. CSO-SDG Alliance) contribute indirectly through community-based innovation and advocacy.
  - International actors (British Council, UNDP, Ashoka) have played a catalytic role in ecosystem development and capacity building.

## Support Initiatives


Common non-financial support mechanisms include:

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- **Incubation and acceleration:** Impact Hub Kuala Lumpur; university-based Yunus Social Business Centres; MRANTI social innovation labs.
  - **Capacity building and advisory:** NGOs and consultancies offering impact measurement, governance, and scaling support.
  - **Competitions and challenges:** myHarapan Social Business Challenge; corporate-sponsored innovation challenges targeting youth and community solutions.

## Collaboration

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- **Multi-stakeholder partnerships** underpin initiatives like the Social Outcome Fund and [UNDP Youth Co:Lab Malaysia](#).
  - **National forums and conferences**, including social enterprise and social finance events, provide convening spaces for government, private sector, and civil society.

## Events & Awards




**Awards** such as the [Malaysia Social Enterprise Awards](#) (introduced 2025) and long-running media-led recognition programs help raise visibility.

# FINANCE

## Financing Schemes

Malaysia's social innovation financing landscape is emerging:

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- **Public funding:** Outcome-based funds, matching grants, and annual budget allocations for social enterprise and community innovation (typically in the RM3–10 million range per instrument).
  - **Development finance:** Concessional loans from government-linked banks for social enterprises.
  - **Impact investment:** Still nascent, with selective participation by domestic and international impact investors.
  - **Islamic finance:** A distinctive strength—over 40 SRI (Sustainable and Responsible Investment) sukuk issued since 2015, financing education, health, housing, and sustainability projects.
  - **Philanthropy and CSR:** A major funding source, particularly for early-stage and community-based initiatives.



## Financing Inclusivity

Financing increasingly targets youth, low-income (B40) groups, and rural communities, but access remains uneven for small, informal, or capacity-constrained innovators.

# SOCIETY



## Public Awareness of Social Innovation

Public understanding of social innovation remains limited. “Social enterprise” has some recognition, but is often conflated with charity or SMEs. Awareness is higher among youth and urban populations, driven by media coverage, awards, and university programs, but remains low nationally



## Research

Academic research on social innovation is emerging rather than consolidated:

- Universities publish case studies and thematic research within development, management, and public-policy disciplines.
- Practitioner research includes ecosystem mappings and impact studies, notably the [State of Social Enterprise in Malaysia](#).
- Data gaps persist, particularly on scale, impact, and economic contribution.



## Education & Human Capital

- Several universities offer **social entrepreneurship modules** or host Yunus Social Business Centres.
- Student competitions (e.g. Enactus Malaysia) provide practical exposure.
- No national data exist on graduates with social-innovation-specific credentials; training remains niche but expanding.



## Entrepreneurship



### Business Environment

Malaysia consistently ranks highly in ease of doing business and entrepreneurial conditions



### Innovation Capacity

Ranked 36th globally in the Global Innovation Index 2023, second in ASEAN.

Global Innovation Index 2023



### Social entrepreneurship prevalence

Still relatively low compared to commercial entrepreneurship, though interest is increasing



## Social & Environmental Consciousness



### Solidarity

Strong traditions of charity and mutual aid; Malaysia ranked 20th in the 2024 World Giving Index

CAF World Giving Index 2024



### Political participation

Moderate levels of civic engagement



### Volunteering



### Sustainability

Growing but uneven; Malaysia ranked 130th in the 2022 Environmental Performance Index, reflecting sustainability challenges despite rising public concern