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The Crux of the Government Support to the Bumiputra Entrepreneurs

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Abstract
Right from 1970s, the Malaysian government has employed several initiatives with huge allocations expended towards supporting and creating a robust Bumiputra entrepreneurs community that is competitively competent to face the market and thus stimulate economic growth. However, studies showed that government privileges and assistance did little in building the entrepreneurial culture, competitiveness and achievement of the Bumiputras, as critics kept criticizing the effectiveness of the support. Hence, this study aims to dig out to ascertain the extent to which the supports given by the government to the Bumiputra entrepreneurs has been fruitful and also determine the effectiveness of the support programs. The study employs a qualitative approach by conducting a semi structured interview with executive members of some entrepreneurship agencies in Malaysia.

Keywords: Entrepreneurship Development, Bumiputra, Government Support, Smes, Government Agencies

Introduction
Hence, entrepreneurship is the genesis for a large number of fresh earnings, fresh recruitments, fresh innovations, fresh firm structures, and wealth creations in the society (GSBUCT, 1999). With the insight that entrepreneurship is critical to economic growth and development has come a host of entrepreneurship policy initiatives to increase entrepreneurial activity (Lucas, & Fuller, 2017). And Small and medium-sized enterprises (SMEs) are considered to be an engine for growth in both developed and developing countries (Boocock & Shariff, 2005). Hence, policy makers in countries across the whole world are rigorously investing into and nurturing the growth of small-medium enterprises SMEs (Sujarittanonta, 2016).

Particularly, UK in what it termed the “Macmillan Gap” towards the mid 20th century highlighted insufficient long term financing for SMEs in the Macmillan Report, 1931. Whereas provision of
advisory services to SMEs was noted in the Bolton Report 1971 which eventually served as the beginning of government policy for businesses in UK. Meanwhile, in the US, provision of loan to SMEs became the focus of the Small Business Administration. As it was also the case in Australia, where the initial efforts made by the government to provide business advisory, skills training and financial assistance to SMEs as a result of the Wiltshire Inquiry in 1971. Consequently, as it was generally noted that the SMEs contribution to the economy of US through employment more so encouraged the growth of more policies and supporting agencies to be created in order to promote businesses worldwide (Blackburn (2016).

Malaysia is one of the countries that have an emerging economy. The number of companies is growing quickly and is now becoming a center of new business opportunities as international investors view Malaysia as the place to invest and establish their businesses. Therefore, the entrepreneurship development has become the key agenda which is evident by the introduction of mechanisms that cater to entrepreneurs (Rostamzadeh, et al., 2014). Interestingly enough, the SME Corp Malaysia Annual Report, (2015) reported that SME growth has outshined the overall growth of the nation’s economic growth. (SME Corp Malaysia Annual Report, 2015).

Hung & Effendi, (2011) iterated that Malaysia government have provided numerous support program aimed at preparing sustainable growth for SMEs. These assistance programs include infrastructure supports; financial and credit assistance; technical and training assistance; extension and advisory services; as well as, marketing and market research. The initiatives were designed as palliatives in order to restructure the distribution of wealth of the economy among the races in Malaysia, and ultimately create a robust once marginalized Bumiputra entrepreneurial community as outlined by New Economic Policy in 1971. And up till today the government support continued to be assisting the Bumiputras in developing entrepreneurially. But, this relentless support to the Bumiputras has not been going without attendant issues.

Despite the fact that scholars such as Ayande, and Sabourin, (2016) have highlighted the significant function of moderating elements in assessing entrepreneurship development as they noted that excelling in business and achieving high performance in the area of entrepreneurship development, is somehow dependent on the competency of the entrepreneur to thrive and survive in the business environment.

However, the activities of the government support to the Bumiputras has for long been a hot debate between scholars, politicians, government officials, and different communities alike both within Malaysia and outside. Literature has been plagued with conflicting facts and interests related with the achievement and effectiveness of the support programmes (Chin, 2015; Omar Azmi, 2015; Zainol & Daud 2011). There were two sides of the arguments, some schools of thoughts who really downplay the achievement made from the entrepreneurs and reprehended the titled sided form of support rendered to the Bumiputra entrepreneurs. While, the other school of thought really applauded the government’s support given and the achievements made. Particularly, some scholars have voiced out that although the government has allocated a huge amount for financial assistance and provided various programs for SMEs, all these efforts are seen as useless when the impact of business activities are found to be insignificant (Hung & Effendi, 2011).
The premise on which these accusations are surfacing may not be unrelated with the outcome of the incessant failure to catch up with the equity ownership target for the Bumiputras. Worrisomely, on account of the statistics showing lagging performance of the Bumiputras with regards to their allocated 30% equity ownership of limited companies which had been in snail pace across ages, evidence showed that from 2.4% in 1970 to 19.3% in 1990, (Koon, 1997) 18.9% in 2004 to 19.4% in 2006, 21.9% in 2008 (Gomez, 2012) 19% by 2012 and lastly only 23% by 2013 falling short of the 30% percent equity ownership initially targeted for them from 1970 – 1990 (EPU, 2013). Hence, some scholars had held on to this output delivered by the Bumiputras to judge the effectiveness of the government supports and equally the Bumiputras performance (Koon, 1997; Gomez, 2012).

However, based on the MPC Productivity Report, (2017) the government’s initiatives to promote a competitive business environment through regulations have certainly shown positive outcomes.

Consequently, the take taken by each of both sides of the arguments comes with its own economic, social and political repercussions. This was because the contentious issue has led the factions of the scholars, politicians, officials, community supporters waging the campaigns to the respective stakeholders of the government. One side proposing for the cutting off of the support programs to the Bumiputras (Chin, 2015; Hung & Effendi, 2011), while the other side are supporting for the perpetual continuation of the affirmative action towards the Bumiputras such as (Sunway Business School Professor of Economics Dr Yeah Kim Leng; Hassan et al., 2014; Nik Ibrahim, July 14, 2017; Omar, & Azmi, 2015;).

Due to the above arguments, it becomes paramount that the policy makers to scrutinise these divergent issues on the effectivess of thegovernment support. The weight of these issues cannot be over emphasied because of the consequent effect each of the propositions offered by the arguing factions could have on the socio-economic, political and equally constitutional backing of the land of Malaysia. Hence, this study forges ahead to delve into the contentious matter by ascertaining whether the government support has been effective or not to the Bumiputra entrepreneurs.

Therefore, the next sections in this paper would dwell on an overview of the background of the government support to the Bumiputra entrepreneurs and the related literature, while methodology and procedures follows next, with findings and discussions coming at last.

**Literature Review**

**The Government Supports Provided to the Bumiputras and the Agencies Involved**

These are the general business supports provided to the Bumiputra entrepreneurs among others according to (UESG (2007) as detailed below:

1. Technical Assistance: this assistance is given to existing or potential entrepreneurs for the purpose of equipping them with production techniques and management practices. Some of the agencies that provide such assistance may include SIRIM, MARA, MARDI, Rubber Research Institute (RRI), MPOB, and the Veterinary Department.
2. Marketing Assistance
Marketing assistance is designed to assist entrepreneurs in aspects of distribution and marketing of their goods and services in local markets and abroad. Some of the agencies involved in marketing include agencies such as MITI, MATRADE, FAMA, and GUTHRIE.

3. Infrastructure Assistance
Infrastructural facilities are provided to help the entrepreneurs in having easy access to business premises. These agencies assist in infrastructural facilities such as MARA, UDA, SIRIM, SEDC, Ministry of Rural and Regional Development (KKLW), BPIMB and MIDA.

4. Information Assistance.
Information assistance is provided to entrepreneurs in aspects of business opportunities, statistics, innovation, technology, research, etc. Additionally, in almost all the government offices or agencies, information are accessible by the public through their own resource centres or libraries. Agencies involved in these assistances are MATRADE, MARDI, MIDA, MITI, SIRIM, Forest Research Institute of Malaysia (FRIM) and higher learning institutions.

5. Research and Development
A number of agencies help in making research and development activities such as feasibility studies, test marketing research and researches on technology aspects. These agencies could consist of SIRIM, MARDI, and local higher learning institutions.

6. Financial Assistance
Financing facilities are provided by most financial institutions to the entrepreneurs to assist in executing their business plans. Commercial or merchant banks as well as licensed financial institutions or government linked companies provide these assistances.

7. Advisory Services
These services are offered as vital for entrepreneurs in managing their business. Several agencies offer these services however for certain fees attached varying on the scope and kind of advice, though with rebate or tax reduction offered to particular services used under the training scheme recognized by the Ministry of Human Resources.

8. Training, Seminars and Workshops
Services provided under this scheme include management training, business efficiency, skills acquisition, motivational incentives, etc. Training programmes are available for entrepreneurs in order to expose them to business management practices and build entrepreneurial mind and values through array of upgrading courses. The agencies that offer these programs in providing these programs include the Ministry of Entrepreneurship and Cooperative Development (MEDEC), MARA, PUNB, SEDC, NPC, and some financial institutions.

9. Extension Services
Extension services provided by agencies are usually offered as a follow-up to the Entrepreneurship Development Programmes in order to ensure the execution of planned projects. Agencies such as MITI, MEDEC, MARA, SIRIM, MARDI, MATRADE, and NPC.
Forming an entrepreneurial society among the *Bumiputras* is a concerted efforts of several agencies (Soon, & Huat, 1999). The government carries out a range of SME developmental plans conducted through 16 ministries and over 60 agencies in Malaysia (SME annual Report, 2015). In essence, according to SMIDEC, (2008) about 65 agencies are actively involved in giving support to SMEs regardless of sizes. These agencies include among others: National Entrepreneurship Institute, SME Bank, Bank Rakyat, National Corporation Council or Perbadanan Nasional Berhad (PNS), People’s Trust Council or Majlis Rakyat Amanah (MARA), Bank Pembangunan Malaysia Berhad (BPMB), Amanah Ikhtiar Malaysia (AIM), Ekuiti Nasional Berhad (Ekuinas), National Equity Corporation or Permodalan Nasional Berhad (PNB), Malaysian Industrial Development Finance Berhad (MIDF), Malaysia Productivity Corporation (MPC), Credit Guarantee Corporation (CGC), Urban Development Authority (UDA), Tabung Economi Kumpulan Usahawan Niaga (Tekun), *Malaysian Investment Development Authority* (*MIDA*), Bank Negara Malaysia (the Central Bank of Malaysia), Contractor Service Centre (PKK), Malaysian External Trade Development Corporation, (MATRADE), Halal Industry Development Corporation, Kumpulan Modal Perdana Sdn., Malaysia Digital Economy Corporation, Agro Bank Malaysia, The Department of Skills Development, Centre for Entrepreneur Development and Research (CEDAR), Malaysian Agricultural Research and Development Institute, Bioeconomy Corporation, The Malaysian Palm Oil Board (MPOB), Malaysian Technology Development Corporation (MTDC), The Malaysian Timber Industry Board (MTIB), Malaysian Green Technology Corporation (GreenTech Malaysia), State Economic Development Corporations (SEDCs), MIMOS Berhad, The Fisheries Research Institute (FRI), Malaysia Debt Ventures Berhad (MDV) among others. These establishments were made to promote share ownership, and open business opportunities for Bumiputras to fully
involve in creation and management of the country’s wealth (Hashim, 1983; Buang & Yusof, 2006; Omar & Azmi, 2015; Whah, & Cheng Guan, 2015).

**Overview of the Government Support to the Bumiputra Entrepreneurs**

Hashim (1983) stated that attitudes and beliefs held by the Bumiputras shares the proclivity of being less interested in business activities, and subsequently as time went on with the effect of feudalism and, to certain degree of colonialism has encouraged that too. The consequences of these phenomenon was undesirable to Malaysia. Hence, there were serious concerns about the wide income disparity between the Bumiputras and the non-Bumiputras. Therefore, entrepreneurship development assumed much greater significance in Malaysia after the 1969 riot between the main races (Bumiputras or Malays, Chinese and Indians as the non-Bumiputra) (Baal & Yusof, 2006, Halim et al., 2014). Unequivocally, the Malaysian government made it paramount to redress the issue and bridge the growing discontent about the economic inequalities between the races. Therefore, the New Economic Policy (1970 - 1990) was implemented serving the main objectives of: restructuring the society in general by enhancing the economic activities of all races and poverty eradication especially for the Bumiputras. And importantly, the other is developing the entrepreneurial capabilities of the Bumiputras in the commercial arena (Koon, 1997).

Subsequently, the National Development Policy (NDP) (1991 – 2000) focused on the Bumiputra participation in the private sector. Various privatization programs, business and wealth creation management, training and equally the achievement of at least 30% contract works in privatized project for the Bumiputra contractors were implemented. In the same vein, the National Vision Policy - NVP (2001 – 2005) incorporated the achievement of Bumiputra equity ownership of at least 30% by the end of the decade. And the policy also focused on effective involvement of the Bumiputras in the prospering sectors in the economy (OPP3, 2001). However, with the change of new political administration in 2004, the NVP metamorphosed into the National Mission Policy (NMP) (2006 – 2020). This policy stressed on achieving effective Bumiputra as well as 30% ownership by 2020 and enhancing greater income and wealth distribution. (OPP3, 2001; Hamidon, 2014). And currently, the Malaysian National Development Strategy (MyNDS) in the 11th Malaysian Plan (2015 – 2020) RM350 million is allocated for financing 33,000 new entrepreneurs. Current status of SME accounting for 33% of GDP is targeted to be increased to 41% by 2020.

Till date, the government support has been pouring in., and this is evident in its reiterative commitment and relentless support to enhance Bumiputras’ upliftment. For instance, By December, 2015, it was reported that 512 firms of Bumiputras had benefitted financially up to RM61.29 million through the Bumiputra Entreprise Enhancement Programme. While, this could be seen in 2016 where RM 7.34 billion was allocated for the implementation of 152 SME developmental programmes (SME Corp Malaysia Annual Report, 2015). Equally, in 2017, the government has given a sum of RM100 million each to SME Bank and Agensi Inovasi Malaysia, while, National Entrepreneurial Group Economic Fund, known as TEKUN was provided with RM300 million for developing small scale, as RM200 million was allocated for Perbadanan Usahawan Nasional Bhd (PUNB) for firm site financing scheme., MARA got RM120 million for
entrepreneurship development including training programme. More importantly, TERAJU obtained a whooping sum of RM500 million aimed at the expansion of Bumiputera companies or establishing new business, and another RM100 million, for export enhancement into international markets (Business Times, 2016, October 21). Finally, a sum of RM100 million through Yayasan Peneraju Pendidikan Bumiputera for Peneraju Skil dan Iltizam, Peneraju Professional as well as Peneraju Tunas programmes.

In the 2018 Budget, RM555 million was specially allocated towards Bumiputeras entrepreneurship enhancement programmes, split into programs such as: Entrepreneurship and Business Premises Program under PUNB with RM200 million; MARA Entrepreneurship Programme with RM200 million. While, RM155 million was reserved for: Tunas Usahawan Belia Bumiputera (TUBE) or (Tunas Bumiputra Youth Entrepreneurship) vendor capacity development program; Skim Usahawan Permulaan Bumiputera (SUPERB) or (Bumiputera Start-up Entrepreneur Scheme); and, Skim Anjakan Usahawan or Entrepreneur Defined Scheme (Bernama, 2017, October 27; David, 2017, November 1). Equally, RM150 million was given to each of these two, Pelaburan Hartanah Bhd (PHB) for property investment as well as Ekuiti Nasional Bhd (Ekui nas) in the bid to accelerate Bumiputera’s equity investments in vibrant sectors of the economy. While, specifically to acknowledge women activities towards national development, RM20 million was provided for the purpose of training and entrepreneurship programs such as the PEAK Entrepreneur Programme (Bernama, 2017, October 27).

However, as some studies such as Hassan et al., (2014) found that the Bumiputra respondents affirmed their indebtedness to the enormous government financial support to their success. The government supported also as some of the entrepreneurs felt they were lucky to be appointed as vendors supplying products to government agencies. Meanwhile, studies showed that government privileges and assistance to develop the Bumiputra entrepreneurs did little in building their entrepreneurial culture as well as increasing their entrepreneurial competitiveness and achievement (Hamidon, 2014 & Mahmud, 1981). Zainol and Daud’s (2011) study believes that government-aided policies and other initiatives to promote Malay entrepreneurship have not been successful.

Billions of ringitts had been spent on the entrepreneurship development of the Bumiputras. Equally, the budget allocated to Bumiputra entrepreneurship development and the support programs are seen to be increasing yearly. Though, the new strategy on the support programmes took a new dimension as we noticed more budget allocated this time with fewer programs. Unlike the previous time, where there were more programs with lesser budget compared to now. Perhaps, what we could discern from this new emerging developmental trend.

Hence, it would be our conviction that the government is more focused on impact of the programs now, not by the numbers. Therefore, the need to explore further to ascertain the effectiveness of the government support.

**Research Methodology**
This research adopts a qualitative approach which is considered suitable for this kind of exploratory study that seeks to bring out more understanding about the perceptions and
experiences of series of occurrences, behaviours, or activities of a social phenomenon (Yin, 2012). The research design involves a case study approach which is suitable for gaining insight into a phenomenon in order to ascertain whether critical analysis of the said phenomenon could elicit enhanced business/management practice (Mohlameane & Ruxwana, 2014). The data collection method involved recorded in-depth semistructured interviews done face-to-face corroborated with findings from scholarly articles, chosen to be the two primary sources of data. Hence, two top executive officials from PUNB and YPU, a leading entrepreneurship agency in Terengganu were interviewed. A case study protocol was used in order to direct and help maintain focus on the research questions and to offer reliability (Yin, 2014). The interview was later transcribed into well knit typed Word documents. Using content analysis, codes were developed, themes were coined and patterns of data were drawn therein. Then interpretation from the analysed data was conducted through reviewing the interview transcripts coupled with the findings from the scholarly articles. The findings of the study was thus given and conclusion drawn from it.

Findings and Discussions
When asked regarding their scope of the support to the Bumiputra entrepreneurship development, the respondents asserted that their agencies had surely been supporting with variety of assistances. Participant 1 proudly stated that:

“Nationwide, they provide funds up to billions of ringgit every year, and which is increased every year, though these years, things are hard for the entrepreneurs. Even though they increase the funds these days, but they also increase the procedure like in provision of collateral”

He equally added that “because even our budget also has to meet the Kemesaan Bumiputra”. Participant 2 confirmed that the agency had received RM 200 million for the year and equally affirmed that “our agency gives financial assistance, corporate support through networking, trade mission, and training, and the other one is property support where we buy property and lend it for the entrepreneurs”.

The excerpts from the interviews corroborate the statement made the comments given by Sunway Business School Professor of Economics Dr Yeah Kim Leng was worthy to note, as a Chinese, but he said though the government has done a lot to empower the Bumiputeras, but more need to be done to empower them (Nik Ibrahim, July 14, 2017).

Hence, this was coded as sustained government support to the Bumiputras.

The 10th Malaysian Plan (2011 – 2015) had laid out policies meant to develop SMEs in order to be competitive, innovative and strong technology wise for resilience in the global competitive market. The 10th plan expended the sum of RM 41.79 billion on 359 programs, which was 61.9% greater in contrast with the previous allocation of RM 25.81 billion on 486 programs during 2011 – 2016 9th Malaysian Plan. However, despite this increased allocation, compared to the federal government spending for the period, it was quite minimal as it only constitutes 3.3% of the overall (SME Corp Malaysia Annual Report, 2015). The scenario played in the allocation funded recently in the 10th plan depicts the unrelenting commitment of the government to supporting SMEs in Malaysia, however yet with the little percentage given from the total government grant, though in monetary terms is higher than previous allocation, and coupled with the fewer programs
sponsored, this unequivocally shows that the government is strategizing in redirecting funds to only where it is significantly needed most.

On the issue about the effectiveness of the government support. PI 2 has this to say “though the performance was mixed, regarding our non-performing loan (NPL) is quite high compared to previous years, but the entrepreneurs that are still servicing are 70% out of the total”.

The above excerpt was supported by the Chairman of SME Corp, Tan Sri Dr Mohamed who admonished that “no entrepreneur can be lifted to the top of world right now, but there is still room for improvement and this should be our goal”. He reiterated his commitment in keep supporting the SMEs to grow, compete and excel globally (Zainon, 2017). From the outcome of achievement of the programs in 2015, 170 programs were executed even exceeding the targeted ones of 163, and this was a splendid performance, and a significant increase in outreach to the SME beneficiaries of over 23.8% was also realized (SME Corp Malaysia Annual Report, 2015)

Conclusion

The purpose of this study was ascertain the effectiveness of government support to the Bumiputra entrepreneurs which had been a focus of debate by researchers, academicians, and politicians alike.

The results of this qualitative study has highlighted some interesting facts. The responses from the agencies had indicated the continued unflinching support Bumiputra entrepreneurs. Equally, on the matter of the effectiveness of the government support, the agencies had lamented that it was kind of mix outcome, though there were a bit of disappointment somewhere, but, surely the achievements deserved considerate commendations. Therefore, with the evidences given by the agencies and triangulated by documents and literature, this study posits that the proclamation by the pro government support for it to be sustained be adopted. Though, caution should applied in choosing what programs to sponsor in order to get the intended benefits. The issue of using Bumiputra entrepreneurs’ achievement to gauge the effectiveness of government support is always a mismatch. Looking back at the history of the Bumiputras’ inexperience in business due to a number of reasons, and compared to the situation currently whereby a large number of entrepreneurs were created and the entrepreneurial spirit enlivened. Thus, thisalone is significant achievement worth celebrating.

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