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BUMIPUTRA ENTREPRENEURSHIP
A STUDY OF MARA LOANEES IN THE MALAYSIAN
STATE OF KELANTAN

A Thesis presented in partial fulfilment
of the requirements for the degree of
Doctor of Philosophy in Business Studies
at Massey University, New Zealand.

Mohamed Amir Sharifuddin bin Hashim

1983

This thesis is dedicated to my mother
Puan Hasmah bt. Idris, and my father
Tuan Haji Hashim bin Idris, A.M.N., P.T.,
whose foresights prepared me with the
necessary education, and to the memory
of my late brother Mohd. Ghazi bin Hashim,
who was himself an entrepreneur.

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Mohamed Amir Sharifuddin bin Hashim

ABSTRACT

The study was concerned with bumiputra entrepreneurship in Malaysia. Primarily, the purpose was to provide understanding concerning the development of an indigenous bumiputra (i.e. Malays as well as other indigenous groups in Malaysia) entrepreneurship, as well as to narrow the knowledge gap between government agencies and similar institutions, in Malaysia, set up to promote bumiputra entrepreneurship, and those they are supposed to serve.

Data concerning bumiputra entrepreneurs were obtained through the author's personal interviews with 92 MARA loanees in eight town council districts in the Malaysian state of Kelantan, and 44 bumiputra officials in the Malaysian States of Kelantan and Selangor, and the Capital Territory of Kuala Lumpur.

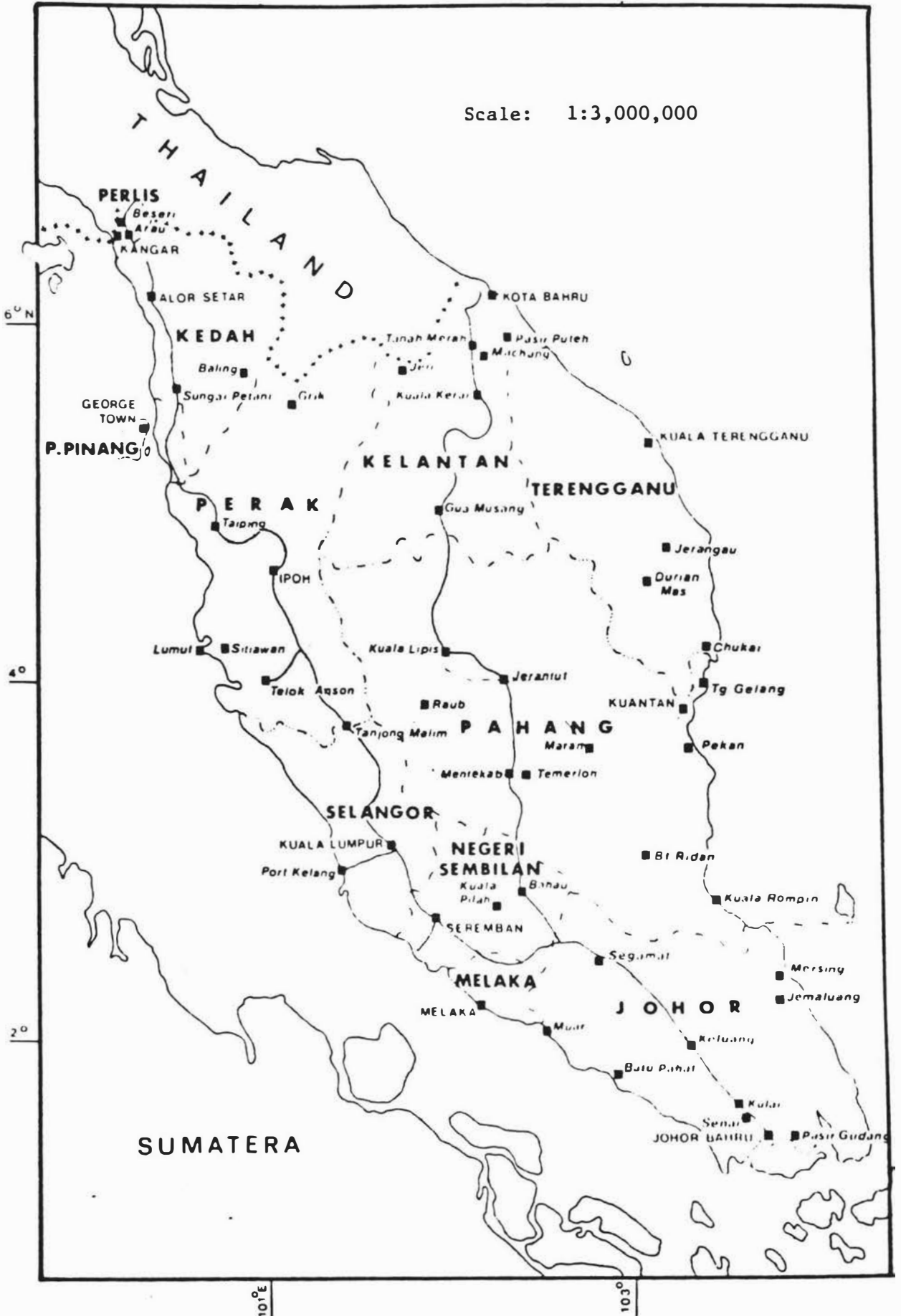
The data for this thesis have been collected almost twelve years after the Malaysian government intensified its efforts to promote bumiputra participation in business and industry through the New Economic Policy, (this was launched in 1971 following the racial riots in 1969). However, the findings presented, according to the bumiputra personal and business profile, business practice and growth profile, business-problem profile, and training-need profile show that much has yet to be done to assist the bumiputra.

The results indicate two important features. Firstly, there were inadequacies in the education and experience of the bumiputra entrepreneurs which were compounded by the fact that the businesses were young, small, poorly organized and without adequate business records. Secondly, the bumiputra entrepreneurs were found to be operating in a

relatively hostile environment, receiving little support from either the public or private sectors of the economy.

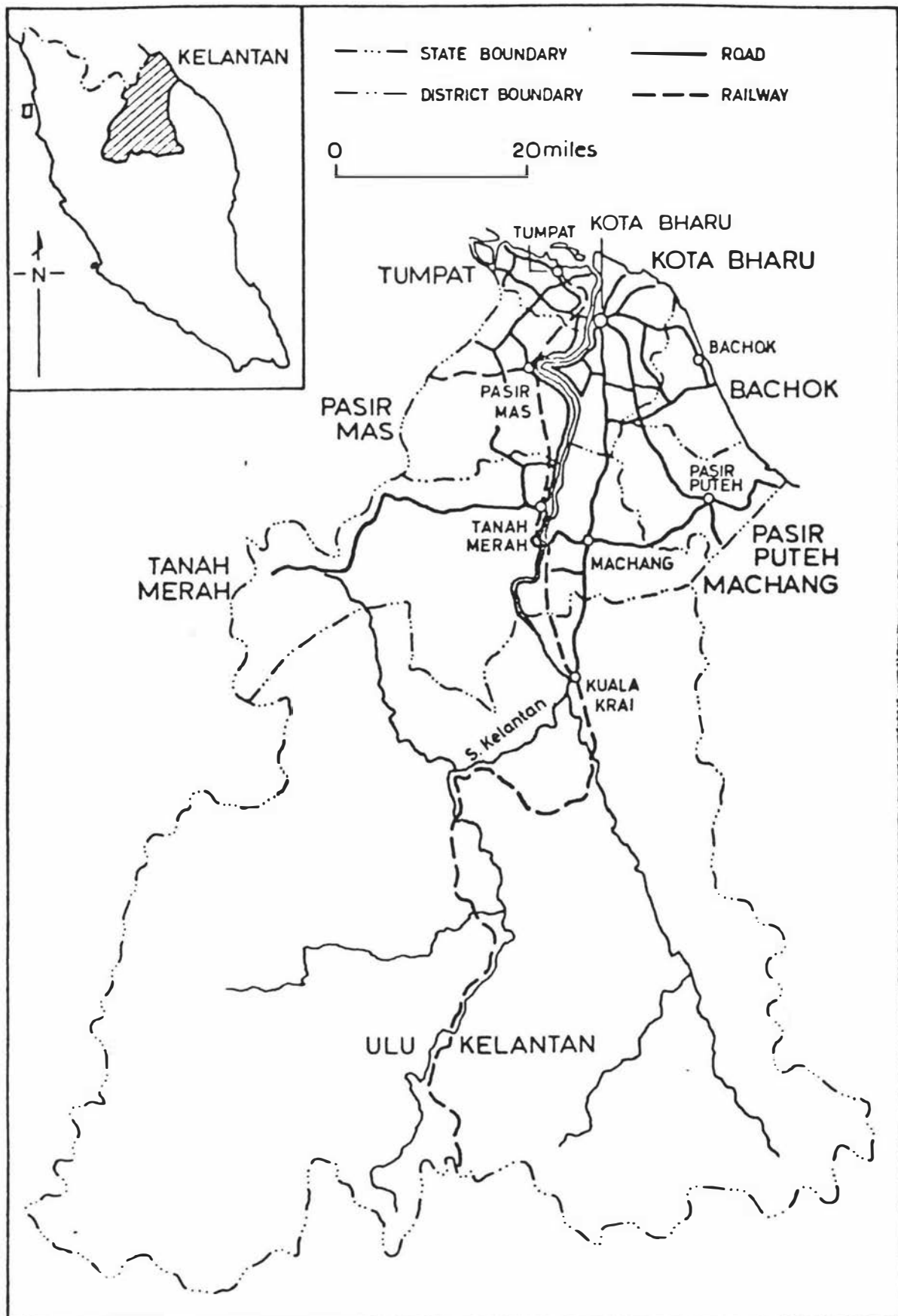
In view of these problems some recommendations were made to develop bumiputra entrepreneurship. They included measures which cover immediate and long term needs, as well as the creation of support services as an ongoing process. Further research, however, is necessary to obtain more information regarding the bumiputras in business and industry.

MAP OF PENINSULAR MALAYSIA



(Source: Third Malaysia Plan, 1976-80)

MAP OF KELANTAN



(Source: Md. Fauzi Yaakub, 1978:ii)

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LIST OF ABBREVIATIONS

| | |
|--------|--|
| ASN | Amanah Saham Negara (National Share Trust Board) |
| CGC | Credit Guarantee Corporation |
| FIDA | Federal Industrial Development Authority |
| ICU | Implementation and Co-Ordination Unit, (Prime Minister's Department) |
| INTAN | Institute Tadbiran Awam Negara (National Institute of Administration) |
| ITM | Institute Teknologi Mara |
| MARA | Majlis Amanah Rakyat (Council of Trust for the Indigenous People) |
| MARDI | Malaysian Agriculture Research and Development Institute |
| MCDS | Malaysian Centre for Development Studies |
| MCS | Malaysian Civil Service |
| MIDFC | Malaysian Industrial Development Finance Corporation |
| MIEL | Malaysian Industrial Estate Limited |
| NEP | New Economic Policy |
| NERDA | National Entrepreneurial Research and Development Association |
| NPC | National Productivity Centre |
| PERNAS | Perbadanan Nasional (National Trading Corporation) |
| PSC | Public Service Commission |
| PWD | Public Works Department, also known as JKR (Jabatan Kerja Raya) |
| RISDA | Rubber Industries Smallholders Development Authority |
| RMK | Rancangan Malaysia Ketiga (Malay version of the Third Malaysia Plan) |
| SEDC | State Economic Development Corporation |
| SERGPU | Socio-Economic Research and General Planning Unit |
| SERU | Socio-Economic Research Unit |

LIST OF ABBREVIATIONS (Cont'd)

| | |
|-----|--------------------------------|
| SMP | Second Malaysia Plan |
| TMP | Third Malaysia Plan |
| UDA | Urban Development Authority |
| UKM | Universiti Kebangsaan Malaysia |

CHAPTER 1

INTRODUCTION

1.1 The Background to Malaysia

Formed in 1963, the Federation of Malaysia comprises the eleven Malay states of Peninsular Malaysia (known currently as West Malaysia) and the two states of Sabah and Sarawak on the island of Borneo (currently known as East Malaysia but excluding the Kalimantan part of Indonesia). The country is situated between latitude 1° and 7° north of the equator, and longitude 100° and 119° east; to the south lies the island of the Republic of Singapore and to the north lies Thailand. On the West, Malaysia is bordered by the Straits of Malacca and the island of Sumatra, and on the east by Indonesian Kalimantan.

Malaysia has a population of 14.3 million. In Peninsular Malaysia alone the population for 1980 was 11.8 million, comprising 53.9% Malays, 34.9% Chinese, 10.5% Indians, and 0.7% others (Rancangan Malaysia Keempat 1981-1985:82).

Peninsular Malaysia has at various times over the years been colonised by the Dutch, the Portuguese, and from the 19th century to August 1957 by the British. Throughout this period, Malaya as (it was then called) had sultans as head of state in each of the states except Malacca and Penang (including Province Wellesley). The country was largely feudal in character. Today, the monarchy has been retained. The country is governed through a system of parliamentary democracy with elected representatives headed by a Prime Minister, and modelled on the British system.

The monarchy known as the Yang di Pertuan Agung is elected every five years from among the nine sultans.

The Malays, who are known collectively with several other indigenous groups in Malaysia as the bumiputras or sons of the soil were believed to be the original people of the land. The Chinese and the Indians came to Malaysia originally as indentured labourers brought by the British to serve in the tin mines and in the rubber estates. After independence in August 1957, the Chinese and the Indians were given Malaysian citizenship. Over the years they have established themselves in the commercial fields and are now noted for their entrepreneurial talents.

The Malays on the face of it, appeared to be quite happy to dominate at first the political and administrative fields, but lately their assumed security fell apart due perhaps to the realisation that the Chinese and the Indians have left them further behind in the economic field. That realisation sparked what can be termed as economic nationalism among the bumiputras who saw the promotion of bumiputra entrepreneurship as the way to salvation, and to be on equal footing with their Chinese and Indian counterparts.

However it was not until 1969, after a bloody racial riot, that the Malaysian government intensified its policy and broadened its scope to assist the bumiputras not only in the economic field but in other areas as well, including education and training.

It was believed that the dissatisfaction by the bumiputras in the economic spheres was one of the major grievances which led to the

riots. Tun Tan Siew Sin (1978), himself a Chinese and a former Minister of Finance in the Malaysian Cabinet, cited the economic gap between the races in Malaysia as her number one problem, and the key to Malaysia's political stability.

Bumiputra awareness of their relatively poorer economic status vis-à-vis the non-Malay communities (in particular the originally immigrant Chinese and Indians) in Malaysia is not new. For example, as early as 1849 Abdullah bin Abdul Kadir Munshi, a noted Malay writer, had in his autobiography (the Hikayat Pelayaran Abdullah or 'Voyage of Abdullah') [Ahmad Kassim ed. Kesah Pelayaran Abdullah, 1960] intimated Malay economic backwardness.

Later in 1923, Zainal Abidin bin Ahmad (ZA'ABA), a noted Malay intellectual in his day, wrote:

The Malays are a particularly poor people. Poverty is their outstanding characteristic and their greatest handicap in the race of progress. Poor in money, poor in intellectual equipment and moral qualities, they cannot but be left behind in the march of nations.... Their literature is poor and unelevating; their domestic surroundings from childhood are poor and seldom edifying; their outlook on life is poor and far removed from pure original teachings of the Prophet. In short, the Malays cut poor figures in every department of life. (Quoted in Popenoe, 1970:260)

Although an extreme view, the above portrays the general poverty of the bumiputras, an issue which has since received an uninterrupted flow of writings, speeches, newspaper articles, seminars and debates.

The economic situation of the bumiputras, in comparison to the

Chinese, on the eve of independence in 1957 was as depicted in Table 1.1. The Malays who constituted more than 50% of the population were under-represented in sectors other than agriculture.

Table 1.1:
Occupied Population by Race, Malaya, 1957

| Occupation | Malay | | Chinese | | Total all races ('000s) |
|--------------------|----------|----|----------|----|-----------------------------|
| | ('000s) | % | ('000s) | % | |
| Manufacturing | 27 | 20 | 98 | 73 | 135 |
| Commerce | 32 | 16 | 127 | 65 | 195 |
| Mining & quarrying | 10 | 17 | 40 | 69 | 58 |
| | — | | — | | — |
| | 69 | 18 | 265 | 68 | 388 |
| Agriculture | 749 | 60 | 310 | 25 | 1245 |
| Gainfully occupied | 1024 | | 772 | | 2165 |

(Adapted from the Federation of Malaya Census, 1957; from Beaglehole, 1969:216)

In view of the preceding, Article 153 was included in the Malaysian constitution, giving special political and economic privileges to the bumiputras in return for other privileges to be given to the non-bumiputras. Article 153(2) states:

Notwithstanding anything in this Constitution, but subject to the provisions of Article 40 and of this Article, the Yang di Pertuan Agung shall exercise his functions under this Constitution and federal law in such manner as may

be necessary to safeguard the special position of the Malays and to ensure the reservation for Malays of such proportion as he may deem reasonable of positions in the public service (other than the public service of a state) and of scholarships, exhibitions and other similar educational or training privileges or special facilities given or accorded by the Federal Government and, when any permit or licence for the operation of any trade or business is required by law, then, subject to the provision of that law and this Article, of such permits and licences. (Malaysian Constitution, quoted in Popenoe, 1970:160)

Beaglehole (1969:217) felt that Article 153 (2) was a concession to the bumiputra view that, as indigenous people, they had special claim to political dominance. More importantly, it was to satisfy the bumiputra need for a sense of security, to give them the opportunity to remedy the economic imbalance between the communities. The result, according to Goh Keng Swee (1958:3) was:

... that there is broadly a division of the population into a group whose members wield political power but possess very little economic strength and another group whose members possess economic strength but very little political power ...

Goh Keng Swee (1958: 3) added:

One feature of the Malaysian system was that while entrepreneurship seemed to be a pursuit so far confined to the non-Malay population, thereby giving some of its members a superior economic status as compared with the general population, political power rested mainly with the Malay population.

Even as late as 1970, the Rancangan Malaysia Ketiga (RMK), the Malay edition of the Third Malaysia Plan (TMP), reported the socio-economic position of the various races to be similar to their predecessors in the country's history. The following facts illustrate

some of the prevailing conditions;

- a) In 1970, only 14.9% of the Malays in Peninsular Malaysia lived in urban areas defined as centres with 10,000 or more people compared to 47.4% Chinese and 34.7% Indians (Mohd. Fauzi Yaakub, 1978:59-60, footnotes).
- b) In 1970, 49% of 1.6 million families in Malaysia were classified as poor, but out of these 74% were Malays, compared to 17% Chinese and 8% Indians. Of the total Malay families 65.1% were considered poor, compared to 25% Chinese families, and 39.1% Indian families (RMK:6).
- c) In 1970, in terms of per capita income the Malays received \$M34 per month, the Chinese \$M68, and the Indians \$M57 (RMK:6).
- d) In the business sector Goh Joon Hai (1962), basing his calculation on the 1954 figures, found that the ratio of Malay business units to Malay population was 1:62 compared to 1:40 for the Chinese and 1:56 for the Indians. The 1970 census figures show that bumiputra share of ownership of capital was 1.9% compared to 22.5% held by the Chinese and 1.0% by the Indians while the foreign percentage was 60.7% (Mid Term Review 2nd Malaysia Plan:83 Table 4.7). In the manufacturing sector in 1970 only 7% of the professional and managerial group were bumiputras compared to 68% Chinese, 4% Indians, and 18% foreigners (Judith Nagata, 1972:1140).

The point is that economic advantages given to the bumiputras through the constitution have so far failed to deliver the goods.

This failure is due to either the bumiputras themselves, or the government officials, or the businesses, etc. An instance has been quoted where preference for the bumiputras took the form of licences; they sometimes sublet their licences rather than use them to gain experience (Milne, 1976:236). Other forms of abuse by business persons and officials alike were not uncommon. The results for the bumiputras up to 1970 have been well summarised by the then deputy Prime Minister of Malaysia (currently the Prime Minister) Dr. Mahathir Mohamad (1970).

Unfortunately, to the bumiputra the results were not apparent but have opened up for the Chinese businessmen more and better avenues for acquisition of unlimited wealth. (Mahathir, 1970:42)

1.2 Problems

Although the issues of bumiputra entry and participation in business and industry are of current concern to both the Malaysian government and to the bumiputras themselves, information regarding them is scarce. According to Mohd. Fauzi Yaakub (1978) most of the literature on bumiputra entrepreneurs was not based on empirical research.

At the same time government administration is severely handicapped by the knowledge gap between themselves and those they are supposed to serve. Even the well trained Malaysian Civil Service (MCS) can claim to excel in most areas except the fostering of an indigenous entrepreneurship. This is due to the fact that the development of an indigenous entrepreneurship in Malaysia has been little understood and unprecedented (Abdul Aziz Mahmud, 1977).

The bumiputras are relative newcomers in the field of commerce and industry. This field has long been dominated by the immigrant Chinese and Indians. Therefore, as beginners, the bumiputras lack the necessary business experience as well as reinforcement - normally represented by the presence of relevant cultural, social and financial institutions - to cultivate and promote their business talent. As newcomers in a free enterprise economy and plural society, the bumiputras are at the mercy of an already established business class, in this case the Chinese and the Indians, who may not wish to change the status quo.

Further, bumiputra interests in business and industry may be interpreted by the non-bumiputras as a threat to their economic power which they have held for so long. In Malaysia, where the ethnic groups are identified according to their economic functions, economic nationalism by the bumiputras can be interpreted by non-bumiputras as furthering bumiputra interests towards a complete political domination of the country, forgetting that a wealthier bumiputra population may provide political stability and a climate conducive to economic growth, for all to share.

In addition to these handicaps, which are merely the tip of the iceberg, Malaysia's New Economic Policy (NEP) demands that by 1990 there ought to be at least 30% bumiputra participation and ownership at all levels in business and industry. With less than ten years to go, this time pressure is an added constraint.

1.3 Research Objectives

In view of the preceding, research on bumiputra entrepreneurship is therefore urgently needed not only to provide information for academic interests but also for practical applications. Primarily, the purpose of this research is to provide understanding concerning the development of an indigenous bumiputra entrepreneurship and to narrow the knowledge gap between government agencies and similar institutions set up to promote bumiputra entrepreneurship and those they are supposed to serve.

The author designed a questionnaire and used it in interviews with 92 bumiputra entrepreneurs in the Malaysian State of Kelantan and 44 officials in both the government and private sectors. Responses were also recorded on tape. The following facts regarding bumiputra entrepreneurs were obtained:

- a) their personal and business backgrounds;
- b) their business practice in relation to the keeping of business records;
- c) their business problems;
- d) their training needs;
- e) their suggestions for the promotion of bumiputra entrepreneurship in Malaysia.

As part of this research the information obtained was also used specifically to:

- a) describe the personal and business profiles of bumiputra entrepreneurs;
- b) identify and clarify the nature and extent of bumiputra business problems;
- c) identify some of the factors that are associated with the keeping of business records, business growth, and, business problems;
- d) identify the nature and extent of bumiputra needs particularly in areas of business training and business facilities.

1.4 Organization of the Thesis

The rest of this thesis is organised as follows:

- a) chapter two examines the nature of bumiputra participation in business and industry in relation to Malaysia's New Economic Policy;
- b) chapter three examines in greater detail some of the problems regarding bumiputra entry into business and industry, and the characteristics of those already in business;
- c) chapter four discusses some of the conceptual foundations concerning entrepreneurship;
- d) chapter five outlines the main theories regarding the emergence of entrepreneurs and examines entrepreneurship in selected countries of South-East Asia;

- e) chapter six presents the research method, data analysis, and research problems;
- f) chapter seven presents and discusses both the qualitative and the quantitative results of the present research;
- g) chapter eight summarizes the main results, outlines some recommendations for developing bumiputra entrepreneurship, and provides some suggestions for further research.

CHAPTER 2

BUMIPUTRA PARTICIPATION IN BUSINESS AND INDUSTRY

The main objective of this chapter is to present an overview regarding the nature of bumiputra participation in business and industry in relation to Malaysia's New Economic Policy (NEP). The first part of this chapter describes the aims of the NEP and the strategies regarding its implementation. This is followed by a review of bumiputra participation in business and industry for Peninsular Malaysia, and in the Malaysian State of Kelantan where the present research took place.

2.1 Malaysia's New Economic Policy (NEP): Aims and Strategies

The government of Malaysia, following the 1969 outbreak of racial violence, took further steps to redress the economic imbalance between the races, and in particular, to increase bumiputra participation in business and industry. This bold effort took the form of the New Economic Policy (NEP) which was first introduced, together with the Second Malaysia Plan in 1971-75 (SMP, 1971-75). The NEP was designed to promote national unity through a two-pronged strategy. Its objectives are described below:

- a) ... eradicating poverty by raising income levels and increasing employment opportunities for all Malaysians, irrespective of race....
- b) ... accelerating the process of restructuring Malaysian society to correct economic imbalance, so as to reduce and eventually eliminate the

identification of race with economic function....

The objective is to ensure that Malays and other indigenous people will become full partners in all aspects of the economic life of the nation.

(Mid-Term Review, Second Malaysia Plan 1971-75, 1973:1).

Specifically, the NEP seeks to create a commercial and industrial community among the Malays and other indigenous people, and 'the target for the purpose is that by 1990, they should be able to own and manage at least 30% of the country's commercial and industrial sectors, in all categories and scales of operation' (Third Malaysia Plan, 1976-80:192).

In order to promote bumiputra entrepreneurial participation in commerce and industry, the Government of Malaysia introduced mutually supportive programmes such as the following:

- a) the extension of credit facilities especially for small enterprises;
- b) the provision of training and technical assistance;
- c) the implementation of administrative measures designed to induce entrepreneurs among the Malays and other indigenous people to participate in the commercial and industrial sector;
- d) the establishment and expansion of special government agencies to spearhead the effort in creating a commercial and industrial community among them.

(Third Malaysia Plan, 1976-80:192).

The adoption of administrative measures to help businesses among the Malays and other indigenous people to participate in the modern sector of Malaysia's economy include the following:

- a) price preferences in favour of Malay and other indigenous suppliers ranging from 2%-10% for suppliers of goods and services of up to \$M5 million in value;
- b) the reservation of at least 30% of the value of all works contracted out by the Public Works Department (PWD) - the largest contract issuing department - for Malays and other indigenous contractors;
- c) specified quotas (also 30%) in the award of transport operating licenses;
- d) the reservation of specific percentages of trading areas and licenses.

(Third Malaysia Plan, 1976-80:194).

The implementation of various programmes has been entrusted to several government agencies and lately, government departments, as well, including MARA (Council of Trust for the Indigenous People), UDA (Urban Development Authority), PERNAS (National Trading Corporation), and others such as MIDF (Malaysian Industrial Development Finance), NPC (National Productivity Centre), FIDA (Federal Industrial Development Authority), CGC (Credit Guarantee Corporation), MIEL (Malaysian Industrial Estate Limited), ASN (National Share Trust Board), Bank Pembangunan (Development Bank), and Bank Bumiputra (Bumiputra Bank). Similar roles are also given to the SEDCs (State Economic Development Corporations) set up in each of the thirteen states of Malaysia. The main

agencies however, are MARA, UDA, and PERNAS. A full account of their activities is provided in the form of Plan Books issued every five years. The activities of these agencies have also attracted researchers (e.g. Abdul Rahim Said, 1974, Mohd. Zainuddin Mahmood, 1974, Abdul Manan Razak, 1974, Ismail Hassan, 1980). A checklist regarding the functions of the agencies is shown in Table 2.1. Further details concerning the activities of those agencies are given in appendices 1-4.

However, as stated in the introduction to this thesis, the various programmes introduced subsequent to the NEP, and through the five-yearly Malaysia Plans (the Fourth Malaysia Plan being 1981-85), have failed to produce satisfactory results. For example, the 3rd Bumiputra Economic Convention reported that, including trusts held by the government, the achievement level of the bumiputras in business and industry by 1980 was only 10% compared to the target of 30% set by the NEP for 1990 (Utusan Malaysia, 18th August, 1980). The level of individual bumiputra participation in business and industry was so low, that Abdul Rahim Said (1974:188) concluded that "...the government was more entrepreneurial than those they are trying to develop."

Further elaboration regarding bumiputra participation in business and industry in Peninsular Malaysia and, particularly, in the Malaysian State of Kelantan is necessary if the nature of their economic activities are to be understood. These are discussed in the rest of the chapter.

Table 2.1:

Promotion of Bumiputra Entrepreneurship:

Checklist on the Functions of Government Agencies in Malaysia

| AGENCY \ FUNCTIONS | Financial Assistance | Management and Counselling | Training | Contracts | Business Premises & Industrial Estates | Project Identification |
|--|----------------------|----------------------------|----------|-----------|--|------------------------|
| | (1) | (2) | (3) | (4) | (5) | (6) |
| MARA | X | X | X | X | X | X |
| UDA | X | X | X | X | X | X |
| CGC | X | X | | | | |
| DEVELOPMENT BANK | X | X | X | | | X |
| COMMERCIAL BANK | X | X | | | | X |
| ICU | X | | | | | |
| SEDCS | | | | X | X | X |
| MIDF | X | X | | | | X |
| NPC | | X | X | | | |
| PWD | | | X | X | | |
| PSC | | | X | | | |
| MARDI | | | | | | X |
| MINISTRY OF EDUCATION | | | X | | | |
| MINISTRY OF CULTURE | X | X | X | | X | X |
| MINISTRY OF HOUSING AND LOCAL GOVERNMENT | | | | | X | |
| FIDA | | | | | X | |
| PERNAS | | X | | | | |
| MINISTRY OF FINANCE | | | | X | | |

(Source: ICU, Prime Minister's Department, personal communication. Translated into English by the author)

2.2 Bumiputra Participation in Business and Industry
in Peninsular Malaysia

Some indications regarding the nature of bumiputra participation in business and industry in the years before 1971 (i.e. the year of the NEP) are shown in Table 2.2. The table shows the number of Malay businesses by industrial category such as oil palm estates, rubber estate, rubber dealers, mining, manufacturing, selected services, wholesale and retail, in 1970. These numbers were very low compared with the national total. In fact, the only exception was in the area of 'contractor' licensed to undertake work of less than \$100,000.

The racial breakdown of share capital ownership in 1970 is shown in Table 2.3. The table shows that the ownership of share capital by Malays and Malay interests was a mere 2% of the overall total. Except for transportation, where the Malay share was some 13%, the share in the other sectors ranged from 0.7% in mining to 3.3% in finance, 2.5% in manufacturing, and 2.2% in construction.

Even in the wholesale and retail trade, where bumiputra participation is popular and relatively easier, the data given in Table 2.4 suggest that their participation was far from adequate. The data which have been based on the Distributive Trade Survey of 1970 and covering only urban towns, defined as having a population exceeding 10,000 people, show the following:

- a) In 1970, the number of both wholesale and retail trade owned by the Malays was 3,479 and accounted

Table 2.2

Number of Businesses by Industrial Category, 1970

| Category | Malay | Total | Percentage |
|-----------------------|--------|---------------------|------------|
| Oil Palm Estates | 2 | 360 | insig. |
| Rubber Estate | 46 | 2,059 | 2.0 |
| Rubber Dealers | 629 | 2,833 | 22.0 |
| Mining | 28 | 1,506 | 2.0 |
| Manufacturing | 143 | 3,192 | 4.5 |
| Contractor >\$100,000 | 45 | 895 ² | 5.0 |
| <\$100,000 | 2,098 | 2,679 ³ | 78.0 |
| Selected Services | 3,494 | 17,156 ⁴ | 20.4 |
| Wholesale | 184 | 6,874 | 2.67 |
| Retail | 3,993 | 25,660 | 15.6 |
| Total | 10,662 | 63,214 | 16.9 |

Notes:

1,3,4 - No survey in 1970, 1971 figures were used

2 - 25% of 1971 total

(Source: Charlesworth, 1974:63)

Table 2.3

Ownership of Share Capital of Limited Companies, by Race and Sector, Peninsular Malaysia, 1970

| | Malay | | Chinese | | Indian | | Foreign | | Total ¹ (\$000) |
|---|---------|------|-----------|------|---------|-----|-----------|------|-------------------------------|
| | (4000) | (%) | (\$000) | (%) | (\$000) | (%) | (\$000) | (%) | |
| Agriculture, forestry and fisheries | 13,724 | 0.9 | 177,438 | 22.4 | 16,191 | 0.1 | 1,079,714 | 75.3 | 1,432,400 |
| Mining and quarrying | 3,876 | 0.7 | 91,557 | 16.8 | 2,488 | 0.4 | 393,910 | 72.4 | 543,497 |
| Manufacturing.. .. . | 33,650 | 2.5 | 296,363 | 22.0 | 8,880 | 0.7 | 804,282 | 59.6 | 1,348,245 |
| Construction | 1,258 | 2.2 | 30,855 | 52.8 | 447 | 0.8 | 19,937 | 24.1 | 58,419 |
| Transport and communications | 10,875 | 13.3 | 35,498 | 43.4 | 1,903 | 2.3 | 9,845 | 12.0 | 81,887 |
| Commerce | 4,715 | 0.8 | 184,461 | 30.4 | 4,711 | 0.7 | 384,549 | 63.5 | 605,164 |
| Banking and insurance .. | 21,164 | 3.3 | 155,581 | 24.3 | 4,434 | 0.6 | 332,790 | 52.2 | 636,850 |
| Others | 13,349 | 2.3 | 220,330 | 37.8 | 13,348 | 2.3 | 182,862 | 31.4 | 582,516 |
| Total .. | 102,611 | 1.9 | 1,192,083 | 22.5 | 52,402 | 1.0 | 3,207,889 | 60.7 | 5,288,978 |

1. The total includes share capital ownership by Federal and State Governments and Statutory Bodies and other Malaysian residents (individuals and Nominee and locally controlled companies), amounting to about \$734 million. In this Table, the racial shares in each sector exclude these two groups.

(Source: Mid-term Review, Second Malaysia Plan 1971-75:83)

Table 2.4
Malay Participation in Wholesale and Retail Trade
1970 - 72

| Sector/Ownership | No. of Establishment | | Total Persons Engaged | | | | Value of Turnover | | |
|------------------------|----------------------|---------------|------------------------|--------------|---------------|--------------|-------------------|---------|----------------|
| | 1970 | 1972 | 1970 | | 1972 | | 1970 | 1972 | |
| | | | Number | % | Number | % | \$'000' | \$'000' | |
| (a) Wholesaling | | | | | | | | | |
| Malaysian | | | | | | | | | |
| Malay | 168 | 170 | 984 | 1.9 | 809 | 1.4 | n.a | n.a | 55.1 |
| Chinese | 5,239 | 5,480 | 31,861 | 61.9 | 37,127 | 63.2 | | | 3,876.5 |
| Indian | 264 | 286 | 1,470 | 2.9 | 1,636 | 2.8 | | | 188.5 |
| Other | 23 | 34 | 378 | 0.6 | 433 | 0.7 | | | 40.1 |
| Non-Malaysian | 798 | 941 | 14,764 | 28.7 | 16,034 | 27.3 | | | - |
| N.E.C. & Stateless | 181 | 125 | 2,037 | 4.0 | 2,680 | 4.6 | | | 2,884.1 |
| TOTAL (a) | 6,673 | 7,036 | 51,434 | 100 | 58,717 | 100 | | | 7,044.3 |
| (b) Retailing | | | | | | | | | |
| Malaysian: | | | | | | | | | |
| Malay | 3,311 | 4,745 | 6,129 | 8.2 | 8,176 | 10.4 | n.a | n.a | 80.1 |
| Chinese | 18,957 | 19,547 | 56,113 | 74.7 | 58,008 | 73.5 | | | 714.3 |
| Indian | 2,142 | 2,380 | 5,803 | 7.7 | 6,490 | 8.2 | | | 146.7 |
| Other | 98 | 49 | 478 | 0.6 | 191 | 0.4 | | | 3.9 |
| Non-Malaysian | 573 | 623 | 4,360 | 5.8 | 4,370 | 5.4 | | | - |
| N.E.C. & Stateless | 340 | 284 | 2,200 | 2.9 | 1,631 | 2.1 | | | 319.1 |
| TOTAL (b) | 25,421 | 27,628 | 75,083 | 100.0 | 78,866 | 100.0 | | | 2,264.1 |
| TOTAL (a) + (b) | 32,094 | 34,664 | (1) As end of the year | | | | | | |

(Source: Distributive Trade Survey 1970 and 1972, Department of Statistics, Malaysia, from SERGPU, 1975:57)

for 10.8% of the total of 32,094 establishments, compared with the Chinese, who accounted for 75.4% and numbered 24,196.

- b) The distribution of Malay owned establishment was biased towards the retail trade reaching 95.1% (3,311) in 1970, and 96.5% (4,745) in 1972.
- c) In terms of size, the bumiputra-owned retail establishments tended to be comparatively small. For example, in 1972 the total turnover value of bumiputra-owned establishments in the retail trade was \$80.1 million which accounted for only 3.6% of the turnover value in the retail sector. The average turnover value of bumiputra retail establishment amounted to about \$16,000 in 1972, compared with \$87,700 for the Chinese.
- d) Bumiputra-owned establishments in the wholesale trade were also small. For example, in 1972 Malay wholesale establishments had an average turnover value of about \$323,900 compared with \$707,400 in the case of the Chinese, or, \$2.7 million in the case of foreign owned establishments.
- e) Not only were the establishments owned by the Malays small, but the number of participants was also low. For example, in 1972 a total of 8,983 Malays were engaged in both wholesale and retail trade compared with 95,135 Chinese, and 8,120 Indians.

In addition to the above, a Task Force set up in 1975 by the Prime Minister's department to report on bumiputra participation in business and industry, mentioned the following facts regarding bumiputra retail and wholesale establishments:

- a) Bumiputra retail establishments were largely concentrated in two major lines, namely provisions and fruit/vegetables, and those two accounted for 57% of total Malay retail business.
- b) Bumiputra wholesale establishments were also found to be concentrated in a few lines of business. For example, in 1972 out of 41 types of wholesale business covered by the survey, 52% of bumiputra wholesale establishments were involved in only six wholesale products, namely meat/poultry, rice/other grains/flours, clothing/textiles, books/stationery, lumber/timber, and building materials/ builder's hardware.

In their 159-page report the Task Force (SERGFU, 1975) summarized Malay participation in industries and the distributive trade as follows:

- a) The level of bumiputra participation in most areas of business was still very low;
- b) Bumiputra business ventures tended to be relatively small scale;
- c) There was a concentration of bumiputra participation in a few lines of business, where entry was easier

- and required less capital outlay or skills;
- d) There was very poor representation of bumiputras in the service trade;
 - e) Bumiputra participation in new industries was generally lacking;
 - f) In terms of their labour contribution, the bumiputra share of the revenue was much less, indicating their lack of managerial and technical skills.

(SERGPU, 1975:36-37)

Further details regarding the nature of bumiputra participation in business and industry for Peninsular Malaysia, particularly those related to the manufacturing and construction section are shown in Appendix 5 and 6 respectively. Bumiputra participation in business and industry has also been fully discussed by for example, the Abdul Rahim Said (1974), Task Force (SERGPU, 1975) and Mohd. Fauzi Yaakub (1978). Table 2.5 summarizes the progress made by the bumiputras in business and industry before and after the launching of the New Economic Policy.

The above information regarding bumiputra participation in business and industry for Peninsular Malaysia, may now be compared with those in the Malaysian State of Kelantan (see map on page iv).

2.3 Economic Activities and Historical Accounts of Kelantan

Kelantan with a population of 686,266 (1970) comprises 93% Malays. It is the second largest Malay state led only by Johore (population 692,525: 1970). It is divided into eight administrative districts: Kota Bharu (the state capital), Pasir Mas, Tumpat, Tanah Merah,

Table 2.5

Malay Participation in Business and Industry Before and After the Launching of the
New Economic Policy

| Business/industry | 1970 | 1971 ¹ | 1972 | 1973 | 1974 | 1975 | 1976 |
|------------------------------|--------|-------------------|--------|------|------|-------|--------|
| Retail business | 21,762 | | 28,991 | | | | 52,700 |
| Distributive business | | | | 45 | 113 | | |
| Contractors | | | 2,049 | | | 4,331 | |
| Contractors Class A, B, C | | | 47 | | | 142 | |
| Lorry transports | 249 | | | | | 3,234 | |
| Registered companies | 104 | | | | | | 3,621 |

Notes: ¹ No information.

(Source: Mohd. Fauzi Yaakub, 1978:83, translated into English by the author)

Machang, Kuala Krai, Bachok, Pasir Puteh (map p. iv). The non-Malays form only 7% of the population. The Kelantanese, as the people are called, are according to Manning Nash (1974: 243) overwhelmingly rural and the population who live in kampongs (villages) are predominantly engaged in agriculture. Traditionally, the Kelantanese were padi (rice) planters, but rubber was introduced at the end of the last century during British rule.

Historical accounts of Kelantan indicate that the population was actively involved in trade. For example, Leslie Robert (1974) in an MA thesis on Kelantan 1890-1939 mentioned the exports of Kelantan to be coconuts, copra, cattle, rice, leather, arecanuts, salted fish, rubber and damar, and imported cotton products, dyed cottons, tobacco, salt, sugar, kerosene and silk.

In more contemporary terms F.F. Laidlaw (1953:13) noted trade in the state capital, Kota Bharu, as follows:

I found the shopping centre of the town fascinating. There one could see beautiful locally-made sarungs, along with imported cotton and silk cloths, generally, unfortunately, markedly inferior in colour and texture; native sweetmeats; tin and brassware from Brunei, Trengganu and Birmingham; Japanese and Chinese tools and knives; gold ornaments locally made, sireh boxes, fruits and poultry. The traders were of wide origins, Malays, Chinese, Arabs, Indians.

Such historical evidence regarding the economic activities of the Malays is not surprising because there existed a Malay commercial world which dated back to the last millennium BC. The Malays had a trading class, but not any more in present day terms. Kenneth

Hall (1980) cited four geographic zones said to be the focus of the Malay commercial world. These are listed below in chronological order :

- a) the upper Malay Peninsular during the last millennium B.C.;
- b) the Java region in the second and third century A.D.;
- c) the Straits of Malacca to the height of the Srivijayan empire in the 11th century;
- d) the Bay of Bengal encompassing the mainland political systems and the former Srivijayan domains in the upper Malay Peninsular and the Northern and Western Coasts of Sumatra.

Similar evidence regarding Malay commercial activities has also been reported by Al-Attas (1977). They all indicate that the Malays had a commercial history contrary to popular beliefs that the Malays had no such tradition.

However, according to Hall (1980:20):

Only with the coming of the Europeans in the sixteenth century was there direct penetration of foreign merchants into the Malay hinterland. Previous to that age, Malay society had successfully responded to the potential of foreign trade and capably assumed the role of middlemen in meeting the demands for goods and services coming from the international maritime traders.

Locally in Malaysia, the Kelantanese are noted for their business acumen and industriousness compared to their counterparts in the other states of Malaysia. According to Charlesworth (1974),

Kelantan has the greatest number of bumiputra businesses followed by the Malaysian states of Trengganu, Selangor, and Johore, respectively.

2.4 Bumiputra Participation in Business and Industry in the Malaysian State of Kelantan

The following discussion on bumiputra participation in business and industry in the State of Kelantan is based on a report made by the Malaysian Centre for Development Studies (MCDS) in 1976. The study included 506 businesspersons and covered 26 kinds of businesses. Owing to paucity, often the absence of records, the MCDS (1976) acknowledged that their information may not be very reliable or accurate, although it is indicative of the general trend. In fact a large number of businesses especially in the rural areas were not registered. An extended summary of the MCDS (1976) report which covered five main areas regarding bumiputra participation in business and industry in Kelantan and presented in the following section is supplemented by appropriate tables for detailed information.

2.4.1 Number of Bumiputras in Business and Industry in Kelantan

The MCDS report (1976:15) found the total number of bumiputra businesses in Kelantan, including rural areas to be 7,000. However, the figures for 1975 as indicated by the number of business licences and permits issued by eight town council districts in Kelantan totalled 3,595. The figures are shown in Table 2.6.

As shown in Table 2.6 even in a predominantly Malay state the number of business permits and licences issued to non-Malays

exceeded the Malay number, being 1,634 for Malays and 1,953 for non-Malays. In relatively new areas where massive developments were taking place, such as the towns of Kuala Krai and Machang, the number of business permits and licences issued to the non-Malays outnumbered those of the Malays. In Kuala Krai permits and licences for non-Malays have almost doubled.

Table 2.6
Business Permits and Licences Issued by Town
Council Authorities in Kelantan

| Town Council Authorities | Malays | Chinese | Indians | Others | Total |
|--------------------------|--------------------|--------------------|---------|--------|-------|
| 1. Kota Bharu | 1,132 ⁺ | 1,115 ⁺ | 121 | 3 | 2,371 |
| 2. Bachok | 28 | 12 | - | - | 40 |
| 3. Machang | 55 ⁺ | 67 ⁺ | 3 | - | 125 |
| 4. Tanah Merah | 71 | 74 | 10 | - | 155 |
| 5. Tumpat | 39 | 89 | 17 | - | 145 |
| 6. Kuala Krai | 146 | 242 | 3 | 5 | 396 |
| 7. Pasir Puteh | 46 | 86 | 2 | - | 134 |
| 8. Pasir Mas | 117 | 112 | - | - | 229 |
| TOTAL | 1,634 | 1,797 | 156 | 8 | 3,595 |

+ does not include trishaws

(Source: MCDS, 1976:13 translated into English by the author)

2.4.2 Racial Composition of the Population in Business and Industry in Kelantan

The figures concerning the racial composition in business and industry in Kelantan shown in Table 2.7 were obtained from eight town council districts. The table shows that only in four of the town council districts did bumiputra participation in business and industry exceed non-bumiputra participation. They include Machang (65.2%), Pasir Mas (51.09%), Bachok (70%), Kota Bharu (49.5%). This is not satisfactory as the MCDS (1976:16) found the number of bumiputras or their properties in all districts exceeded those of the non-bumiputras. In fact in the state capital of Kota Bharu the bumiputras owned 84.2% of the developed properties compared to the Chinese ownership of 13.2%.

2.4.3 Bumiputra Participation in Types of Business and Industry in Kelantan

Data relating to bumiputra participation in business and industries in Kelantan according to types and districts are shown in Appendix 7. It will be found that the bumiputras were concentrated in small businesses and industries requiring small capital layout and limited sales and market, but requiring less experience and skills (MCDS, 1976:15).

The MCDS report (1976: 17-18) further pointed out that of 34 industries which required the use of machinery, the bumiputras were involved in only eight. And only in the following businesses and industries did the bumiputras achieve a 50% or greater level of participation:

Table 2.7
Percentage of Bumiputras and Others in
Business and Industry in Eight Town Council
Districts in Kelantan, 1972 - 1975.

| | % Malays | | | % Chinese | | | % Indians | | |
|-------------|----------|-------|-------|-----------|-------|-------|-----------|-------|-------|
| | Year | | | Year | | | Year | | |
| | 72 | 73 | 74/75 | 72 | 73 | 74/75 | 72 | 73 | 74/75 |
| Kota Bharu | 23.9 | 24.9 | 49.5 | 66.3 | 65.8 | 47.3 | 9.9 | 9.2 | 3.16 |
| Machang | 64.0 | 64.2 | 65.23 | 34.5 | 34.2 | 33.84 | 1.5 | 1.5 | 0.93 |
| Tumpat | 25.0 | 24.8 | 26.89 | 63.9 | 64.5 | 61.3 | 11.1 | 10.6 | 11.9 |
| Bachok | 58.3 | 58.3 | 70 | 41.7 | 41.7 | 30 | - | - | - |
| Tanah Merah | 44.4 | 44.4 | 45.8 | 52.0 | 52.0 | 47.7 | 3.6 | 3.6 | 6.45 |
| Kuala Krai | 36.55 | 36.55 | 36.8 | 61.29 | 61.29 | 61.1 | 2.15 | 2.15 | 2.02 |
| Pasir Puteh | 34 | 34 | 34.32 | - | - | 64.17 | - | - | 1.49 |
| Pasir Mas | 51.09 | 51.09 | 51.09 | 38.92 | 38.92 | - | 11.09 | 11.09 | - |

(Source: MCDS, 1976:17, translated into English by the author)

| <u>Business Classification</u> | <u>Percentage of Bumiputra Participation</u> |
|--------------------------------|--|
| a) dhobi | 53.0 |
| b) retailing | 46.7 |
| c) barbers | 46.2 |
| d) roadside stalls | 76.3 |
| e) hawkers | 54.42 |
| f) ice factory | 66.6 |
| g) rice-milling | 50.0 |
| h) rice-stalls | 100.0 |
| i) brick making | 50.0 |
| j) saw-milling | 60.0 |
| k) printing | 66.6 |
| l) batik-making | 80.9 |

The tendency of Kelantan bumiputras to concentrate in a few businesses requiring small capital layouts and which provided easy access seems to support the national trend reported by the Task Force (SERGPU, 1975).

2.4.4 Capital Ownership of the Bumiputra Business and Industry in Kelantan

Definite figures regarding capital ownership of the bumiputras in business and industry in Kelantan were not available. However, the MCDS (1976:20) estimated and reported that 56% of the bumiputras in their sample had a capital of \$5,000 and below. They also found that only 14.6% of 506 bumiputras in their study managed to obtain loans from the government.

According to Table 2.8, in the five-year period of 1970-1975, both the commercial banks and public institutions loaned a total of \$22,506,012 to the bumiputras in Kelantan. Of these figures only

Table 2.8
Sources of Business Loans Obtained by Bumiputras
in Kelantan 1970 - 1975

| Sources of loans | No. of applicants | No. of successful applicants | Total value of loans |
|-------------------------------|-------------------|------------------------------|----------------------|
| Commercial banks ⁺ | 1,497 | 1,002 | + \$11,037,912 |
| MIDF | 67 | 37 | \$ 911,300 |
| MARA | 5,550 | 2,535 | \$10,556,800 |
| TOTAL | 7,114 | 3,574 | \$22,506,012 |

+ Based on information given by the following banks in Kelantan:

1. Malayan Banking
2. United Malayan Banking
3. Chartered Bank
4. Chung Khiaw Bank
5. Hong Kong and Shanghai Banking Corporation

(Source: Adapted from MCDS, 1976, table XXII:37, translated into English by the author)

Table 2.9

Occupational Pattern of Bumiputras in Business and Industry in Kelantan ⁺

| Categories | % Bumiputra | | % Chinese | | % Indian' | | % Others | |
|--------------------------|-----------------|---------------------|-----------------|---------------------|-----------------|---------------------|-----------------|---------------------|
| | bumiputra firms | non-bumiputra firms | bumiputra firms | non-bumiputra firms | bumiputra firms | non-bumiputra firms | bumiputra firms | non-bumiputra firms |
| Management ⁺⁺ | 94.5 | 24.8 | 5.5 | 69.0 | - | 6.2 | - | - |
| Technical and clerical | 94.4 | 62.4 | 4.2 | 26.4 | 1.4 | 11.0 | - | - |
| Labourers | 92.0 | 80.7 | 2.1 | 4.2 | 5.9 | 15.1 | - | - |
| Average total | 93.6 | 55.9 | 3.9 | 33.2 | 3.6 | 10.7 | - | - |

+ Information based on 44 bumiputra firms and 92 non-bumiputra firms

++ Included directors as well as managers

(Source: MCDS, 1976: Appendix XI, translated into English by the author)

about 50% or 3,374 of the loan applicants succeeded in getting the loans and the number did not preclude those who had their loans repeated over the five-year period. The point is that even using an indirect method of arriving at the level of capital ownership among the bumiputras in Kelantan, the sum of \$22.5 million must be small compared to the total share capital invested in the whole state of Kelantan. And because most of the bumiputras were poor by comparison, the share capital they themselves provided could not have been much (MCDS, 1976).

2.4.5 Occupational Pattern of the Bumiputras in Business and Industry in Kelantan

According to Table 2.9 the level of employment among the bumiputras in business and industries in Kelantan, at all levels of employment, is satisfactory. However, for the non-bumiputra companies the percentage of bumiputra participation at the management level was still small at 24.8% while at the technical and unskilled levels the figures in Table 2.9 show 62.4% and 80.7% respectively.

From the foregoing it would appear that, with respect to bumiputra participation in business and industry, the Kelantan state reflects what is happening in Peninsular Malaysia. Indeed, in view of the high concentration of Malays in Kelantan, their level of participation in business and industry may be considered to be lower than the data produced for the country as a whole. In this respect, the claim that the bumiputras in Kelantan were the 'Chinese of Malaysia' is more likely to be false. The fact seems to be that the bumiputras at both the national and state levels

were involved in very small businesses, with little capital and sales, and covering narrow and limited markets. They also tend to concentrate on a few traditional industries which provide easy access. These tend to require less experience and few skills and therefore, provide very poor returns.

Further, the available data indicate that although in quantitative terms there has been an increase in the number of bumiputras in business and industry for the whole of Peninsular Malaysia as shown earlier in Table 2.5, the quality of their participation was well below expectations. In this respect, the data demonstrate that efforts made by the Malaysian government to promote bumiputra entrepreneurship have so far met with little success. Some of the reasons for this may be found in the following chapter where the problems the bumiputras face when they attempt to enter business and industry are discussed.

CHAPTER 3

BUMIPUTRA ENTRY INTO BUSINESS AND INDUSTRY

Information in chapter two shows that in spite of the Malaysian government effort to increase bumiputra participation in business and industry, the achievement level has been rather unsatisfactory. Although much has yet to be understood regarding bumiputra entrepreneurship, a number of factors, identified as both cultural and non-cultural including those related to colonialism, have thwarted bumiputra entry into business and industry. It is the main aim of this chapter to clarify some of these factors, as well as to review previous studies regarding bumiputra entrepreneurship, in a further attempt to understand the problems of bumiputra performance and entry in business and industry.

3.1 Fundamental Problems Regarding Bumiputra Entry into Business and Industry

It was mentioned earlier that ever since the issue of economic development among the bumiputras was broached, there was an uninterrupted flow of writings, speeches, newspaper articles, seminars and debates, all of which had as their central concern, the issue of bumiputra involvement in the modern sector of the economy i.e. business and industry. Out of the voluminous literature (e.g. Wilder, 1968; Parkinson, 1968; Abdul Rahim Said, 1974; Abdul Aziz Mahmud, 1976; Tham Seong Chee, 1977; Syed Husein Al-Attas, 1977; Syed Husin Ali, 1979). R.S. Milne (1976:242) has best summarised the fundamental problems of the bumiputras. He wrote:

The obstacles in the way of achieving the NEP's economic targets...derive largely from the value systems of the Malays, their lack of education in the "modern" subjects, their small experience in general and of specific know-how, as well as from impediments in the environment: lack of premises or of credit, lack of business contacts, connections and suppliers.

The cultural and non-cultural factors described by Milne (1976:242) need further elaboration however, if the difficulties of the bumiputras are to be understood. Some of them, including the possible effects of colonialism are, discussed in the following.

3.2 Cultural Factors Affecting Bumiputra Entry and Participation in Business and Industry

A number of researchers have argued that cultural factors arising from Malay cultural heritage, especially Malay attitudes, values, and the effect of colonialism may have caused some of the problems associated with bumiputra entry into business and industry. A number of studies have tried to focus on some of these problems (e.g. Charlesworth, 1974; Swift, 1963; Firth, 1966; Popenoe, 1970; Afifuddin Hj. Omar, 1973; Al-Attas, 1977; Syed Husin Ali, 1979); but none could actually pinpoint them exactly. Some of them however, have been selected for discussion in the following section to illustrate the problems arising from Malay attitudes and beliefs, beginning with an observation made by Swift (1965:169-170):

The most important way in which the character of Malay society affects the economy is the field of values and attitudes. This cannot be treated as an impact of 'society' on the economy, for these

attitudes colour the social system throughout and cannot be identified with any specific area, as can the process of concentration of wealth with the economy. Value-attitudes such as fatalism, the short run orientation, the reluctance to alter an arrangement which is satisfactorily meeting minimum consumption needs, the contingent character of economic bargains, together with the factors which impede organisations such as the lack of legitimate leadership roles within the village, are of great importance in understanding the people's economic activity; above all its lack of dynamism and weakness in the face of outside competition.

Popenoe (1970), in a doctoral thesis entitled Malay Entrepreneurs: An analysis of the social backgrounds, careers and attitudes of the leading businessmen in West Malaysia, and citing evidence from, for example, Tjoa(1963), Swift(1964), Djamour(1965), Wilson (1967), and from his own interviews, failed to report any positive influence Malay attitudes and values may have had on the development of Malay entrepreneurship. Popenoe's review covers Malay attitudes towards child-rearing, work and leisure, wealth, and work relationships. For example, on child-rearing, Popenoe (1970:240) mentioned that self-reliance and need to achieve were not instilled in the children in the typical Malay family; and the concept of malu (shame) seems to direct the Malays into unproductive pursuits required by adat (customs). Even the word 'richman' is derogatory, and may not be necessarily envied.

More recently, Charlesworth (1974:14) describes the attitude and value system held by many Malay businessmen in Malay society as being in sharp contrast to the business ethic and value system existing in the modern business world. He observes that in the Malay social structure economic security is extremely important: change and innovation are not. In Malay society, a man's income

is based not so much on his own ability but on the concept of "rezeki", i.e. the idea that one's economic success or failure is only in part one's responsibility and that for the most part what is to be achieved will only come about through fate. Hence, attempts to improve one's well-being are often regarded indifferently and fatalistically.

Charlesworth's study (1974) stems from the thesis that the bumiputras in the business world experience considerable role conflict between their social and economic roles and that this conflict impedes development of their entrepreneurial potential. He explains that the conflict arises from Malay attitudes and values versus the norms of the business world which, according to Talcott Parsons (1949:405-425), are characterized by achievement norms, universalism and specificity. In contrast, developing societies are characterized by ascriptive norms, particularism, and diffusiveness. Below is an example of role conflict given by Charlesworth (1974:10).

A typical example is the businessman who must play the role of boss in the professional situation and the role of a friend to the same person in a similar situation on the golf course or tennis court.

Malay economic and social behaviour is also governed by the presence of psychological feudalism identified by Al-Attas (1972:100). This is differentiated from its previous political, economic and judicial order of which those phenomena were the constituent psychological elements. Although he acknowledged that since the beginning of modernization during the 19th century, the institutional and judicial system of feudalism in Malaysia

has gradually disappeared , Al-Attas felt that the psychological traits remain. He believed that it is these traits that constitute psychological feudalism which he described as follows:

- a) In the context of psychological feudalism, the relationship between those in power and those dependent on them is characterized by personal attachment to the leader or man in authority rather than to the principles he stands for.
- b) The leader or the man in authority, whether he is a bureaucrat, a political celebrity, a teacher or a business manager, expects the subordinate to be loyal and faithful in a manner that sometimes comes into conflict with the norms and ethics of the work or profession.
- c) He (the subordinate) is supposed to be loyal under almost all circumstances even if these circumstances violate the present values and philosophy of Malaysian society.

Malay attitudes and beliefs arising from feudalism have also affected Malay occupational preferences, especially among the educated Malay class. "Initially the British in Malaysia absorbed the rulers and the aristocracy into the civil service, strengthened their position and privileges, and guaranteed their continuation and consolidation as it had never been in their past history. The absorption of the rulers and the aristocracy into the government service has made that service a place where two mutually reinforcing status systems met.

Hence the prestige accorded to government service is enormous. Economically and socially the civil service provides the only opportunity for comfortable life and rapid upward mobility for the aspiring educated Malays" (Al-Attas, 1968:149-150).

According to Al-Attas (1972), the persistence of feudalism in Malay society also explains why Malays prefer to join the prestigious government civil service associated with aristocracy, rather than occupational gradings such as business. This finding is based on the occupational gradings of university students in Malaysia which closely resemble the occupational gradings in feudal times. A comparison between the two is given in Figure 3.1.

One of the principal concepts which governs business in Malay society is malu which literally translated means shame, shyness or embarrassment. In terms of social and economic behaviour Wilson (1967: 130-131) translates malu into "being correct, showing consideration and concern, anticipating the other, conducting oneself with gentleness and refinement, speaking softly and using the proper word, and above all, being sensitive to the other person". Unlike the Malays, normative behaviour does not apply to the Chinese. "The Chinese almost always escape any social disapproval, rejection or ostracism for many behavioural infringement on the basis that he is an orang asing (foreigner)". (Afifuddin Haji Omar, 1973:24). Such sensitivity was according to Afifuddin Haji Omar the principal reason most Malay shopkeepers fail in their business. The idea that expectations and obligations of a human relationship can be governed by a contract which is impersonal, is alien to the Malay concept of malu.

Figure 3.1

The Grading of Occupational Prestige in Malaysia

Feudal Times

1. The rulers
2. The aristocracy
3. The chiefs and the ministers (mentri)
4. The warriors
5. Wealthy independent farmers or merchants
6. The pawang and bomohs (medicine men, shamans and healers)
7. The court entertainers
8. Artisans
9. Peasants and fishermen
10. Prostitutes
11. Slaves of commoners

(Source: Al-Attas, 1972:96)

Present Times (1966)

Highest

1. Sultans
2. The Prime Minister
3. Cabinet Ministers
4. Mentri besars
5. Permanent Secretaries
to Ministers
6. Head of Government
Departments

Lowest

1. Trishaw pedallers
2. Nightsoil carriers
3. Prostitutes
4. Brothel keepers
5. Beggars
6. Petty thieves

(Source: Al-Attas, 1972:90)

Malay attitudes towards money are reflected in a study by Lee Hock Lock (1967). As shown in Table 3.1, Lee Hock Lock found that only 4.0% of the Malays saved for the purpose of business expansion compared to 18.7% for the Chinese. In contrast, 11% of the Malays saved towards religious and marriage purposes compared to 1.1% for the Chinese. In fact the Malays were more disposed towards consumption of goods such as the purchase of motorcars, television, refrigerators, and sewing machines (Kamarul Ariffin, 1978:14).

Table 3.1

Motives for Savings by Racial Groups

| Motive for Saving | Malays | Chinese | Indians | Others | All races |
|---|--|---------|---------|--------|-----------|
| | (as percentage of households in group) | | | | |
| 1. To buy a house, a car, other necessities | 25.3 | 19.1 | 18.2 | 30.8 | 21.3 |
| 2. To provide for old age | 38.1 | 35.6 | 48.1 | 43.6 | 39.7 |
| 3. For precautions against uncertainty | 35.5 | 44.5 | 33.6 | 51.3 | 39.1 |
| 4. For children's education | 36.8 | 42.9 | 37.7 | 31.3 | 39.3 |
| 5. To promote business | 4.0 | 18.7 | 9.6 | 5.1 | 11.2 |
| 6. For daughter's dowry | 2.6 | 0.4 | 6.8 | - | 2.7 |
| 7. For social or religious ceremony | 8.4 | 0.7 | 4.0 | 5.1 | 4.2 |
| 8. Other reasons | 5.9 | 6.9 | 8.3 | 12.8 | 7.1 |
| Total number of households in group | 454 | 539 | 324 | 39 | 1,356 |

(Source: Lee Hock Lock, 1967)

However, Malay attitudes and values are not altogether as described in the above. Without empirical studies, even Popenoe (1970) acknowledged that much of what he reported was based on hearsay and may be typical of only a small group of Malays. In Malay society Tham Seong Chee (1977:9) said:

...there are sayings, maxims, and proverbs that encourage adaptiveness; initial sacrifice for a future gain; industry; self reliance; thrift, awareness of taking first steps in any enterprise, and an appreciation of time.

But they do not seem to be dominant themes in the realm of traditional Malay values, though not known. Some examples are given below.

Tinggi disigai, besar di tebang
(If high it is climbed, if large it is felled)

Lekuk batu dititik air selalu
(Even the stone will be hollowed if water continuously drips on it)

Kalau hendak kaya berdikit-dikitlah
(Be frugal, if you wish to be wealthy)

Harap pada anak, buta sa-belah,
Harap pada orang lain, buta mata dua belah
(To depend on one's own child is to be blind in one eye,
To depend on others is to be blind in both eyes)

(Source: Tham Seong Chee, 1977:23)

As part of the Malay cultural heritage, the effects of colonial policies upon the development of bumiputra entrepreneurship cannot, however, be over-emphasized. Although colonial policies and neglect have also had their fair share of the blame for Malay backwardness, their role probably served to reinforce existing Malay values and attitudes rather than to initiate changes. Beginning with the Portuguese in the 11th century and followed by the Dutch in the 17th and 18th centuries, the

rise of the commercial coastal states in the Malay archipelago was systematically arrested (Al-Attas, 1977:198). Later, in the 19th century, British policy in Malaya, which was regarded as enlightened and humanitarian, ended up by denying to the Malays many of the fruits of development (Popenoe, 1970:32). For example, in 1913 British fear that Malays would sell their land, and therefore would lose altogether that which was necessary for them to maintain their traditional lives, or shift from rice cultivation to rubber cultivation, which threatened growing shortages of rice, resulted in legislation prohibiting the selling of land or use of rice lands for anything but growing rice. According to Popenoe (1970:138) the law did have the effect of preserving Malay patrimony but it has to this day reduced the value of Malay lands and made it difficult for them to be used as capital for any new types of enterprise. In fact as far as this author knows, lands under Malay reservation are not acceptable as collaterals by non-Malay owned banks, and when they are acceptable the value is low. The effect of the legislation just described has been accurately described by Roff (1967:114):

The effect in general of these policies and practices was to reduce the impact and rate of socio-economic change at the village level and substantially to prevent any serious disorganisation of rural Malay life. At the same time, however, they act to isolate the Malay from socio-economic and social stimuli which might, with other forms of guidance and help, have done more to assist peasant society toward a gradual evolution of social structure and new patterns of living more in keeping with the demands of the modern world.

Large scale Chinese and Indian immigration into Malaysia in the 19th century was also the direct outcome of colonialism, in particular the British. Without the Chinese and the Indians, their commercial roles might have been filled [even if slowly], by the native Malays.

A fuller account of this is available in, for example, Popenoe (1970) and Al-Attas (1977).

Al-Attas (1977) further believed that the colonialists have been instrumental in formulating the image of the lazy native, where the Malays are believed to be lazy by nature and not endowed with the capacity to do business. In view of this, Al-Attas (1977) felt that current prejudices towards the Malays must be corrected. Al-Attas (1977:17) said:

There is a pressing need to correct the colonial image of the Malays, for this image still exerts a strong influence amongst an influential section of non-Malays, and it has also influenced a section of the Malay intelligentsia...It has led to certain discriminatory practices in the employment of the Malays - a number of employers have avoided Malays because they believe them to be lazy.

A proper discussion on the cultural factors would almost certainly be very lengthy, and is beyond the scope of this thesis. Yet the preceding discussion strongly suggests that attempts to increase bumiputra participation in business and industry cannot afford to neglect the cultural factors in the design of any programme concerned with the modernization of the bumiputras. Other explanations regarding bumiputra entry into business and industry can be derived from the non-cultural factors.

3.3 Non-Cultural Factors Affecting Bumiputra Entry and Participation in Business and Industry

Recent studies regarding bumiputra entry and participation in business and industry have also looked at the non-cultural factors to explain their shortcomings (e.g. Nik Abdul Rashid Ismail, 1972; SERGPU, 1975; Supngaton, 1975; Sahariah Md. Rashid, 1975; Abdul Rahman bin Hj. Mohd. Ali, 1975; Rosidah bt. Abdul Kadir Jalani, 1975; Abdul Rashid bin Mohd. Dahalan, 1975; MCDS, 1976; SERU, 1979; Nik Abdul Rashid Ismail, et al, 1980; SERU, 1981). Apart from a few empirical studies, most of the research reported consists of graduate exercises in fulfilment of an honours requirement at local universities in Malaysia. However, the Task Force (SERGPU, 1975), whose findings regarding the nature of bumiputra participation in business and industry were presented earlier, has also attempted to look at the economic and management aspect. Specifically, the Task Force reported that the Malays were faced with the following:

- a) weak financial resources and a low level of savings;
- b) an acute shortage in the supply of trained bumiputra managers;
- c) an absence of professional guidance and counselling in areas outside the administrative centres, and poor nationwide campaigns to promote bumiputra entry into business;
- d) restricted access to loan facilities and commercial premises, especially among small businesses and petty traders;
- e) sole reliance on the government to promote

bumiputra participation in business and industry, neglecting the role of the private sector.

With regard to (a), it was found that the current level of non-Malay savings, shown in Table 3.2, was about four times higher than the Malay, but the level of non-Malay saving in commercial banks in particular was more than ten times that of the Malay. Such financial resources would, in the opinion of the Task Force, limit both the rate of Malay entry as well as the expansion of Malay businesses.

Table 3.2

Aggregate Malay Savings in Selected Saving Institutions

| Institutions | Malays | Non-Malays |
|--|--------------------|--------------------|
| 1. Employment Provident Fund (1975) | \$1,255,712,029.00 | \$2,642,385,441.05 |
| 2. Deposits in Commercial Banks | \$ 411,081,000.00 | \$4,113,172,000.00 |
| 3. Deposits in borrowing companies (1975) | \$ 22,053,000.00 | \$ 904,544,000.00 |
| 4. Post Office Savings Bank (1973) | \$ 179,759,114.39 | \$ 179,021,331.80 |
| 5. Lembaga Urusan dan Tabung Haji (Pilgrimage's Board) | \$ 75,391,586.00 | -- |
| TOTAL | \$1,943,996,729.00 | \$7,839,122,772.85 |

(Source: SERGPU, 1975:23)

With regard to (b), Table 3.3 shows that the Malays accounted for only 11% of the total number in the managerial and professional group. The Chinese accounted for 88.4% correspondingly. Similar disparities between Malays and Chinese is seen in the construction industry which is also shown in Table 3.3. For example, the Malays accounted for 10% of the employees in the managerial and professional group compared to 73.7% in the case of the Chinese. A significant shortage is also noted in the number of working Malay proprietors and partners in both industries (SERGPU, 1975).

The MCDS (1976) study in Kelantan has been more specific in identifying the problems faced by the bumiputras. The study classifies:

- a) problems arising from bureaucracy including access to officials and poor government planning towards business and industry;
- b) problems arising from the system itself including those related to capital, business location, marketing, raw materials and transport;
- c) problems due to the entrepreneurs themselves such as failure to organize and limited experience, knowledge and skills.

The main problem, according to the MCDS study is the fact that apart from capital the bumiputra entrepreneurs were themselves largely unaware of their own business problems. For example, they did not consider that supplies (66.21%), management (85.97%),

Table 3.3

Employment by Categories of Workers in the Mining, Manufacturing and Construction Industry - 1973

| | MINING | | | | Sub Total | MANUFACTURING | | | | Sub Total | CONSTRUCTION | | | | Sub Total | Total |
|--|---------------|--------|-------------|-----|--------------|---------------|---------|--------|-------|--------------|--------------|--------|-------|-----|--------------|---------|
| | M* | C* | I* | O* | | M | C | I | O | | M | C | I | O | | |
| 1. Working proprietors & active partners | 14 (2.35%) | 935 | 2 (.04%) | 9 | 960 | 1,053 | 10,469 | 389 | 331 | 12,242 | 63 | 1,319 | 36 | 20 | 1,438 | 14,640 |
| 2. Managerial and Professional | 86 | 1,139 | 28 | 113 | 1,366 | 674 | 4,184 | 263 | 994 | 6,115 | 24 | 177 | 11 | 28 | 240 | 7,721 |
| 3. Technical and Supervisory | 210 | 1,660 | 112 | 9 | 1,991 | 2,490 | 9,213 | 920 | 568 | 13,191 | 138 | 1,124 | 57 | 67 | 1,386 | 16,568 |
| 4. Other workers (clerical, general & part-time workers) | 3,464 | 12,485 | 1,161 | 98 | 17,208 | 23,194 | 48,273 | 5,803 | 559 | 77,829 | 5,256 | 13,042 | 2,634 | 190 | 21,122 | 116,159 |
| 5. Directly employed: | | | | | | | | | | | | | | | | |
| (a) Skilled | 1,352 | 8,231 | 423 | 28 | 10,034 | 31,969 | 48,152 | 8,084 | 517 | 88,449 | 3,300 | 17,542 | 1,486 | 9 | 22,337 | 120,820 |
| (b) Unskilled | 5,375 | 15,179 | 2,405 | 90 | 23,049 | 50,446 | 38,759 | 12,140 | 394 | 101,739 | 9,805 | 18,470 | 5,312 | 25 | 33,612 | 158,400 |
| Total | 10,501 | 39,629 | 4,131 | 347 | 54,608 | 109,553 | 159,050 | 27,599 | 3,363 | 299,565 | 18,586 | 51,674 | 9,536 | 339 | 80,135 | 434,303 |

(Source: Principal Statistics on Ownership and Participation in Commerce and Industry, Peninsular Malaysia, 1973/74, from SERGPU, 1975:26)

* M = Malays; C = Chinese; I = Indians; O = Others

marketing (75.50%), labour/manpower (81.03%) and red-tape/government regulations (97.5%) could constitute problem areas (MCDS, 1976:51-52). The prevalence of such attitudes was also reflected in a study by Aminudin Sulaiman et al. (1977) regarding the training needs of potential investors in the Malaysian state of Pahang. They reported that only 30% of the total respondents indicated an interest in the area of business management training. Of these 20% were interested in book-keeping and accounting, and only 8% in sales and 4% in personnel matters. Accordingly, Aminudin Sulaiman et al. (p.129) said:

Our findings indicated that the bumiputra sample as a whole did not express keen interest in business training even if offered free.

In a study where comparisons between Chinese and Malay businessmen were made, Abdul Aziz Mahmud (1977) found that more Malay than Chinese businessmen faced problems regarding capital/credit, supplies/suppliers, and more Malays spoke of "no problem" in their businesses. The Chinese businessmen also reported more management related problems such as labour/staff and bureaucracy compared to the Malay businessmen. Again the results generally showed that the Chinese were more conscious of management than their Malay counterparts, implying that the Malay concept of business has yet to broaden.

The study by Abdul Aziz Mahmud (1977:189) also showed that the Malay entrepreneurs faced the following business problems listed in their order of importance: capital/credit, competition/sales, slow payments on sales, supplies/supplier, labour/staff,

difficulties with government, and finally, lack of experience. SERU (1981), in a study on 'Youths in Business' found similar kinds of problems, where the lack of working capital topped the list of business problems.

Ultimately, no matter what help they receive, it is the quality of the bumiputra themselves that determine their level of entry and participation in business and industry. In this respect their personal and business background can either positively or adversely affect their business performance. Although data on the personal and business characteristics of bumiputra entrepreneurs are scarce, the available studies are indicative of the quality of those who are already in business and industry. These are reviewed below.

3.4 The Personal and Business Characteristics of the Bumiputras in Business and Industry

In a nation wide study, Charlesworth (1974:32-34) reported the following statistics on bumiputra entrepreneurs for Peninsular Malaysia:

- a) the median age of starting business was 30 years, with age 20 years as an almost popular age for beginning business;
- b) 82% of the entrepreneurs were married and had an average dependent of 3.5;
- c) 50% had attended primary school, 15% lower secondary and 14% upper secondary; their standards of education were generally low;

- d) 45% of the entrepreneurs had fathers who were farmers, and 21% had fathers who were in business;
- e) 58% of the entrepreneurs were venturing for the first time into the business world, with 18% saying they had no choice but to be in business;
- f) only 20% had some previous experience in their business and chose their recent venture for this reason, with 9% claiming that it was a business they could manage easily from the start;
- g) 70% of them had no business training at all.

The implications of the above findings in relation to bumiputra business performance are as follows:

- a) The lower age for starting business strongly indicates that the entrepreneurs have little or no business experience. This was shown in items (e) and (f) in the findings where 58% of the entrepreneurs were beginners, and only 20% had some experience in the business they were in.
- b) Because bumiputra businesses are small scale enterprises, their average family dependent of 3.5 could be a burden in terms of their ability to plough back their profit into business. However, this does not rule out the possibility that dependents could be a source of cheap labour.
- c) The relatively low standards of education attained by the entrepreneurs also implies that their level of managerial and technical know-how could be low. In

fact with the majority of the entrepreneurs having only primary schooling, it is doubtful whether many would benefit from business courses even if these were accessible. The fact that 70% of them had no business training at all (item g above) could mean that they would be disqualified from attendance at business courses which would require some level of education. Again this is only a possibility.

- d) Finally, their relatively rural background implies that the entrepreneurs have very little exposure to the processes of modernization which could modify or change their attitudes and ultimately affect their business performance. For example, the fact that the bumiputras are in business does not necessarily mean they are fully aware of the whole concept of business. Instead, to them, a business is just another job, no different from earning a salary.

Even though these implications are so obvious, they have yet to be verified. A few studies mentioned throughout this chapter have been able to establish some kind of relationship between the personal and business characteristics of bumiputra entrepreneurs and their business performance.

In the same study, Abdul Aziz Mahmud (1977) found that although Malay entrepreneurs received more formal schooling than their Chinese counterparts, the formal schooling did not appear to influence business performance. However, those businessmen with the most education were more likely to be successful.

Abdul Aziz Mahmud (1977:338) said: "but it appeared that 'a little knowledge (education) is dangerous' or at least not good for business". And on page 338 he said:

In fact we found some evidence that those who had no formal schooling at all could be relatively successful in business.

It is also significant to note that even though the majority of bumiputra entrepreneurs were reported to be in the 20-30 year old age group, and therefore belong to the first generation of post colonial Malays, born after Malaysia attained her independence in 1957, (e.g. Popenoe, 1970; Abdul Aziz Mahmud, 1977; Mohd. Fauzi Yaakub, 1978; SERU, 1981), Abdul Aziz Mahmud (1977:36) found that the more successful Malay entrepreneurs belonged to a slightly older age group i.e. the pre-colonial Malays born before 1957. However, it was not known whether this was due to their experience or the kind of education they had, or any other reasons apart from age cohorts.

With regard to their rural character, Popenoe (1970) found that the more innovative 'ideal type' successful Malay entrepreneurs came from families with higher socio-economic backgrounds and were more marginal to traditional Malay society. Urbanization seen through the "influence of recent immigration, inter-marriage, association with the Chinese, education, newspaper readership, travel, etc., were all substantially greater", (Popenoe, 1970:399).

In his study, Popenoe (1970) not only sought to identify the characteristics of successful Malay entrepreneurs, but also attempted to trace their origins as well. He concluded that in developing countries, entrepreneurship occurs primarily in fairly well-defined minority groups, and that four of the most significant explanatory factors were:

- a) marginality and tension in relation to larger society;
- b) social cohesion within the group;
- c) degree of receptivity to change; and
- d) the existence of economic opportunities.

More recently, Mohd. Fauzi Yaakub (1978) compared the results of his study to those of Popenoe (1970), and agreed that in terms of their ideology to succeed, and their relatively high educational background, the entrepreneurial types in his sample may be considered marginal among the Malays. However, Mohd. Fauzi Yaakub (1978) did not agree with Popenoe (1970), that Malay entrepreneurs comprised subordinated groups who experienced status withdrawals and relative social blockage. According to Mohd. Fauzi Yaakub (1978:375)

On the contrary, they are individuals who have a high need for achievement...Basically they venture into business in search of wealth and status...but truly they had a choice between a business venture and other forms of occupations because of their educational qualifications.

Although Mohd. Fauzi Yaakub (1978) claimed that the more successful Malay entrepreneurs in his sample were achievement oriented, no psychological measures of such achievements have been mentioned. But, Maznah Abdul Hamid (1975) in a study prepared for her honours degree reported the level of achievement motive expressed by the bumiputra entrepreneurs in her sample to be higher than those expressed by non-bumiputra entrepreneurs. The research exercise which made use of the Mahrabian Achievement Motivation Scale (1968) translated into Malay by Wan Rafei (1972), failed to establish any positive relationship between the achievement motive obtained by the bumiputra entrepreneurs and each of the following variables: father's occupation, business background, urban or rural background, levels of education, i.e. between primary schooling and higher, friendship with non-Malays, age groups and, between entrepreneurs who were in sole proprietorships or partnerships, entrepreneurs who had problems regarding capital and those who did not. The study by Maznah Abdul Hamid (1975), however, did not compare successful and less successful bumiputra entrepreneurs.

Abdul Aziz Mahmud (1977:292), also found some elements of achievement motivation among the bumiputra entrepreneurs he studied. He said that there was "no empirical evidence of Malay businessmen being low on individualism, activism, trust and risk taking, and high on conservatism" (Abdul Aziz Mahmud, 1977:292). But he also said that those who manifested high business ambitions were more likely to have a relatively lower success rate than those who had more moderate ambition. Although Charlesworth (1974:53) found it encouraging to report that exactly half, i.e. 215, of the Malay entrepreneurs in his study displayed

'internally oriented' locus of control, believed to be characteristics of the entrepreneurial type, the piece of evidence produced by Abdul Aziz Mahmud is, in this author's opinion, an indication that the bumiputras may not be high achievers even though they manifested high ambition.

A note of caution has, however, been expressed by Abdul Aziz Mahmud (1977). He felt that his results on the socio-cultural values of the Malays and Chinese may be construed not as generally applicable but only in terms of Malay and Chinese businessmen. His reasons for the caution apart from the need to improve his instrument were as follows:

...it is probable or possible that a kind of self selection process is involved here. Those Malays who choose to become entrepreneurs may constitute a peculiar group of Malays. For instance, only Malays higher in individualism than the Malay population generally may have chosen to become entrepreneurs. Likewise, Chinese businessmen cannot be taken to represent the Chinese population generally. (Abdul Aziz Mahmud, 1977:329)

This chapter has shown how attempts by the Malaysian government to increase the number and quality of bumiputra entrepreneurs have been hindered by the following:

- a) The presence of Malay attitudes and belief systems which appeared to be least desirable to a business culture, and which had been reinforced over the years . by feudalism and, to a certain extent, colonialism.
- b) An almost complete absence of the relevant economic and social institutions in Malay society that could

help foster and sustain the bumiputras in business and industry.

- c) In addition to the above, the bumiputras were further handicapped by (i) their rural background, which might have denied them exposure to the processes of modernization, and, (ii) their low level of education, managerial, and technical know-how.

Further preceding chapters have also shown that the bumiputras were a minority group in the commercial field, being associated with mainly small businesses and industries. Hence, on top of the problems peculiar only to them, such as those discussed in the present chapter, the bumiputra entrepreneurs also faced problems associated with small businesses. Similar problems regarding small businesses have been identified in overseas countries by, for example, Bolton, 1971; Wiltshire, 1971; Meredith, 1977; Devlin and Le Heron, 1977; Love, 1977; and Bannock, 1980. Discussions concerning their mortality and survival rates are available in Cochran (1981) and Star and Massel (1981).

The next two chapters examine the subject of entrepreneurship in a wider context as found in the developed nations of the west, where the studies were first focused. Information in the next two chapters should provide some grounds for comparison with data on bumiputra entrepreneurship discussed so far, as well as with the results of this research to be presented in chapter seven.

CHAPTER 4

CONCEPTUAL FOUNDATIONS OF ENTREPRENEURSHIP

Central to the business enterprise is the entrepreneur whose quality can determine the success or failure of a business venture. This chapter attempts to examine some of the conceptual foundations in the study of entrepreneurship and, at the end of it, to compare them with bumiputra entrepreneurship. Most of the studies to be reviewed here, had as their principal focus the developed nations of the west, i.e. Europe and North America. It was in those countries that the study of entrepreneurship initially took place (see for example Aitken, 1963; Cochran, 1965; Cole, 1942, 1965). In fact it was only after the second world war that the study of entrepreneurship began to include the underdeveloped countries of Asia, Africa, and Latin America (Greenfield et al; 1979). However, regardless of their societal origins, the following data on the nature, behaviour, personal and business characteristics of, particularly, successful entrepreneurs are useful conceptual tools with which can assist the analysis of the bumiputra entrepreneurs in the present research.

4.1 The Nature of Entrepreneurship

First identified by the Irishman, Richard Cantillon, in the early 18th century, debates and research concerning the subject are continuing. Earlier interpretations regarding the nature of entrepreneurship have associated it with risk taking behaviours and innovation. For example, at the turn of the century, Max Weber (1904) described the ideal type as one who avoids ostentation and unnecessary expenditure, as well as conscious enjoyment of

his power and is embarrassed by the outward signs of the social recognition which he receives. Shortly after the time that Weber was examining the entrepreneur from the sociological perspective, Schumpeter (1934) put the entrepreneur at the centre of his Theory of Economic Development. For Schumpeter, the essence of entrepreneurship is innovation and being an agent of change and, like Weber, he insisted that money-making for its own sake was not a significant motivation.

A contemporary definition describes the entrepreneur as follows:

.. a risk taker - a man who braves uncertainty, strikes out on his own, and, through native wit, devotion to duty and singleness of purpose, somehow creates business and industrial activity where none existed before.
(Collins, Moore, Unwalla, 1964:4)

Currently, there is a need to describe entrepreneurship differently from the purely innovative behaviour of the earlier period. To this effect, Schumpeter in his later work Capitalism, Socialism and Democracy (1976) talked of the absolescence of the entrepreneurial function. He said that in developed countries innovation was being reduced to routine, and technological progress was increasingly becoming the business of teams of trained specialists. Personality and willpower mattered far less in environments which had become accustomed to economic change.

Similarly, Kilby (1971:4) citing Chandler and Redlich (1961) has pointed out that the personality type and behaviour characteristics of American industrialists in 1850 bear little resemblance to his counterpart in 1950.

The implications of the above for entrepreneurship in underdeveloped countries are significant. Not only are there different time periods requiring different personality and behavioural patterns but "the existence of a very large stock of proven technical innovations in the advanced economies which has not yet been applied in the developing economies" would make the "original technological innovation, which was frequently the heart of nineteenth century industrial entrepreneurship not an activity for which there is now much call" (Kilby 1971:4-5). These, plus other factors, such as technical assistance, disparity between existing semitraditional modes of production and the modern techniques the entrepreneur seeks to introduce, price and quality competition, and reduced natural trade barriers would, according to Kilby (1971:6), make "the truly economic opportunities and the carrying out of fundamental, pioneering innovations of the type envisaged by Schumpeter largely irrelevant". Instead, Kilby (1971:6) envisaged the nature of the entrepreneur's function in the contemporary underdeveloped world to be as follows:

To obtain adequate financing, to adapt techniques and organisation to maximise factor productivities and minimize unit cost, to improvise substitutes for nonavailable skills and materials - these tasks on the production side will more often than not represent the critical entrepreneurial function in the modernizing economy of the twentieth century.

4.2 Behavioural Characteristics of Entrepreneurs

Through mainly laboratory studies psychologists have been able to examine the behavioural characteristics of the entrepreneur derived from his high need for achievement (N_{ach}). This is an important

personality construct which is thought to characterize entrepreneurs, particularly successful ones.

N^{ach} has been variously defined. Murray (1938) who developed the Thematic Appreciation Test (TAT), an instrument used in classifying high and low N^{ach} between subjects, defined N^{ach} as a "need to overcome obstacles, to attain a high standard, and to excel, rival or surpass others" (Murray 1938:67). Since then several other writers also attempted to define the construct. For example, Heckhausen (1968:107-108) defined achievement motive as:

the striving to increase, or keep as high as possible one's own capability in all activities in which a standard of excellence is thought to apply and where the execution of such activities can therefore either succeed or fail Standards of excellence, therefore are the mark of achievement motive in so far as the individual perceives such standards as personally binding, compelling or obligatory.

David McClelland (1965:8) who has been studying the characteristics of high or low achievers since the 1950s describes his subjects in the following manner:

... the person with a high need for achievement is more self-confident, enjoys taking carefully calculated risks, researches his environment actively and is very much interested in concrete measure of how well he is doing. Somewhat surprisingly... he does not seem to be galvanized into activity by the prospect of profit: it is people with low achievement need who require money incentives to make them work harder. The person with a high need works hard anyway, provided there is an opportunity to achieve something. He is interested in money rewards or profits primarily because of the feedback they give him as to how well he is doing. Money is not the incentive to effort but rather the measure of its success for the real entrepreneur.

Using the TAT as a measure of N^{ach} McClelland (1961) went on to check whether individuals with high need achievement became like entrepreneurs. Initially, McClelland (1958) reported a laboratory study of the distances from a peg at which five- and six-year old children stood when they were playing a game of ring toss presented in Figure 4.1.

McClelland (1958) found that children with high N^{ach} chose to stand predominantly at a moderate distance from the peg, whereas children with low N^{ach} did not show any marked preference. In fact they threw more often from very near the peg or from very far away than did the children with high N^{ach} .

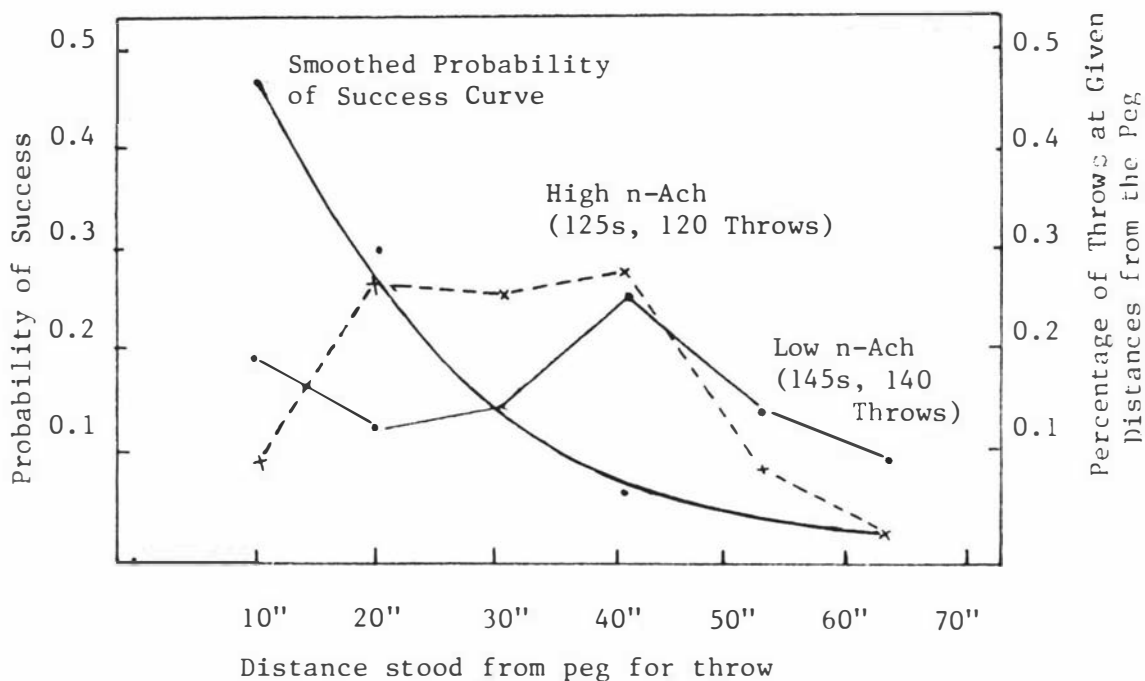


Figure 4.1 Percentage Of Throws Made by 5-year Olds With High And Low-N-achievement at Different Distances From the Peg, And Smoothed Curve of Probability Of Success At Those Distances.

(Source: McClelland, 1958:314)

McClelland (1958:211), summarized the results of his findings as follows:

the children with high n-achievement are taking 'moderate risks' and standing where their skill is most likely to pay off in subjective feeling of success. If they stood close to the peg, they are much more likely to throw the ring on as the smoothed probability of success curve shows, but they are less likely to get any feelings of achievement satisfaction from doing so. If they stood too far away, they are both much less likely to succeed and more likely to regard success as 'luck', than if they stood a moderate distance from the peg.

Further, McClelland (1958:212) said that the children were behaving like the businessmen who acted neither traditionally (no risk) nor like a gambler (extreme risk), but who chose to operate in a way in which it was more likely to get achievement satisfaction.

McClelland (1961:212) claimed that his 1958 study has been replicated and found support in Litwin (1958), Atkinson and Litwin (1960), Atkinson, Bastion, Earl and Litwin (1969).

To summarize his work and the work of others like him, McClelland (1961:207) listed the following to be characteristics of high achievers which in turn are believed to be synonymous with the personality traits of successful entrepreneurs. They include:

- a) moderate risk taking
- b) energetic
- c) persistent problem solving
- d) individual responsibility

- e) knowledge of results or actions
- f) long range planning and organisational skills.

Following McClelland (1958, 1961), a number of authors, especially those who are actively involved in the training of entrepreneurs have either added to or improved the list of personality traits earlier reported by McClelland (1961) (e.g. East-West-Center, 1977; Timmons et al., 1977; Technonet Asia, 1981). In New Zealand, Professor Love of Massey University in the Entrepreneur's Handbook (Love et al., 1979) identified 25 entrepreneurial characteristics used to guide Entrepreneurial Development Programmes among the Maori in New Zealand. The list, reproduced in Table 4.1, appears to incorporate not only the elements of the business situation such as 'profit orientation' and 'views towards money' but also gives recognition to the importance of interpersonal factors such as 'tolerance of ambiguity and uncertainty', 'flexibility' and 'integrity' in determining successful entrepreneurship. The importance of interpersonal factors has also been established in a study by Williams (1975) among small business owners in Western Australia.

Notwithstanding the list given in Table 4.1, and those given by McClelland (1958, 1961), a number of criticisms have been raised regarding the use of the TAT instrument as a measuring device to classify high and low achievers (e.g. Klinger, 1966; Carney, 1966). Williams (1975:101) cautioned the application of laboratory findings of risk-taking behaviour to the business situation. He felt that a great deal of the empirical research in that area had yet to be validated in the business situation.

Table 4.1

Basic Characteristics of Successful Entrepreneurs

1. Drive and energy
2. Self-confidence
3. Long term investment
4. View of money as a means to an end
5. Persistent problem solving
6. Goal setting
7. Moderate risk taking
8. Dealing positively with failures
9. Use feedback
10. Take initiative and seek personal responsibility
11. Use resources
12. Compete against self imposed standards
13. Masters of own fate
14. Tolerant of ambiguity and uncertainty
15. Have independence, individuality
16. Optimism
17. Innovation and creativity
18. Get along well with others
19. Flexibility
20. High achiever (need for achievement)
21. Profit oriented
22. Persistent, perseverant, determined
23. Have integrity
24. Foresightful
25. Like challenges

(Source: Love et al, 1979: Unit 3-1)

4.3 The Personal and Business Characteristics of
Entrepreneurs

Development in the study of entrepreneurs has also extended its attention from looking at the entrepreneur per se, i.e. their personality as expressed through, for example, their behavioural

characteristics, to include studies concerning their personal and business background. Unlike their behavioural characteristics whose findings were based on laboratory-type studies, the personal and business characteristics of entrepreneurs have been derived from people engaged in business; they include data on their childhood experience and upbringing, educational experience, work and managerial experience, entrepreneurial experience, motivations and aspirations, sources of capital and business practices and, age, sex and organisational membership. Some of the more significant results of these studies and their implications for successful entrepreneurship are discussed in the following.

4.3.1 Childhood Experience and Upbringing

Studies regarding childhood experience and upbringing of the entrepreneurs reported two contrasting findings. Collins and Moore (1970) found their entrepreneurs to be involved in varied crises described as stormy, stressful and unhappy, and which was thought to have better prepared them for the tough world of entrepreneurship.

However, Rosen and D'Andrade (1959) reported that mothers and fathers of high N-achievement boys set higher standards of excellence than did parents of low N-achievement boys. They found that parents of high N-achievement boys demonstrated more warmth and affection towards their sons than did parents of the less motivated boys. These studies on parent-child relationships regarding high and low achievement boys were taken by McClelland (1961:356) to mean that extremes of childrearing practices such as

paternal domination, indulgent attitudes, low standards of excellence, and excessively early achievement demands were not favourable to high motivation in children.

4.3.2 Educational Experience

A number of studies which have documented the educational levels attained by entrepreneurs reported them to be poorly educated (e.g. Mayer and Goldstein , 1961 ; Hoad and Rosko , 1964 ; Carroll, 1965; Collins and Moore, 1970; Deeks, 1972; Sanguanruang, 1978; Storey, 1982). Collins and Moore (1970) for example, thought that frustration with the school system was the main contributing factor. According to them, real schooling for the entrepreneurs was outside the school system in what they called the school of 'hard-knocks'.

Attempts have been made by Hoad and Rosko (1964), Mayer and Goldstein (1961) and Storey (1982) to indicate how educational level relates to entrepreneurial success. In this respect Hoad and Rosko (1964) suggested that educated entrepreneurs were less likely to fail and Mayer and Goldstein (1961) found that owners with less education have a high closure record.

But more recently, Storey (1982) reported that there was no evidence to support the hypothesis that educationally qualified firm founders were more likely to establish profitable firms. This is shown in Table 4.2.

Table 4.2
Profitability Of Firms and Educational
Qualifications Of Founder

| | LOSS | | | Broke even | PROFIT | | | TOTAL |
|------------------------|---------------|-------------|-------------|-------------|--------------|--------------|---------------|--------------|
| | More than 10% | 5-5.9% | 0-4.9% | | 0-4.9% | 5-9.9% | More than 10% | |
| With qualifications | 1 (0.01) | 4 (0.05) | 4 (0.05) | 2 (0.03) | 19 (0.24) | 17 (0.22) | 31 (0.40) | 78 (1.00) |
| Without qualifications | 1 (0.03) | 0 (0.00) | 2 (0.06) | 0 (0.00) | 8 (0.23) | 8 (0.23) | 16 (0.45) | 35 (1.00) |

(Source: Storey, 1982:108)

It appears that research findings relating educational levels to entrepreneurial success are not clear.

4.3.3 Work and Managerial Experience

Studies have also shown that the potential entrepreneurs would have had some work experience prior to the current one (e.g. Mayer and Goldstein, 1961; Ho, 1980; Anderson and Khambata, 1981). Some of these experiences shown in Table 4.3 may be crucial in the success or failure of their enterprise.

Table 4.3
Previous Occupational Experience Of Business
Owners In Korea - 1973

| Occupational Experience | Total | Size of enterprise (No. of workers) | | |
|---|-------|-------------------------------------|-------|-------|
| | | 5-9 | 10-19 | 20-49 |
| Worked in an enterprise in the same line of business | 32 | 33 | 35 | 25 |
| for 5 years | 5 | 5 | 6 | 5 |
| for 5-10 years | 13 | 13 | 13 | 9 |
| for 10+ years | 14 | 15 | 16 | 11 |
| Worked in an enterprise in a different line of business | 16 | 16 | 15 | 22 |
| Worked in family business | 20 | 18 | 13 | 11 |
| Merchant | 20 | 18 | 22 | 24 |
| Civil service, police, and military service | 12 | 12 | 11 | 10 |
| Others | 4 | 4 | 4 | 7 |

(Source: Adapted from Ho, 1980:82)

Mayer and Goldstein (1961) demonstrated that there was a relationship between occupational experience and entrepreneurial success or failures. This is shown in table 4.4.

Management inadequacies as the main cause for entrepreneurial failures have been reported annually by Dun and Bradstreet (1970).

Table 4.4

Previous ... Experience in the Same Line By Survival Status of the Business

| | Experience in same occupation | | | | | | No Experience in same occupation | | | | | | Totals | | | | | |
|------------------------------|-------------------------------|------|-----------|------|-------|-----|----------------------------------|------|-----------|------|-------|-----|----------|------|-----------|------|-------|-----|
| | Closures | | Survivors | | Total | | Closures | | Survivors | | Total | | Closures | | Survivors | | Total | |
| | No | % | No | % | No | % | No | % | No | % | No | % | No | % | No | % | No | % |
| Previous owner | 9 | 33.3 | 18 | 66.7 | 27 | 100 | 5 | 50.0 | 5 | 50 | 10 | 100 | 14 | 37.8 | 23 | 62.2 | 37 | 100 |
| No previous owner experience | 17 | 65.4 | 9 | 34.6 | 26 | 100 | 14 | 48.3 | 15 | 51.7 | 20 | 100 | 31 | 56.4 | 24 | 43.6 | 55 | 100 |
| Total - all owners | 26 | | 27 | | 53 | | 19 | | 20 | | 30 | | 45 | | 47 | | 92 | |

(Source: adapted from Mayer and Goldstein, 1961:104)

Similar Australian experiences were also reported by Williams (1975a) and presented in Tables 4.5 and 4.6.

Table 4.5

Causes of Business Failure - AUSTRALIA 1972-74

| | | |
|--|----|------|
| Neglect | | 2% |
| Fraud | | 1 |
| Management inadequacy | | |
| lack of financial controls | 43 | |
| interpersonal problems | 21 | |
| incorrect decisions due to in-experience | 27 | 91 |
| Unforeseen circumstances ("disaster") | | 94 |
| | | 6 |
| | | 100% |

(Source: Williams, 1975a:66)

Table 4.6

Age of Business Failures - AUSTRALIA

| Age | Frequency | % |
|---------------|-----------|--------|
| Under 1 year | 238 | 27.6 |
| 1-2 years | 119 | 13.8 |
| 2-3 years | 98 | 11.2 |
| 3-4 years | 87 | 10.1 |
| 4-5 years | 55 | 6.4 |
| 5-10 years | 86 | 9.3 |
| 10-20 years | 75 | 8.7 |
| Over 20 years | 111 | 12.9 |
| | 863 | 100.0% |

(Source: Williams, 1975b:16)

Williams (1975b:17) maintained that such problems as bad debts and slow book-debt collection, slow stock-turnover, increased overdraft, excessive use of discounts to bring in funds et., were symptoms rather than causes of failures. He said:

The lack of money for example, so often given as a cause is not a cause but a result of management inexperience and incompetence. (Williams, 1975b:17)

4.3.4 Entrepreneurial Experience

The evidence in the literature seems to show that it is common among business founders to attempt starting business more than once. Mayer and Goldstein (1961) reported that 35 (42%) of the 81 new firms in their sample were not first timers, with 13 (16.1%) of them previously owning more than one business. Although Mayer and Goldstein (1961) found that previous ownership experience significantly improves the likelihood of succeeding in subsequent business, especially when previous ownership experience was gained in the same line of occupation as the present firm, Storey (1982) failed to find any significant relationship between previous full-time ownership and profitability. Instead, as shown in Table 4.7, Storey (1982:115) found that previous part-time experience was associated with higher rates of profits in new businesses. He felt that part-time experience could be a valuable asset for entrepreneurship.

4.3.5 Motivations and Aspirations

Business ventures are known to have been started for different reasons such as those due to inheritance, difficulty in finding

Table 4.7
Part-time Business Ownership Experience
And Profitability of Firm in 1977-8
by Industry : Number of Respondents

| Industry | Loss or Break-even | | Profit | | | | | | Total | |
|-----------------------|--------------------|---------------|-----------|---------------|-----------|---------------|-----------|---------------|-----------|---------------|
| | Part-time | Not Part-time | 0-4.9% | | 5-9.9% | | 10% | | Part-time | Not Part-time |
| | | | Part-time | Not Part-time | Part-time | Not Part-time | Part-time | Not Part-time | | |
| Manufacturing | 0 | 5 | 1 | 1 | 2 | 6 | 4 | 4 | 7 | 16 |
| Construction | 0 | 2 | 0 | 7 | 1 | 6 | 2 | 12 | 3 | 27 |
| Professional services | 0 | 4 | 3 | 2 | 2 | 2 | 1 | 9 | 6 | 17 |
| Distribution | 1 | 1 | 0 | 2 | 0 | 0 | 1 | 3 | 2 | 6 |
| Other | 0 | 2 | 2 | 9 | 0 | 5 | 3 | 8 | 5 | 24 |
| Total | 1 | 14 | 6 | 21 | 5 | 19 | 11 | 36 | 23 | 90 |

(Source: Storey, 1982:116)

employment, desire to be own boss, desire to have own business, desire to improve financial status, and service needed in the community (Capilovitz, 1973:36). Recently, Storey (1982) tried to establish some relationship between firm founders motivated by positive ideas such as knowledge of the market, and those motivated by negative ideas such as loss of job or frustration with existing jobs but "found no justification for assuming that those forced into entrepreneurship make less competent businessmen" (Storey, 1982:112). The results regarding this are shown in Table 4.8 .

Table 4.8
Founders' Motivation and New Firm
Profitability in 1977-8

| Motivation | Loss or Break-even | Profit | | | Total |
|----------------------------------|-----------------------|--------|--------|------------------|-------|
| | | 0-4.9% | 5-9.9% | More than 10% | |
| 1. Forced into entrepreneurship | 3 | 2 | 4 | 13 | 22 |
| 2. Motivated by positive ideas | 0 | 13 | 5 | 16 | 34 |
| 3. Knowledge of specific markets | 16 | 24 | 21 | 47 | 108 |
| 4. Other | 10 | 22 | 19 | 29 | 80 |
| Total responses | 29 | 61 | 49 | 105 | 244 |
| Total respondents | 16 | 27 | 23 | 46 | 112 |

(Source: Storey, 1982:112)

4.3.6 Sources of Capital and Profitability

One of the main difficulties encountered by new firms, especially smaller ones, concerns the availability of capital (Bolton, 1971; Wiltshire, 1971; Devlin and Le Heron, 1977). Banks are known to be less sympathetic to small business owners due to high administrative costs relative to the sum involved, and the higher risks on defaults (Bannock, 1980). Due to this, a number of countries are known to adopt a system of loan guarantee scheme and other forms of subsidies to entrepreneurs, especially those in small

businesses (Love, 1977, Bannock, 1980).

In his study, Storey (1982:148) reported personal savings to be the most popular source of finance (52%) followed by loans and overdraft from the clearing banks (26%), loans from friends and relatives (7%), and the rest divided among other sources. The importance of personal savings as initial sources of finance has been reported also by Cross (1981) and Anderson and Khambata (1981).

Storey (1982:154) also tried to establish some relationship between sources of initial business finance and financial success. Summarizing his results, Storey (1982:154) said:

There certainly does not appear to be any evidence to suggest that subsequently less successful i.e. loss making business relied heavily initially on personal savings or other forms of non-bank credit.....

There is no evidence of the more profitable firms relying more heavily upon banks or upon personal savings during "start-up" than the unprofitable.

4.3.7 Organizational Membership, Age and Sex

Small business owners become members of organizations for a variety of reasons, one of which is to demonstrate community spirit and a sense of loyalty at the local level. Most, however, are members of their professional organizations for their own advancement, such as being a member of the association of contractors (Williams, 1975; Md Fauzi Yaakub, 1978), and may enable the entrepreneurs to have better exposures to the business world. In this respect, no empirical studies have shown that any relationship between association membership and business performance.

Most of the available studies on entrepreneurship, also reported the age of the entrepreneurs to range from about school leaving age to as old as one can live. But, generally, they belonged to the middle age group of 30-49 years old (Carroll, 1965; Ho 1980). There is, however, little evidence to indicate that age affects business performance, apart from that reported in the Malaysian study by Abdul Aziz Mahmud (1977).

In most cases entrepreneurship, and to a certain extent the position of business executives, tends to be dominated by men for reasons unknown apart from prejudice and tradition. Little is known about the relationship between performance and sex. The figures in Table 4.9 from the Mayer and Goldstein (1961) study showed that 17 of the 93 owners (18.3%) were women, and out of this number, 8 (47.1%) had survived for two years. By comparison, 40 (52.6%) of the 76 male owners were survivors.

Apart from the characteristics already discussed, some of the studies of entrepreneurship also reported the following:

- a) The majority of the entrepreneurs initiated their own business venture, and only a small number inherited them (e.g. Ho, 1980:82).
- b) The majority of entrepreneurs were sole proprietors employing on the average less than 10 workers (e.g. Bolton, 1971; Wiltshire, 1971; Capilovitz, 1973; Sanguanruang, 1978; Japan's MTTI, 1979; Ho, 1980; Anderson and Khambata, 1981).

Table 4.9
Age, and Sex of Owners by Survival Status of
the Business

| Characteristic | Total | Closures | | Survivors |
|-------------------|-------|---------------|----------|-----------|
| | | non-financial | failures | |
| | | A G E | | |
| Under 20 years | 1 | - | - | 1 |
| 20-29 years | 16 | 1 | 10 | 5 |
| 30-39 years | 29 | 3 | 11 | 15 |
| 40-49 years | 26 | 2 | 9 | 15 |
| 50-59 years | 16 | - | 6 | 10 |
| 60 years and over | 5 | 2 | 1 | 2 |
| | | S E X | | |
| male | 76 | 6 | 30 | 40 |
| female | 17 | 2 | 7 | 8 |

(Source: adapted from Mayer and Goldstein 1961:102)

c) A significant number of the entrepreneurs kept inadequate financial and business records (Capilovitz, 1973; Sieh Mei Ling, 1974). For example, in Korea, Ho, (1980:83) reported that only 31% of the entrepreneurs in his sample kept separate accounts for business and for household.

d) Most entrepreneurial ventures started on a small scale and to a certain degree remained small. Partly because of the latter their problems were

mainly typical of small businesses. Reports and studies regarding this aspect of entrepreneurship are widely available (e.g. United States President's Task Force, 1970; Bolton, 1971; Wiltshire, 1971; Devlin, 1977; Devlin and Le Heron, 1977; Meredith, 1977; Love, 1977; Bannock, 1980). To illustrate, a New Zealand study regarding small businesses showed the top ten problems, in order of importance to be:

- a) difficulties in raising working capital;
- b) planning the future of the business in terms of succession and growth;
- c) control of debtors and cash flow;
- d) attracting and retaining staff;
- e) finance for large orders;
- f) dealing with government departments and local bodies;
- g) marketing and selling;
- h) financial management and budgeting;
- i) finance for plant and machinery;
- j) keeping up with changes in the industry.

(Devlin and Le Heron, 1977:9)

In the United Kingdom it has also been reported that the problems encountered by entrepreneurs were not exclusively internal business matters but included external factors as well such as government policy which failed to consider the policy's impact on small businesses (Bolton, 1971). Some examples given by Bolton (1971) are taxation, changes in legislation, and even form-filling

required by the government.

Although based on western-type societies many of the above findings appear to share common features with the characteristics and problems of the bumiputras described in the earlier chapters.

To summarize, studies mentioned in this chapter have been able to identify the psychological, personal, and external factors that affect entrepreneurial performance. In particular, they have indicated the relative importance of the following:

- a) the personality factors as expressed by the achievement motive, and the presence of interpersonal skills;
- b) entrepreneurial experience, including education, managerial and technical know-how;
- c) the need to assess entrepreneurial performance in terms of small business needs and problems which include internal factors such as those given in (a) and (b), and external factors such as government policies and legislation.

The next chapter outlines some of the major theories concerning the origins of entrepreneurship, and in the light of those theories, examines entrepreneurship in selected countries of South-East-Asia.

CHAPTER 5

ORIGINS OF ENTREPRENEURSHIP

The main purpose of this chapter is to examine some of the theories concerning the origins of entrepreneurship in addition to the conceptual foundations presented in the previous chapter. Like most of the earlier studies on entrepreneurship, and for the same historical reasons given in chapter four, theories on the origins of entrepreneurship have been largely based on the developed countries in Europe and North America, although there have been attempts to include in their examples instances from the developing countries of Latin America, Africa, and Asia. Although the theories included in this chapter took into consideration what Kilby (1971:4) described as "the temporal variability in the skills and motivations of the successful entrepreneur in the context of evolution of developed economies " it is recognised that "by postulating a unique set of personal qualities which define the entrepreneurial type, [these theories] tacitly imply that the situational factors during the modernization period are roughly similar wherever and whenever it occurs" (Kilby, 1971:4). While it is not the purpose of this thesis to test any particular theory with respect to bumiputra entrepreneurship, it is equally important to hold them in perspective in the light of a paradigm regarding the conditions necessary for the emergence of successful entrepreneurship, provided for this thesis. To this end, a review of entrepreneurship in selected countries, particularly, South-East-Asia is also included following the presentation of the theories.

5.1 Theories on the Origins of Entrepreneurship

Current approaches to the theories regarding entrepreneurship tend

to be multidisciplinary. Excellent reviews and discussions of the theories are given in Kilby (1971:1-40), and in Kent et al. (1982). However, to avoid duplications only an outline of the individual theories, based partly on Kilby (1971), is given here. They comprise the views of the economists, the psychologists, and the sociologists.

According to the economists the supply of entrepreneurship is highly elastic and failures in entrepreneurship are attributable to lack of adjustment to the external environment. For them, the determinants of entrepreneurial performance lie on the demand side, i.e. in the structure of economic incentives found in the market environment. According to Storey (1982) there are two views regarding this. One view represented by Kirzner (1973) holds that the entrepreneur reduces the disequilibrium in the market, i.e. the market is assumed to be in a state of disequilibrium and the entrepreneur reacts to those prices bringing movement toward equilibrium. In the Schumpeter model the entrepreneur deliberately brings about change from an assumed state of equilibrium, i.e. he disturbs the circular flow (see for example Marshall, 1961, for a summary of Schumpeter's model).

The psychologists represented by Schumpeter (1934), together with McClelland (1958, 1961), Hagen (1962), and Kunkel (1965) recognize that extreme economic inducements or impediments can significantly affect entrepreneurial activity. The psychologists maintain that "over the normal range of variability of pecuniary incentives the prime mover's for risk-bearing and innovation are certain non-materialistic, inner, psychic concerns" (Kilby, 1971:3). According

to Schumpeter (1934) the entrepreneur is not a function of some social, cultural, or religious variables. Instead, he is motivated by an atavistic will to power; these types occurring randomly in any ethnically homogenous population ~~population~~. Their special characteristics are: an intuitional capacity to see things in a way which afterwards proves correct, energy of will and mind to overcome fixed habits of thought, and the capacity to withstand social opposition.

On the other hand, the sociologists represented by Weber (1904), Cochran (1965), and Young (1971) saw economic incentive as but one part of a large system of sanctions based on the society's value and status hierarchy, which in total will determine the extent of entrepreneurial activity. Unlike Schumpeter's, Weber's entrepreneurs derive their energy from the adoption of exogeneously supplied religious beliefs, namely the protestant ethic and the spirit of capitalism. The protestant ethic was described by Weber as an ascetic activity in the service of God, channelled into active control over one's relations with the world, rather than into ritualistic expressions of faith. Guided by the protestant ethic, independent, honest business was regarded as the most appropriate field of activity. The spirit of capitalism on the other hand was a set of attitudes towards the acquisition of worldly goods, and all activities associated with it. It constituted a sanction of secular behaviour as an end in itself. In its economic context the 'Calling Doctrine' (Weber 1904:3-4) which underlies the protestant ethic and the spirit of capitalism, supplied an excellent justification for the successful man, giving him good conscience about his gain as long as it was honestly and industriously earned.

Although Weber's thesis has been widely discussed and sometimes disputed (see for example, Williams, 1975a ; Al-Attas, 1977 ; Storey, 1982). McClelland (1961) accepted Weber's thesis as the societal equivalent of the relationship between need achievement and parental expectations at the personal and family levels. McClelland (1961) tried to establish the relationship between achievement motivation and economic progress. Citing Winterbottom (1953, 1958), Rosen (1959) and others on child rearing practices, McClelland (1961) felt that N^{ach} was a function of early child rearing practices related to the protestant ethic, the very foundation of Weber's thesis. McClelland (1961) further said that the results of Winterbottom's studies of early independence and mastery training by mothers of children with high achievement compared to mothers of children with low achievement suggested:

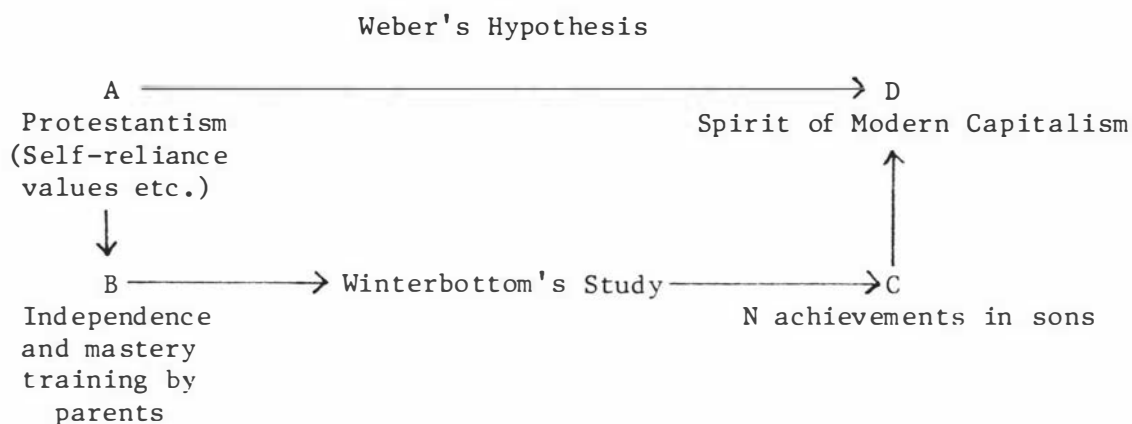
... a psychological means by which the historical development by Weber may come about. The protestant reformation might have led to earlier independence and mastery training, which led to greater N^{ach} , which in turn led to the rise of modern capitalism

McClelland (1961) also noted the similarity of people with high N^{ach} behaviour with the more aggressive and self-reliant individuals produced by the Reformation. McClelland (1961:47) demonstrated this relationship in Figure 5.1.

Kilby (1971:8) further simplified the relationship between Weber and McClelland, and in so doing introduced the psychological motive (N^{ach}). This is shown in Figure 5.2.

Figure 5.1

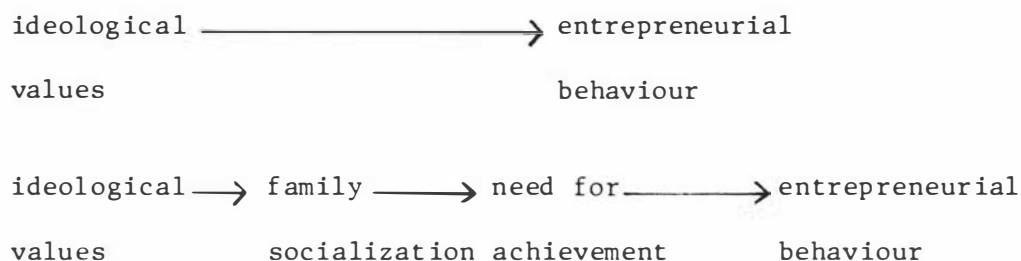
Weber's Thesis and McClelland's Modification



(Source: McClelland, 1961:47)

Figure 5.2

McClelland and Weber's Thesis Kilby's Modification



(Source: Kilby, 1971:8)

In his later work McClelland *et al.* (1969:35) altered his earlier position on the importance of child rearing as the intrinsic determinant of the achievement motive. He saw changes in motivation to be primarily a result of the ideological arousal of latent need for achievement among adults, typically associated with a new sense of superiority, which raises the possibility of training programmes to stimulate achievement oriented behaviour

(see for example, McClelland, 1966). According to Kilby (1971: 10) the re-evaluation by McClelland et al. (1969) "appears to have been induced by several considerations: the desirability of a theory with more favourable implications for policy intervention, the apparent changes in adult motivation achieved by evangelical missionaries, and criticisms of McClelland's earlier book with regard to the inseparability of arousal and motive strength".

Everett Hagen (1962) saw economic development almost exclusively as a process of technological change which is brought about by the technological creativity of individuals in the society. He saw the entrepreneur as a creative problem-solver interested in things in the practical and technological realm and driven by a duty to achieve. Hagen (1962) carried McClelland's 'need achievement' ideas further, and related the lack of change oriented and entrepreneurial attitudes to traditional societies, values and customs. Because traditional society resisted change, the disruptions that forced it to change might be powerful and were likely to take a long time: "the transition to economic growth ... typically occupies a period of several generations" (Hagen, 1962:22).

Hagen (1962) postulated that status respect withdrawal of a particular group was often the force that initiated change in the traditional society. Status respect withdrawal, also described as group subordination (Kilby, 1971:12) was one of two exogeneous variables in Hagen's system (the other is relative social blockage). Status withdrawal was defined as "the perception on the part

of the members of some social group that their purposes and values in life are not respected by groups in the society whom they respect and whose esteem they value" (Hagen, 1962:185). In Hagen's view four types of events could produce status withdrawal:

- a) displacement by force, e.g. the Norman invasion of England or the denigration of merchants, samurai, and wealthy peasants in seventeenth century Tokugawa Japan;
- b) denigration of values symbols, e.g. suppression of religious sects in seventeenth century Russia and England;
- c) inconsistency of status symbols with a changing distribution of economic power;
- d) non-acceptance of expected status on migration to a new society, e.g. the Antiquenos in seventeenth century Colombia.

According to Hagen (1962), once status withdrawal has occurred, the sequence of change in personality formation is set in motion with the creative personality emerging after a minimum retreatist interval of five generations.

Figure 5.3 illustrates the sequence separating the typical authoritarian personality of a stable traditional society from the emergence, many decades later, of creative entrepreneurial activity.

Figure 5.3

Relationship Between Authoritarian Personality and the Emergence of
a Creative Entrepreneurial Activity

traditional authoritarian childrearing → innovative personality → status withdrawal → anger anxiety →

suppression of values, retreatism → mother's rejection of father and husband, protective nurturance → creative son →

relative social blockage
↓
..... → entrepreneurial behaviour

(Source: Kilby, 1971:11-12)

Sociologist, Thomas Cochran (1965) saw entrepreneurs not as deviants or supernormal individuals, but rather as representative in society's modal personality. For him, cultural values, role expectations and social sanctions determine how entrepreneurs perform and how many of them emerge in society. Cochran (1965: 96) said:

As aggregates, managers or executives in a given type of activity represent certain ascertainable levels of education and social status and types of conditioning that produce a roughly definable modal personality. In making their decisions they play social roles anticipated by their associates and other groups in the culture.

To prove his point Cochran (1965:96-97) mentioned the American childrearing and schooling before about 1920 which produced differently conditioned individuals than did that of the 1920s and 1930s.

Frank Young saw economic development as involving re-organization of productive resources and as the "...co-ordination of individual effort and not simply the operation of parallel psychological tendencies" (Young, 1971:140). Thus he wanted to look at clusters: ethnic communities, occupational groups, or politically oriented factions. This he called the macrosociological perspective which focused on group solidarity. He pointed to Israel with respect to the surrounding Arab states, Taiwan with respect to mainland China and the rest of the world, and Pakistan after partition from India. Young suggested it explained inconsistencies McClelland (1961) found when children's books stressed achievement and yet the individuals did not have high need achievement (which McClelland attributed to "national aspirations").

In general, Young (1971) sees individuals as catalysts and special leaders of reactive subgroups, which are here taken to be the typical loci of entrepreneurial activity. The group experiences 'status withdrawal' or blocked mobility and provides institutional resources to individuals who are the 'most visible' members of that group to perform the entrepreneurial function.

Cynthia Duncan, however, did not fully agree with Frank Young.

She said:

... the numerous variables contributing to economic growth in Taiwan or Israel cannot be confined to group solidarity alone. The interplay of cultural and political variables (such as foreign aid) are not very usefully reduced to a macrosociological perspective. (Cynthia Duncan, n.d.:72)

An excellent opportunity to manipulate the environment by the administrator has been made possible through the principles of operant conditioning. In this respect John Kunkel (1965) felt that entrepreneurial behaviour is a function of the surrounding social structures which can be shaped by economic and social incentives. Following this, one need not alter the character or certain elements of it, but change those selected aspects of a man's social environment which are relevant to the learning of new behaviour. Kunkel (1965:157) said:

According to the behavioural model, the determinants of an individual's activities are to be found largely in the conditioning procedures, both deliberate and accidental, to which he has been subjected in the past, and in the sets of reinforcing and discriminative stimuli which have become part of his behavioural chains and are part of the present social context.

Although Kunkel (1965) felt that there was no need to postulate attitudes, values, or need in order to explain or predict behaviour, he did not deny the existence of man's internal state or depreciate the human spirit. The reason he gave was that:

... it simply does not make use of these concepts in the analysis of behaviour because their ambiguities so far outweigh any advantages that their use cannot at present be justified. (Kunkel, 1965:158)

As evidence Kunkel (1965) offered the experience of Allan Holmberg who visited Peru in 1952. Holmberg found the Indian community to be highly disorganized and went on to analyse the contemporary circumstances of life among them through changes in the external environment of the Indians including economics and technology, nutrition and health, education and social organization. The results were so radical that within five years the Indians "were able to efficiently operate the hacienda by themselves, creating a surplus where for decades little more than basic necessities had been produced" (Kunkel, 1965:174). It should be noted, however, that these Indians accepted the challenge, and this could have been critical to the success or failure of the programme that was introduced.

Finally in the list of theories concerning the sources of entrepreneurship is one which has received little attention: Bert Hoselitz's (1964) concept of the marginal man borrowed from the earlier work of Park (1950). It appears to share some similarities with the concept of reactive subgroups in Young (1971) and the subordinated groups in Hagen (1962). Based on his observations on the importance of culturally marginal groups in promoting economic development, such as the Jews and Greeks in medieval Europe, the Lebanese in West Africa, the Chinese in Southeast Asia, and the Indians in East Africa, Hoselitz hypothesized that marginal men, because of their ambiguous position from a cultural or social standpoint, were peculiarly suited to make creative adjustments in situations of change and in the course of this adjustment process to develop genuine innovations in social behaviour (Hoselitz, 1964:157).

These, then, are the major theories on the origins of entrepreneurship. Their relative merits are fully discussed in Kilby (1971) and more recently in Kent et al. (1982). However, as the main concern of this thesis is on the development of indigenous bumiputra entrepreneurship in Malaysia, a developing country in Asia, the author has also looked at some of the available literature on entrepreneurship in selected countries of Southeast Asia, and considered it in the light of the theories just outlined. This is particularly relevant not only in terms of the proximity of those countries to Malaysia, but also in view of their cultural, historical, and to a certain extent political similarities.

5.2 Origins of Entrepreneurship in Southeast Asia

Common to the countries of Southeast Asia such as Thailand, the Philippines, Indonesia and Malaysia is the presence of the overseas Chinese whose large-scale immigration at the end of the nineteenth century was the direct outcome of colonial policies. The Chinese are also present in Thailand even though it is the only country in Southeast Asia which did not experience any colonial rule. However, more importantly, the Chinese in Southeast Asia have come to dominate the economy, and at various times, whether real or imaginary, have been perceived as a threat to the security of the indigenous population. Today, indigenous entrepreneurship in Southeast Asia is scarce; instead there exists in these countries a Chinese entrepreneurial class which will now be examined.

5.2.1 Chinese Entrepreneurs in Southeast Asia

What makes the overseas Chinese different is not always easy to understand, because in spite of their association with entrepreneurial activities Chinese attitudes and beliefs were not altogether different from, for example, the indigenous Malays. Ruth Wong (1964:199) mentions that in China the Confucian social prestige ranks scholar, farmer, labourer, and merchant, in that order, and few of the overseas Chinese came from business backgrounds in China.

There was also no evidence to suggest that Chinese childrearing practices were much different from the indigenous population. For example, Willmott (1960) and Tan (1963) reported that the Indonesian Chinese treat their infants "with affection and care" and "disciplinary action is mild and infrequent" (Willmott, 1960:269). However, Willmott (1960:269) mentioned that between the age of four years or younger and the first few years of adolescence, severe discipline was imposed on the children, primarily by the father. For the girls it was a period of increasing seclusion in the home. Similar accounts regarding child rearing among the Malays have been given by Firth (1966) and Popenoe (1970).

Attempts have been made, by Popenoe (1970), to trace some of the reasons for the spread of Chinese entrepreneurship in Southeast Asia. The following summarizes some of his explanations.

- a) During the colonial days (for example in Java), the government in fact helped and encouraged both the Europeans and Chinese businesses by giving them their supplies free or at low cost, allowing them to import goods duty free, and advising them money at the expense of the indigenous traders.
- b) Politically the Chinese were prevented from moving into leadership roles. These were reserved for the Europeans. Also they could not replace the aristocracy which was left in nominal positions of authority to carry out the wishes of their masters. Accordingly, the Chinese were left without a system that could readily produce traditional leaders, and owing to their methods of recruitment and immigration the Chinese organized themselves in relation to the economic roles into which they moved, and built a social system in which leadership went to rich men and status depended directly on economic power. Community leadership was realized through business leadership. In contrast, Popenoe (1970:70) pointed out that in Thailand where assimilation could easily take place and where the Thai followed a policy of giving titles to the Chinese, assimilation was coupled with upward mobility and entrepreneurial drives were abandoned.

- c) Closely related to the above, it appears that the open system in Southeast Asia provided for the overseas Chinese mobility in business, where a system of achievement rather than ascription is maintained. Further evidence came from Skinner (1958) - regarding the Chinese in Thailand - and Goh Joon Hai (1962) who found that practically all the leading Chinese figures in Malaysia in the latter part of the nineteenth century or early twentieth century rose from the rank of coolie (labourer). It can be observed that even today a substantial percentage of the leading Chinese businessmen in Malaysia were poor when they arrived but during their lifetimes became millionaires.
- d) The evidence also showed that the overseas Chinese were a very cohesive group. On arrival in their new place the Chinese tended to move into the same kind of work and settled in the same areas with people of the same dialect. For instance Goh Joon Hai (1962) also reported that among 56 Chinese managing railway administration refreshment stalls and restaurants in the 1950s all were Hainanese, and 42 of them had the same surnames. In Malaysia different trades are associated with each Chinese dialect group.
- e) Similarly Chinese institutions such as their tight system of sanctions and controls reported by Alice Dewey (1962) of Java facilitated a high degree of trust which was essential in business dealings where written agreements

were rare and a person's word was his bond.

A man who asked for credit normally got it, and a man who gave it knew he would be repaid.

- f) Maurice Freedman (1961:42) noted that the Chinese immigrants were also highly sophisticated in the use of money compared with the indigenous population. Such financial sophistication could not have existed without entrepreneurial, managerial and financial skills. Said Freedman (1961:42):

Their financial skills rested above all on three characteristics of the society in which they were raised: the respectability of the pursuit of riches, relative immunity of surplus wealth from confiscation by political superiors, and the legitimacy of careful and interested financial dealings between neighbours and even close kinsmen.

Added to all the above, the Chinese in Malaysia are at an advantage by virtue of their relatively high levels of education and urbanization and hence their receptiveness to new ideas. In fact they had their own schools and urbanization has helped them to be in the exchange economy, exposing them to the influence of education and the mass media and bringing them more in contact with the business environment.

Finally, lest one forgets, the first generation of overseas Chinese were pioneers: "Arriving with almost nothing in a strange land, by their own industry, patience and self-sacrifice they have made their way" (Insor, 1963: 134). Such innovative spirit is reflected in the following contents of a letter from a wife in China to a husband overseas:

You must fight to get ahead. A man creates his own future. Money is for those who fight for it ... You are an overseas Chinese. If you do not succeed, people sneer at us back at home, and say "unsuccessful" ... Husband, determine and struggle on. You will be able to overcome difficulties. (quoted in Insor, 1963:134)

5.2.2 Entrepreneurship in Indonesia

Accounts of the indigenous Indonesian entrepreneurs are scarce, but those that are available show the importance of achievement-oriented behaviour among the Bataks and the Minangkabaus of Sumatra, and to a certain extent the Wong dagang in Modjukuto in Java. The Tobanans of Bali, however, display elements of marginality and status withdrawal.

The Bataks are a small minority group and have been described by Popenoe (1970) as possessing a strong clan solidarity, being better educated than most Indonesians, and placing great importance on achievement and trust. Von Zanen (1934) mentioned that the Bataks practise a tradition of marindjau or wanderjahre before marriage. Under this system social prestige is obtained by founding a new village and becoming its leader. These village founders have been described by von Zanen (1934) as Schumpeterian entrepreneurs, i.e. dynamic change elements in Batak societies who, against great odds, break away and found new villages, not so much for material wealth as for social standing.

The Minangkabau society in Sumatra whose ancestors also

emigrated to the Negri Sembilan state of Malaysia have a reputation for mobility. In this matriarchal society, a man has to move to other areas where the system is patriarchal to control his own destiny. According to Popenoe (1970) such a system possibly led to a high degree of self-selection, in which the most ambitious leave, but least ambitious stay. A Sumatra saying puts it, "Winners emigrate and losers stay at home."

In a study concerning Modjokuto, a small market town in East Java, and Tobanan, an aristocratic centre, Clifford Geertz (1963) reported two contrasting aspects of entrepreneurship in Indonesia. The Wong dagang in Modjokuto formed a well defined, sharply set-apart minority whose values deviate in major respects from those of both the gentry and the peasantry. Their entrepreneurial pursuits were made possible because in Javanese society the market is one institutional structure where formalism and status consciousness are relatively weak; in fact it is characterized by specificity, universalism, achievement and neutrality - the Parsonian attributes commonly held to describe a business society. Religion is not a prohibiting factor since the Wong dagang are also Muslims. The other group are the Tobanan, originally aristocrats of Bali. They have been displaced from their former functions, and for them entering business is a new way of maintaining their leadership. Said one of them: "They've taken the government away from

us, all right, we'll capture the economy ..." (Geertz, 1963:119-120). However, the Tobanan have at their disposal special purpose groups called seka, their means for organized social, religious, political or economic ends. They are the foundations through which the aristocrats create modern enterprises.

5.2.3 Entrepreneurship in the Philippines

The only accessible source regarding entrepreneurship in the Philippines is a study by John J. Carroll (1965) on 92 of the largest Philippino manufacturing entrepreneurs. Carroll found no particular relationship to religion or lingo-ethnic group among the Philippino manufacturers. He said that they tended to come from areas most accessible to Manila and they and their families for generations had been subjected, for more than the average Philippino, to anti-traditional forces; to be of foreign ethnic origin and language, upper stratum socio-economic position, and independent business ownership. The entrepreneurs themselves usually had urban or suburban upbringing and higher education in Manila or the United States, frequently in such practical subjects as business administration, law and technology.

- According to Carroll (1965), the entrepreneurs as a group seemed to be unusually vital, energetic, and self-assured, but he noticed little Calvinist asceticism among them. He felt that entrepreneurship in the Philippines was a

product of many interrelated factors operating in various ways: mobility aspirations; opportunity and necessity; achievement motivation and the desire for independence; self-confidence and the need to prove oneself; determination and a willingness to risk; social responsibility; self-interest, sheer interests, and perhaps good political connections.

In some aspects the Philippino manufacturing entrepreneurs resemble those of the Republic of South Korea whose business leaders were extraordinarily well educated, in both absolute and relative terms. In summing up the case of Korea, Mason et al. (1980:283, 285) said:

... the Korean experience does not conform to any respect with those theories holding that entrepreneurs tend to come from subordinated groups frustrated by the culture from attaining traditional positions of prestige. ... The dominant fact is that South Korea's business leaders come from privileged families representing more than 15 percent of the population In South Korea, there is substantial evidence that business careers once denigrated, are now regarded as acceptable rivals to those in government officialdom.

This last point ought to be noted as it is relevant to our previous discussion regarding occupational prestige among the bumiputras in Malaysia as reported by Al-Attas (1972).

5.2.4 Entrepreneurship in Thailand

Unlike the other countries of Southeast Asia, Thailand was never under any colonial rule. It provides a classic example where colonialism ceases to be the excuse for

poverty and underdevelopment. In fact an economic survey in Thailand in 1957 commented, "A peculiar difficulty in the case of Thailand is that not only is there no systematic plan for economic development but there is no very intense demand or desire for economic development" (quoted in Mole, 1973:104).

As far as Thai entrepreneurship is concerned, the author is only aware of studies by Skinner (1958) and Sanguanruang et al. (1978), and both were based on Thai of Chinese origin. The absence of indigenous Thai entrepreneurship is not surprising as accounts of Thai culture and behaviour reported by Benedict (1952) as early as 1952, and repeated by others (e.g. Insor, 1963; Mole, 1973) remain basically the same. For example, on the subject of child achievement in Thai society, Benedict (1952:28) said, "they have none of those which gave public honour to the child's achievement". Regarding certain Thai characteristics, Benedict (1952:37) said:

The Thais do not think it is necessary to strive mightily to make life good - it is good if it is accepted. The laugh is against those who find their lot bad, and they tell the story of the man in the Moon who got lodged there because he was always wanting to be something he wasn't.

The reasons which could explain the Thai lack of entrepreneurial drive have been summarized by a western trained Thai psychologist:

... [that] the Thais in general were hospitable people; that the tempo of their lives was slow, that they possessed considerable equanimity; that many Thai actions had a basis in the Buddhist religion; that the Thai respected age; that the Thais, although capable of making rapid cultural adaptations at least on a superficial level were basically conservative; that ritual and ceremony were important parts of Thai life; that the Thais were not steadfast; that they were extravagant; that they were not socially minded, that is, they were not joiners; that the Thai approach to life's concerns was empirical rather than theoretical; that the Thais were indolent; that they were egoistic, self-centred; that they lack persistence, "stick-to-it-iveness"; and that the Thais were a mild people, a non-violent people. (quoted in Mole, 1973:111-112)

The following quotation in part explains why non-Thais such as the overseas Chinese in Thailand were allowed to pursue their economic interests:

Buddhism is for Buddhists. Its teachings are for its adherents with little expectation that non-adherents will follow its guidance. Moreover, the non-Buddhist may do things which adherents ought not to do. (Mole, 1973:112)

The above quotation closely resembled Malay values referred to earlier in Afifuddin Hj. Omar (1973), where the Chinese in Malaysia, because he is a foreigner, escapes many behavioural infringements which the local Malays must observe.

Information regarding Thai entrepreneurship was mainly derived from Skinner (1958) and Sanguanruang et al. (1978) but their subjects were of foreign origin. Apart from the foreign element, Skinner (1958) reported his entrepreneurs to be highly achievement motivated and that they rose from scratch. Sanguanruang et al. (1978)

on the other hand found them to be poorly educated, immobile, and of urban background, i.e. born in Bangkok, the capital of Thailand. Their minority status made them marginal, and as "an escape route they found that running a business was an alternative to formal education and ultimately the road to fame and social acceptance". (Sanguanruang et al. (1978:66)

In the light of the theories outlined in this chapter, no firm conclusion can be made regarding the origins of entrepreneurship, particularly in the developing countries of Southeast Asia. It is more likely that entrepreneurial behaviours were culture specific and might have been generated by circumstances unique to the particular situation and could not, therefore, be generalized elsewhere in other cultures. For example in Thailand, religion in the form of Buddhism may thwart entrepreneurial development whereas in Indonesia the Minangkabau and the Wong dagang who are known for their entrepreneurial drives are Muslims. Likewise in Malaysia a significant number of the Indian entrepreneurs are Muslims (Judith Nagata, 1972). Further, according to Tham Seong Chee (1977) the overseas Chinese engaged in merry-making and superstition as much as the Malays and yet unlike the latter the Chinese produced successful entrepreneurs.

However, regardless of the above comments, the Southeast Asian situation appears to demonstrate fairly strongly that entrepreneurship is predominant among certain minority groups of both foreign and indigenous origins such as the overseas Chinese and Indians,

the Bataks and the Minangkabau of Sumatra, the Wong dagang of Java and Dayaks of Borneo. In this respect the concepts of marginality (Hoselitz, 1964), reactive subgroups (Young, 1971), and subordinated groups (Hagen, 1963), presented earlier among the theories on the origins of entrepreneurship, may be relevant. But marginality alone was not a sufficient condition for the emergence of entrepreneurs. Apart from the presence of economic opportunities (Papanek, 1969) the entrepreneurial groups in Southeast Asia have also been characterized by the adoption of achievement-oriented values, social cohesion, and mutual help. Regarding the latter, the following has been said of the Marwari cloth traders in India:

Firms in the system borrowed from each other whenever short of cash, loans were payable on demand, 'even at midnight' and interest was tallied and settled once a year, with total borrowing offset by total lending. (Timberg, 1969:9)

In contrast, most of the indigenous population in Southeast Asia cannot, in numerical terms, be classified as possessing a minority status. In addition they demonstrate few of the characteristics deemed essential to a business culture. Instead their values, attitudes and beliefs serve to hinder the growth of entrepreneurship. In its pure form Thailand provides a classic example, because unlike other Southeast Asian countries, Thailand has never experienced colonial rule. Whereas the other Southeast Asian countries had their colonial masters to blame, Thailand had none, only their own value system.

At this stage it is the author's opinion that perhaps the strengths afforded by previous studies regarding entrepreneurship lie

not so much in their predictive values, but more in their ability to identify some of the major elements which comprise such a difficult subject. The findings so far reported will provide the necessary conceptual tools to compare and analyse, particularly, the emergence of bumiputra entrepreneurship in Malaysia.

Generally, the literature regarding entrepreneurship in this and the previous chapters identified a number of issues:

- a) the need to define what constitutes entrepreneurship specially when referring to the developing countries of Asia, Latin America and Africa;
- b) the need to verify in actual business situations the behavioural characteristics of entrepreneurs as derived from laboratory-type studies and expanded by trainers in this field;
- c) the relative importance of minority groups in relation to the concept of marginality and the achievement motives as explanatory factors for the initiation of entrepreneurial pursuits especially in some Southeast Asian countries;
- d) the advantage afforded by the presence of a supportive environment, especially a fully developed social and economic institution to foster entrepreneurial pursuits (the environment should be, if not supportive, not prohibitive);

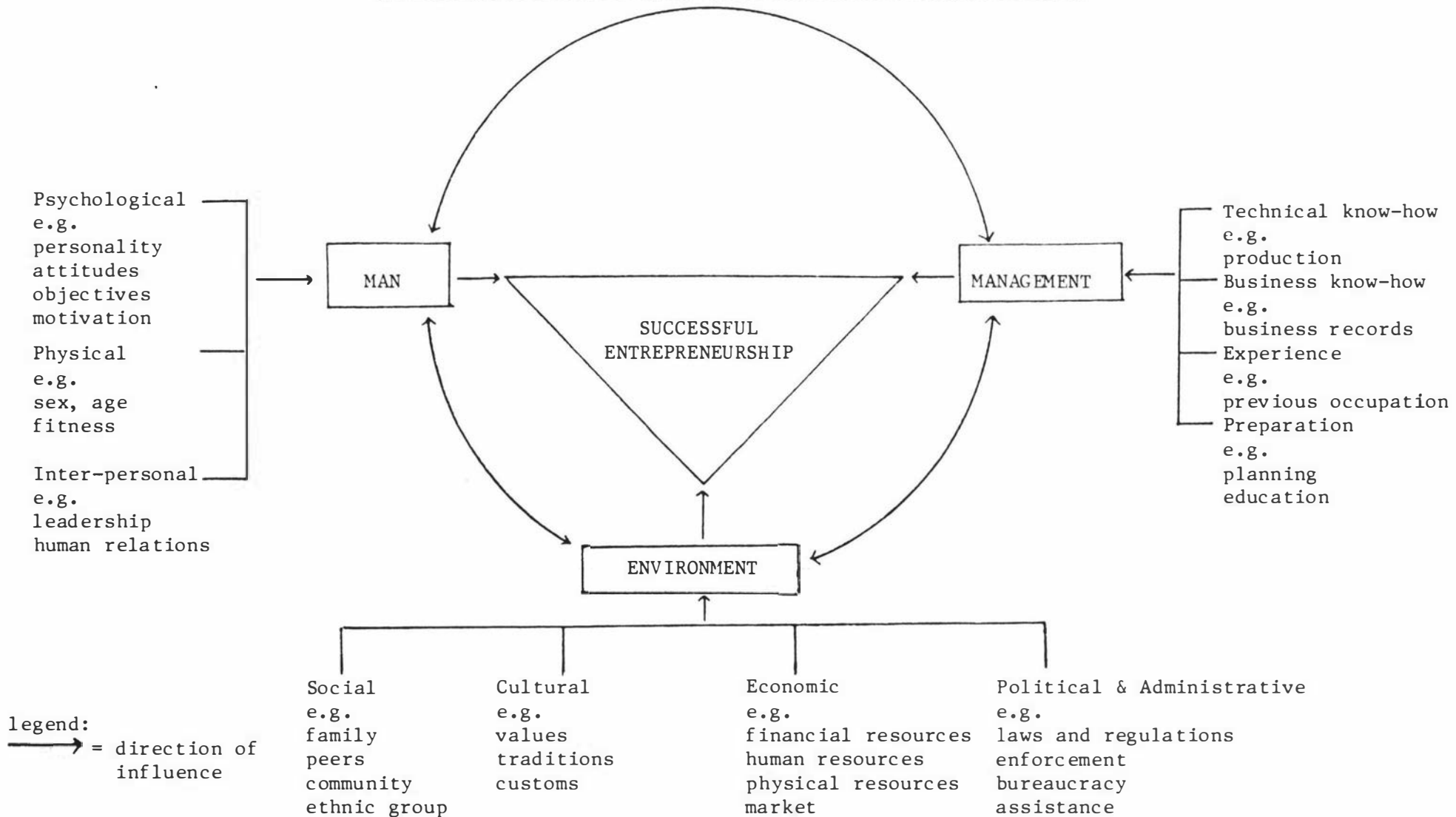
- e) the necessity to equip potential or existing entrepreneurs with the necessary education, managerial and technical know-how.

In contrast to the above, bumiputra entrepreneurs' findings discussed earlier in this thesis tend to indicate that they are handicapped by the following phenomena:

- a) the personal deficiencies due largely to the presence of their negative attitudes, governed by an ascriptive type society and, reinforced by past colonial policies but perhaps also maintained by their own culture and belief system;
- b) their rural background, their low level of education, and their lack of the necessary managerial and technical know-how;
- c) the relative absence of a fully developed social and economic institution that could initiate, develop and maintain bumiputra entrepreneurial pursuits (instead their environment both within and outside their culture can be described as hostile);
- d) as a social force the concept of marginality which appears so essential elsewhere among the overseas Chinese or the other minority groups in Southeast Asia has been denied to the bumiputras who lead a relatively sheltered life cushioned perhaps by the economic and political privileges guaranteed to them by the Malaysian constitution.

Figure 5.4

A Paradigm for the Emergence of Successful Entrepreneurship



The studies reviewed so far suggest that the prerequisite for the emergence of successful entrepreneurship may be as depicted in the paradigm in Figure 5.4 which comprises man, management and environment. The extent to which some or all of these conditions act as limitations in the current effort to develop bumiputra entrepreneurship will be the subject of much of the present research:

CHAPTER 6

RESEARCH METHODS AND PROBLEMS

6. Rationale

Previous studies, discussed in the preceding chapters, suggest that successful entrepreneurial pursuits are a function of a multiplicity of factors which may be classified as man, management and environment.

The task of assisting the development of indigenous bumiputra entrepreneurs was at the beginning entrusted to the Malaysian Civil Service (MCS) and later extended to include other quasi-government agencies or government-backed agencies. They are all, in part if not in total, handicapped by a bureaucracy that cannot claim to have any previous precedence or experience. Abdul Aziz Mahmud (1977), himself formerly a senior civil service officer, acknowledged the weakness of this bureaucracy. He said, "The expectations generated by the government's officially stated intentions creates an urgent need for the bureaucracy to educate itself in order to respond effectively in delivering the goods." (Abdul Aziz Mahmud, 1977:86) Unfortunately for the bumiputras, because of their long exclusion from the business system (caused, as we have examined in earlier chapters, by many factors) they lack both sound management and a supportive business environment they can expand and rely upon. Says Abdul Aziz Mahmud (1977:86):

There is no Malay business tradition which the government can improve and expand on. The Malay business tradition simply does not exist; there exists only what can best be described as a rather misguided Malay business folklore. The only role options are the European business style and the Chinese business style and tradition ... It has been said that the Chinese youngster begins to learn the language and procedures

of his business system as routinely as he learns to ride a bike. It is part of his everyday environment; the dinner table conversation, his cousin's retail shop, his uncle's motorcar dealership.

The basic tenet underlying this research is that sound business management as demonstrated by the keeping of adequate business records and other relevant business activities plus a supportive business environment as demonstrated by, for example, facilitative public and private institutions, can help minimize the risks regarding bumiputra entry into business and industry.

According to Abdul Aziz Mahmud (1977), it has been found that good record-keeping provides:

- a) evidence of sound financial management;
- b) evidence to support credit applications to bankers and other creditors;
- c) a source of management information to assist in decision-making and control;
- d) a possible detection of employee frauds, material wastes, errors, and other losses requiring prompt correction.

Towards these ends, for instance, the keeping of sound business records such as the profit and loss account, prepared regularly, provides the entrepreneurs with one of the most vital indicators of business health.

Similarly, balance sheets provide definitive statements about

a firm's finances. It is like a medical record, a diarist's writings, or the palm of a hand to a fortune teller in that it can reveal past workings, present trends, and future prospects for the firm. Says Abdul Aziz Mahmud (1977:90), "Noticing that something is wrong is at least a step in the right direction. Finding out exactly where the fault is gets one that much closer to a solution."

A facilitative environment such as access to markets, supplies, raw materials, credits, advisory and training facilities, cheap and strategic business premises, and a sympathetic bureaucratic outlook would not only attract new entrants into business and industry but would ensure that the entrepreneurial pursuits are fully developed and maintained. McClelland (1966:21) for example said, "It isn't enough to change a man's motivation if the environment in which he lives doesn't support at least to some degree his new efforts." Similarly Schmitz (1982), in a critical review regarding growth constraints pertaining to specifically small-scale manufacturing in developing countries, identified both internal (entrepreneurial and management skills) and external (structural) factors. He felt that external factors such as those described in the above were equally important. Schmitz (1982:431) said, "What is at issue is not that good management occurs, but whether small-scale producers in developing countries fail to expand because they lack managerial ability."

In view of the rationale given in the above, the primary purpose of this research was to explore the parameters related to the bumiputra personal and business background, their managerial capabilities, their problems, and their training needs. The instruments, sampling procedures, methods of data collection, and data analysis are described in the following.

6.1 Instrumentation

The main instruments used were the Bumiputra Entrepreneur Research Questionnaire One (BERQ-one), the Bumiputra Entrepreneur Research Questionnaire Two (BERQ-two), and a taperecorder as an aid. BERQ-one and BERQ-two are shown in Appendix 8 and 9 respectively, and are described below.

6.1.1 Bumiputra Entrepreneur Research Questionnaire One (BERQ-one)

The questionnaire employed to interview bumiputra entrepreneurs (BERQ-one) comprised five sections listed below:

- a) parts one and two were designed to seek information regarding the personal and business profiles of the entrepreneurs;
- b) part three which comprised 14 items was designed to obtain information regarding bumiputra business practice, particularly the keeping of business records;
- c) part four asked the entrepreneurs the kinds of business courses they might require based on 13 business topics presented to them;
- d) part five asked the entrepreneurs the magnitude of the problems based on 12 items presented to them;

There was also an open-ended question which attempted to solicit information regarding their suggestions to develop and assist bumiputra entrepreneurs.

The items in BERQ-one have been selected from established

Malaysian and overseas studies in the field of entrepreneurship and the small business. Malaysian studies included Popenoe, 1970; Charlesworth, 1974; Abdul Aziz Mahmud, 1977; Mohd. Fauzi Yaakub, 1978; and the Malaysian National Productivity Centre. Overseas studies included Bolton, 1971; Wiltshire, 1971; Capilovitz, 1973; Williams, 1975; Devlin and Le Heron, 1977; and Massey University Management Education and Development Centre Survey of Management and Training Needs Questionnaire.

To supplement the above, and to gauge the current needs and problems of the bumiputra entrepreneurs, the author wrote to various government agencies regarding the subject. The author's letter is reproduced in Appendix 10. A translated example of one of their replies is given in Appendix 11. While not all the departments replied (70% response rate), the following, however, did:

- a) SEDC (State Economic Corporation) Trengganu
- b) SEDC Penang
- c) SEDC Kedah
- d) SEDC Sarawak
- e) SEDC Perlis
- f) SEDC Negri Sembilan
- g) RISDA (Rubber Industries Smallholders Development Authority)

- h) Institute Technology MARA (ITM)
- i) Credit Guarantee Corporation (CGC)
- j) Urban Development Authority (UDA)
- k) INTAN (Institute for Public Administration, Malaysia)
- l) NERDA (National Entrepreneurial Research and Development Association)
- m) Malaysian Centre for Development Studies (MCDS) Kelantan.

BERQ-one was pilot-tested in the Wellington region in New Zealand among pakeha and Maori small businesses, using the list of businesses provided by the New Zealand Chamber of Commerce and the New Zealand Maori Affairs Department. At the same time that tests were administered in Wellington, 10 questionnaires were sent to Malaysia to be tested, initially by the author's two brothers, one in the Malaysian state of Selangor, and another in the Malaysian state of Kelantan. The comments made by them, one of whom was a bumiputra businessman himself, and the other a reporter, based on the feedback they received, were considered in the subsequent revisions of the questionnaire.

Following some revisions the author personally tested BERQ-one on the target population. Basic considerations were given to the length and the level of language used (as suggested by Brislin, Lonner and Thorndike [1973]) in view of the time constraint on the part of the entrepreneurs

and their low level of education. Translations of the questionnaires into Bahasa Malaysia (Malay) were made by the author who was assisted by similar items previously translated into English by Abdul Aziz Mahmud (1977). The questionnaires were accepted after a third revision and consultations with the author's chief supervisor.

6.1.2 Bumiputra Entrepreneur Research Questionnaire Two (BERQ-two)

As far as the author knows there was no precedent regarding the format and items used in BERQ-two to interview officials regarding bumiputra entrepreneurs. The questionnaire which had been employed in this research comprised three parts:

- a) part one asked the background of officials, especially their experience and the nature of their jobs;
- b) part two asked the officials to rate the general ability of the bumiputra entrepreneurs in office management, personnel management, public relations, financial management, and marketing;
- c) part three asked the officials their opinions regarding the magnitude of the problems faced by the bumiputra entrepreneurs, based on similar items presented to the entrepreneurs in BERQ-one.

BERQ-two was pre-tested in the State of Kelantan among the target population. Comments made by the officials regarding

their suitability were considered in the subsequent revisions and were finalized after consultation with the chief supervisor. The questionnaires were in Bahasa Malaysia, although the interviews tended to be both in Bahasa Malaysia and English. This was because English used to be the official language in Malaysia, and the officials comprised mainly the English-educated generation of Malaysians, who were at least bilingual.

6.2 Sampling

6.2.1 Selection of Bumiputra Entrepreneurs

A number of choices was available for this author to select the sample of bumiputra business persons; from the record of the Registrar of Businesses, or the town council lists of licences issued at various times. However, a number of reasons favoured the selection from a list of MARA loanees in the State of Kelantan.

In a country such as Malaysia where officialdom is still held in high respect, it is necessary to be seen to have the backing of an established institution. MARA for instance is well known among the bumiputras especially in rural areas. It is the 'people's bank', 'a place where their children obtain scholarship to continue their education'; it is everything that is associated with bumiputra interests.

Although MARA has been giving out small business loans since its RIDA days in 1951, the only substantial research was made by Charlesworth in 1974. For example, between 1951

and 1976 MARA has loaned a total of \$191.024 million, covering 45,816 projects, with repayments of only \$163.42 million (Prime Minister's Department, ICU)*. This study affords an opportunity to obtain some feedback regarding MARA loanees. Besides, MARA had a ready list of loanees classified according to business categories and districts in Kelantan.

The fact that loanees were obliged to repay their loans would have encouraged MARA officers to obtain more reliable addresses of the loanees. Finally, by any standards pertaining to business size, MARA loanees were definitely small business persons, as MARA does not directly provide loans in excess of \$50,000. Although variously defined, the ceiling for small-scale enterprises in Malaysia is a nett asset of \$250,000, a criterion used by the Small Business Loans Section, Citibank, Kuala Lumpur (Ong Ah Tin, 1981:41).

The State of Kelantan was chosen because of the author's familiarity with its geography and people. This was thought to be advantageous in terms of co-operation and locating addresses. Apart from that, the Kelantanese were widely believed to be more entrepreneurial than their counterparts in other Malaysian states (Mohd. Fauzi Yaakub, 1978) even though they are largely rural, and the least developed of all the Malaysian states in Peninsular Malaysia. For example, Charlesworth (1974) found Kelantan to rank second in the number of entrepreneurs. Also, an incident was related to me by my own father concerning a taxicab driver who unknowingly remarked to his Kelantanese passengers that

* unpublished document, personal communication

the Kelantanese were Malaysia's number two Chinese.

Because the computer lists of MARA loanees were arranged by district and industry and not in either alphabetical order or size of loans, the names of loanees were found to be randomly ordered. However, to ensure this, the author, through a simple procedure of picking out every fifth name by district and industry obtained an initial sample of 120, comprising the retail, service, construction and manufacturing industries covering eight administrative districts (see map on page iv). Although 120 addresses were located, only 92 were finally interviewed owing to deaths, inaccurate descriptions of industrial groupings owing to changes in business types involved, and transfers to other places without forwarding addresses. However, the sample chosen was not intended to represent the whole country nor the State of Kelantan. Instead, it was a study of a selected group of small enterprises among MARA loanees in the State of Kelantan. The sample comprised the following number of businesses and industries:

| | | | |
|---------|----|---------------|----|
| Retail | 20 | Construction | 17 |
| Service | 30 | Manufacturing | 25 |

The details for each industry are given in the following:

| <u>Description*</u> | <u>Number</u> | <u>Description*</u> | <u>Number</u> |
|--------------------------|---------------|--|---------------|
| Retail business: | | Service business: | |
| stationers | 2 | mechanical, welding, | |
| electrical | 1 | spray painting | 5 |
| apparel | 2 | lorry transport | 1 |
| general provisions | 9 | tailoring | 6 |
| fruiterer | 1 | beauty salon/ hairstresser | 3 |
| furniture | 2 | light engineering | 4 |
| crockery | 1 | restaurant | 6 |
| footwear | 2 | photography | 2 |
| Manufacturing: | | electrical, radio repairs | 2 |
| furniture | 4 | tyre service | 1 |
| brickmaker | 5 | Construction: | 17 |
| food products | 8 | (all were building contractors holding class E or F licences i.e. work valued at \$10,000 and \$100,000 and below respectively) | |
| goldsmith | 2 | | |
| wood products (charcoal) | 3 | | |
| kite making | 1 | | |
| upholstery | 1 | | |
| batik | 1 | | |

* (The classifications were based on MARA's own categories)

The number of businesses according to the town council districts covered in this study were as follows :

| <u>Districts</u> | <u>Number</u> |
|----------------------------|---------------|
| Kota Bharu (state capital) | 30 |
| Pasir Mas | 11 |
| Tumpat | 12 |
| Tanah Merah | 13 |
| Machang | 11 |
| Kuala Krai | 1 |
| Pasir Puteh | 6 |
| Bachok | 8 |

6.2.2 Selection of Officials

The list of officials interviewed was obtained from the telephone listings of government departments whose functions in relation to the promotion of bumiputra entrepreneurship were indicated in the second, third and fourth Malaysia plan books. Until the actual interviews only the designation of the officials was known to this author. Similarly, officials in the private sector which were mainly bankers were known by their designations. None of the officials was previously known to the interviewer. For the sake of confidentiality only the following list is given here:

12 MARA officers in Kelantan, Selangor, the Federal Territory and MARA headquarters;

23 government officers from the Ministry of Trade and Industry, the Prime Minister's Department, the Public Works Department, the State Economic Development Corporation, the Ministry of Youth, Culture and Sports, the National Productivity Centre, Urban Development Authority, and the Malaysian Industrial and Development Finance Authority;

9 officials from the private sector including officers from Bank Bumiputra, Overseas Chinese Bank, Development Bank, the National Chamber of Commerce, and the Credit Guarantee Corporation.

In addition to the above information, 23 of the officials

were working at the state level in Kelantan, 2 in Selangor, 3 in the capital territory of Kuala Lumpur, and 16 were operating at the national level covering the whole country. Their list of duties varied but included at least one or a combination of these: advice and consultancy, loan processing, training, enforcement, licensing, and planning. Their total work experience ranged between as little as two years to twenty years in different jobs.

6.3 Data Collection

As indicated in the above, empirical data concerning bumiputra entrepreneurs have been obtained through two sources:

- a) through the author's personal interviews with bumiputra business persons, and
- b) through the author's personal interviews with bumiputra officials.

The interviews were based on structured interview schedules designed for use separately with the entrepreneurs and the officials. Using Bumiputra Entrepreneur Research Questionnaire One (BERQ-one), the following were obtained regarding the bumiputra entrepreneurs:

- a) data on personal and business background;
- b) data on record keeping and relevant management practice;

- c) data on specific business problems;
- d) data on training needs;
- e) data on suggestions for assisting bumiputra entrepreneurs.

Information regarding bumiputra entrepreneurs was supplemented by data obtained from officials through the Bumiputra Entrepreneur Research Questionnaire Two (BERQ-two). These data include:

- a) officials' ratings on bumiputra abilities in five main aspects of business management;
- b) officials' perception regarding bumiputra business problems;
- c) officials' suggestions for assisting bumiputra entrepreneurs.

A total of 136 people were personally interviewed by the author. They comprised 92 bumiputra entrepreneurs and 44 bumiputra officials. The interviews with the entrepreneurs were conducted on their business premises during daylight hours when they were available or in the evenings between eight and ten o'clock at their homes, which in most cases were the same place as their work. In the case of entrepreneurs in the construction industry the interviews were mainly conducted in their homes as they had no office. The interviews with government officials were held in their offices during office hours.

Apart from writing the responses on structured questionnaires, the interviews were recorded on taperecorders, each taking between 45 minutes and 1½ hours. Throughout the research, only one official disallowed the use of a taperecorder. The main purpose of the taperecorder was to pick up more data supplementing the questionnaire. The total time recorded on tape exceeded 100 hours. These were listened to and edited not only for further information but also to check on the responses originally filled by the author in the questionnaires. The author also undertook to maintain confidentiality with regard to all data obtained in the interview. To ensure this, no names have been mentioned anywhere on tape. It was agreed that the officials and the entrepreneurs were to be addressed as only 'you' rather than their proper names throughout the recorded interviews.

6.4 Data Processing

The responses recorded in the interview schedules were counted for their frequency according to the four industries concerned, i.e. retail, service, manufacturing and construction, as well as in aggregate terms.

The responses that were recorded on taperecorders were used to check and supplement the written responses not previously anticipated. Owing to the smallness of the sample some of the original variables had to be collapsed to allow for meaningful interpretations. Similarly, additional variables and scales were constructed.

Most of the variables used were self-explanatory and

are given in Appendix 12; some which require explanation are described in the following.

6.4.1 Definition of Variables in BERQ-one

a) Urban - Rural

In this thesis 'urban entrepreneurs' refers to their proximity to the state capital of Kota Bharu, rather than the criterion of 10,000 people used to classify urban towns. Due largely to the rural character of the State of Kelantan, the degree of proximity to most business facilities in the state capital was a preferred index. Accordingly, in terms of proximity to the state capital, entrepreneurs with businesses in Kota Bharu, Pasir Mas and Tumpat (the furthest being 17 miles from the capital) were classified as urban, and others - Machang, Kuala Krai, Pasir Puteh and Bachok - were classified as rural (the nearest being 22 miles from the capital).

b) Sole ownership - Partnership

Those businesses that were jointly owned by two or more persons were considered to be a partnership. However, in cases where the wife or the husband gave a helping hand, they were considered to be 'sole ownership'.

c) Primary education - Secondary education

Those entrepreneurs who had six years of primary schooling

or less were considered to have had only primary education; the rest were classified as having had secondary education.

d) Business father - Non-business father

Those entrepreneurs whose fathers operated their own business or were engaged in business activities were classified as having fathers in business; others were not. The same criterion was applied to business mother-non-business mother.

e) Government employment - Private employment

Those who had been in the government service including the armed forces immediately prior to the present business were classified as having had government employment as their previous job; others were classified as privately employed.

f) Trained - Untrained

Those entrepreneurs who had some training or business qualifications prior to entering business or after being in business were classified as trained; others were classified as untrained. The same criterion was used for pre-business training and post-business training.

g) Advice - No advice

Those entrepreneurs who said they sought advice regarding their business from whatever sources were classified as having received advice; others were not (no advice).

h) Beginners - Non-beginners

Those entrepreneurs who were in business on their

own for the first time were classified as beginners; others were classified as non-beginners.

i) Motive income - Motive achievement

Those entrepreneurs whose motive for being in business was for better income were classified as motive income; and those who mentioned independence or achievement were classified as motive achievement.

j) Growth index

The growth index for each business was calculated utilizing the information regarding the initial and present value of the capital given by the entrepreneurs as well as the number of initial and subsequent number of paid employees. By calculating the annual growth rate after adjusting the rate of inflation based on the 1980 price index for Malaysia obtained in the International Financial Statistics (IMF, 1982) the average annual growth rate for each industry was obtained as follows: service industry 34.9%, manufacturing industry 33.2%, construction industry 21.5%, and retail industry 89.8%. Excluding those firms of less than one year old, firms with annual growth rates that equalled or exceeded the annual growth rate of its own industry were classified as having experienced growth; others were not. However, a further definition regarding growth was included, i.e. 'most growth', 'moderate growth', and 'least growth' described as follows.

Most-growth were firms who qualified as growth firms described in the above but who also indicated an expansion through an increase in the number of paid labour force.

Moderate-growth were firms who qualified to be considered growth firms but who did not show an increase in the number of paid employees.

Least-growth were firms who did not qualify to be classified as 'growth firms' even on the first count as already described.

It is significant that all the growth criteria used did not take into account technological improvements which may have resulted in no increase in the number of paid employees. In any case, although this kind of information was not readily available, any kind of technological improvement that took place would have been mentioned even in passing by the entrepreneurs during the interviews.

- k) Business-records, business-problems, training-needs
Information regarding record keeping, business problems, and training needs were collapsed into dichotomous variables. These are described as follows:

Business-records. All those who kept various business records regardless of their frequency were classified as having kept them as opposed to those who did not keep them at all.

Business-problems. All those who reported problems as small in the respective items were classified as having no problems as opposed to those who reported their problems as medium and big in which case they were classified as having a problem.

Training-needs. All those who mentioned 'most needed' and 'needed' were classified as 'needed' compared to those who mentioned they did not need any training at all in the courses mentioned.

6.4.2 Definition of Variables in BERQ-two

a) MARA officials - non MARA officials

Those officials who were not working as MARA officials but belonged to either the government or private sector were classified as non-MARA officials.

b) State officials - Federal officials

Those officials who were in charge at state level regardless of their employers were classified as state officials; the others whose duties covered the whole country were deemed to be federal officials.

c) Senior officials - Junior officials

Those officials who had been in service at least five years were classified as senior officials; the others as junior officials. This is based on the fact that in the Malaysian government service an officer does not usually get promoted to a senior position until after

five years of service. Promotion is very much based on seniority in service.

d) Government officials - Private officials

Those officials who were in government service at the time of the interview were classified as government officials and that included quasi-government institutions as well; the others were private officials.

e) Trainers - Non-trainers

Those officials who were directly involved in training as part of their duties were classified as trainers; the others were non-trainers.

6.4.3 Construction of Scales: 'Business-Records', 'Business-Problems', 'Training-Needs', 'Official-Problems' and 'Official-Attitudes' (BERQ-one and BERQ-two)

The dichotomous nature of the data, their skewed distribution and the small number of subjects in subgroups may make long scales and analysis by individual items unreliable. In order to allow for the use of further statistical tests to supplement the main qualitative analysis, scales were constructed in respect of 'business-records', 'business-problems', 'training-needs', 'official-problems' and 'official-attitudes'. The use of scale formation would reduce the number of variables and analysis and would help increase the reliability of the dichotomies. The scales which comprised the items and scoring method described in the following were checked for their reliabilities using the KR-20 formula (Nie et al., 1975).

a) Business-record scale in BERQ-one

A score of 1 was assigned to each of the positive responses and 0 to each of the negative responses on each of the following items in the 'business-record scale':

- | | |
|-----------------------------|------------------------------------|
| a. kept income records | g. prepared profit & loss accounts |
| b. kept debt records | h. prepared balance sheets |
| c. kept travel records | i. prepared cash flows |
| d. kept stock records | j. compared sales with expenses |
| e. kept expenditure records | k. surveyed prices. |

The reliability coefficient obtained was 0.79.

b) Business-problem scale in BERQ-one

A score of 1 was assigned to each of the following items in the 'business-problem scale' where there was a problem , and 0 where there was no problem:

- | | |
|---|--------------------------------------|
| a. laws and regulations | g. political interference |
| b. bureaucratic delays | h. availability of skilled personnel |
| c. supplies | i. business consultations |
| d. monopoly | j. prejudice |
| e. competition with government agencies | k. corruption |
| f. access to loans | l. access to long-term loans. |

The reliability coefficient obtained was 0.67.

c) Training-need scale in BERQ-one

A score of 1 was assigned to each of the following items in the 'training-need scale' where training was needed, and a score of 0 where training was not needed:

- | | |
|----------------|--------------------------------|
| a. sales | d. bookkeeping |
| b. advertising | e. loan application procedures |
| c. purchasing | f. capital management |

- g. business planning
- h. credit and debts management
- i. personnel management
- j. stock management
- k. government rules and regulations
- l. income tax management
- m. business law.

The reliability coefficient obtained was 0.82.

d) Official-problem scale in BERQ-two

A score of 1 was assigned to each of the following items in the 'official-problem scale' where there was a problem, and 0 where there was no problem at all:

- a. laws and regulations
- b. bureaucratic delays
- c. supplies
- d. monopolies
- e. political interference
- f. business consultations
- g. prejudice
- h. corruption
- i. working capital
- j. inadequate preparation.

The reliability coefficient obtained was 0.61.

e) Official-attitude scale in BERQ-two

Where the officials rated bumiputra ability to be 'excellent', 'average' or 'better' a score of 1 was assigned to each of the following items in the 'official-attitude scale', otherwise a score of 0 was given to abilities rated as poor:

- a. office management
- b. personnel management
- c. public relations
- d. financial management
- e. marketing management.

The reliability coefficient obtained was 0.60.

Although the reliability coefficients obtained for all the scales in BERQ-one were satisfactory and high, those obtained

in BERQ-two were relatively low. However, unlike BERQ-one, the scales in BERQ-two were designed to identify particular problems and weaknesses within each of the scales, and hence a strong relationship between items, though desirable, is not critical. In fact the low coefficient values obtained in BERQ-two strongly suggests that it may not be accurate to generalize bumiputra abilities and problems without examining the different ability or problem aspects that occur in different magnitudes. This possibility will be further discussed in Chapter 7 regarding the results of this research.

6.4.4 Statistical Analysis

The information from the interviews described in the above was initially analysed for basic frequency counts and distribution on the IBM 4341 computer at Victoria University of Wellington. Subsequently the files were transferred to the Prime Computer at Massey University, Palmerston North.

Further statistical analysis to test the relationship between the variables within BERQ-one and BERQ-two shown in Tables 6.1 and 6.2 respectively were made treating the sample as one larger group of bumiputra entrepreneurs. But even so the numbers in the subgroups as defined for each variable were still small and uneven. In view of these and their ordinal level measures, non-parametric statistics (i.e. the Mann-Whitney U test) were applied using the SPSS version 9 (Nie et al., 1975). A 2-tailed test was used with an accepted criterion level of significance of $p = 0.01$. In cases where the criterion level was obtained, further analysis of the items in the scales employed were

Table 6.1
Variables Analysed in BERQ-one

| Independent Variables | Business-Practice Scale | Business-Problem Scale | Training-Needs Scale | Growth-No growth | Big growth-Moderate growth | Moderate growth-No growth | Most growth-Least growth |
|------------------------------------|-------------------------|------------------------|----------------------|------------------|----------------------------|---------------------------|--------------------------|
| Urban-Rural | x | x | x | x | x | x | x |
| Members of association-Non-members | x | x | x | x | x | x | x |
| Primary education-Secondary | x | x | x | x | x | x | x |
| Business father-Non-business | x | x | x | x | x | x | x |
| Government occupation-Private | x | x | x | x | x | x | x |
| Trained-Untrained | x | x | x | x | x | x | x |
| Advice-No advice | x | x | x | x | x | x | x |
| Beginners-Non-beginners | x | x | x | x | x | x | x |
| Motive income-Motive achievement | x | x | x | | | | |
| Growth-No growth | x | x | x | | | | |
| Big growth-Moderate growth | x | x | x | | | | |
| Moderate growth-No growth | x | x | x | | | | |
| Most-least growth | x | x | x | | | | |

Table 6.2

Variables Analysed in BERQ-two

| Independent Variables | Business attitudes scale | Business problems scale |
|------------------------------|--------------------------|-------------------------|
| MARA officials-nonMARA | x | x |
| State officials-federal | x | x |
| Senior officials-junior | x | x |
| Government officials-private | x | x |
| Trainers-nontrainers | x | x |

made, employing the chi-square. In the latter case the criterion level of significance set was $p \leq 0.05$. The chi-square statistic was also used to compare business problems perceived by officials and entrepreneurs.

6.5 Research Problems

Some of the problems encountered by the author in the present study have been identified by earlier researchers also, for example Brislin, Lonner and Thorndike (1973), and Hashim (1976). These problems had been anticipated and are reported here not only as a guide to other researchers in similar fields but also to serve as useful aids in the interpretation of the findings.

The author spent almost eight months, July 1981-February 1982, in Malaysia. Two of those months were spent researching the local literature, and at least one month was lost due to floods and waiting for access to the list of MARA loanees. Such a length of time naturally incurred a lot of costs in terms of accommodation, food and transportation. Yet the number interviewed were 92 entrepreneurs and 44 officials - a total of 136 persons. Personal interviews by the author himself were preferred as they maximized interviewer reliability. Also first-hand experience and insights into the circumstances surrounding bumiputra businesses were gained. Except for Popenoe (1970), all the other studies on bumiputra entrepreneurship cited throughout this thesis made use of either mailed questionnaires or employed research assistants to do the interviews.

Some of the insights that would have been gained by the researcher might have been lost if the interviews had not been carried out by the author himself, although the number in the sample could have been significantly increased.

The main problem was locating the addresses of MARA loanees, which were not always accurate even though they were given in the MARA records. A number of entrepreneurs did not live at the given addresses which the author felt were given to satisfy bureaucratic requirements. Some loanees were not identified by their given names but their social names in the villages, making it more difficult to locate them. Others were found to have switched their businesses into different industries from those listed by MARA, and when located were no longer relevant to the sample.

In Malaysia, especially in rural areas, there is no proper address or roading system. Because telephones are rare in villages, there is no way that appointments can be arranged. One has to take a chance at meeting the subjects or to arrange for another appointment if they are busy or not at home. The worst among them were the contractors who were on sites wherever their projects were. One had to keep chasing them. Because of these problems an average distance travelled each day was about 90 kilometres, and successful meetings averaged 3-4 entrepreneurs in a six-day working week. The author travelled at least 15,000 kilometres over the whole period and that excluded walking distances

when roads were inaccessible.

The situation was much better with officials, although not all appointments were treated with respect. There was also a tendency for officials to cancel appointments even though they were made at least one week ahead of time or to direct the author not to the official selected but a more junior one.

For both entrepreneurs and officials, time was a big constraint. Interviews during working hours were more often interrupted by the normal course of business necessitating more than an hour's sitting. The result was that some questions were accidentally missed. In many cases the interviews were made in the evenings after seven o'clock.

Finally, a problem that needs to be mentioned among the main list of research problems encountered concerned the entrepreneurs' understanding of the questionnaires. Although the questionnaires had been simplified, the low level of education among the entrepreneurs called for explanations regarding the technical terms used, which at times turned into business lessons. Yet this problem tended to be of benefit as it helped increase the rapport between the author and the interviewees.

CHAPTER 7

RESULTS AND DISCUSSION

7. Organization of Results

Information on MARA loanees interviewed and on the subject of bumiputra entrepreneurs obtained from bumiputra officials has been analysed to enable the author to describe the following :

- a) the personal and business profiles of the bumiputra entrepreneurs both as a group as well as according to the types of industries;
- b) a profile of bumiputra business practice and abilities;
- c) a profile of bumiputra business problems;
- d) bumiputra preference for business courses and other needs

Data obtained from separate interviews with 44 bumiputra officials were used to supplement and compare with those of the entrepreneurs.

In a pioneering research of this kind, it is inevitable that the data obtained are subject to certain limitations owing to the problems described in the previous chapter. Apart from the constraints mentioned, the results of this study should be able to fulfil the objectives outlined in Chapter 1. These were as follows:

- a) to provide understanding concerning the development of an indigenous bumiputra entrepreneurship;
- b) to narrow the knowledge gap between government departments and agencies and those they are supposed to serve.

It is also intended that the results of this study will fulfil academic interests as well as find some practical applications particularly in the field of entrepreneurial training and development in Malaysia.

The results in this chapter are organized in two parts: the first part presents the results of the qualitative analysis; the second presents the results of the quantitative analysis. However, the results presented are largely qualitative, and only in an exploratory manner did the author try to quantify some of the information, to look for certain trends and possible relationships between variables which have been identified for the study.

Part One: Results of the Qualitative Analysis

7.1 The Personal and Business Profiles of Bumiputra Entrepreneurs

7.1.1 Sex, Age, Parental Background, Mobility

As shown in Table 7.1 entrepreneurial pursuits among the bumiputras were largely male-dominated (84% compared to 16% females). In the construction industry male domination was 100%. The presence of female entrepreneurs in other industries, particularly in retailing, could be due to factors of convenience where owner-dwelling retail premises were a common feature in Malaysia. Inspection of the original data shows that the presence of female entrepreneurs in the service and manufacturing industries could possibly be due to their domestic character such as food processing and tailoring.

Table 7.1

The Distribution of Bumiputra Entrepreneurs by Sex

| Industries | Sex | | | |
|----------------|------|-----|--------|----|
| | Male | | Female | |
| | No. | % | No. | % |
| Service | 24 | 80 | 6 | 20 |
| Construction | 17 | 100 | 0 | 0 |
| Manufacturing | 22 | 88 | 3 | 12 |
| Retail | 14 | 70 | 6 | 30 |
| All industries | 77 | 84 | 15 | 16 |

Although the ages of the entrepreneurs ranged between 21 and 85 years, with a median age of 39.5 years, the results in Table 7.2 show that most of the entrepreneurs belonged to the 31-40 and 41-55 age groups. This relatively high age group could be due to the fact that at least a third of them were in business for at least the second time, as shown in Table 7.7.

Table 7.2 also shows that entrepreneurs in the construction and manufacturing industries were older, with a median age of 43.0 years. One explanation for this age difference could be the relative success among entrepreneurs in the construction and manufacturing industries. They therefore stayed on much longer, possibly assisted

by a boom in the construction industry arising from developments associated with the five-yearly Malaysia Development Plans which began in 1965 with the First Malaysia Plan, 1965-1970 (inferred from various Malaysia Plan books).

Table 7.2

The Distribution of Bumiputra Entrepreneurs by Age Groups

| Industries | Age Groups in Years | | | | | | | | Mean Age (yr.) | Median Age (yr.) |
|----------------|---------------------|----|-------|----|-------|----|-----|----|----------------|------------------|
| | <30 | | 31-40 | | 41-55 | | >55 | | | |
| | No. | % | No. | % | No. | % | No. | % | | |
| Service | 9 | 30 | 11 | 37 | 9 | 30 | 1 | 3 | 36.2 | 34.5 |
| Construction | 1 | 6 | 5 | 29 | 8 | 47 | 3 | 18 | 47.7 | 43.0 |
| Manufacturing | 4 | 16 | 7 | 28 | 8 | 32 | 6 | 24 | 43.8 | 43.0 |
| Retail | 4 | 20 | 9 | 45 | 5 | 25 | 2 | 10 | 38.9 | 37.0 |
| All industries | 18 | 20 | 32 | 35 | 30 | 33 | 12 | 13 | 41.0 | 39.5 |

Table 7.3 shows that 44% of the entrepreneurs had fathers who owned a business, and an almost equal percentage of them (46%) had fathers who derived their income from 'village work', which usually means agriculture or at best possessing some manual skills like carpentry. Only 10% of the fathers were reported to be on regular salary. The results generally show that a substantial proportion of the entrepreneurs were of

Table 7.3

The Income Sources of Parents of the Bumiputra Entrepreneurs

| Industries | Sources of Income | | | | | | | | | | | | | |
|--------------------|-------------------|----|--------|----|-----------------------|----|--------|---|--------------|----|--------|----|---------------------|----|
| | Own business | | | | Government employment | | | | Village work | | | | Full-time housewife | |
| | Father | | Mother | | Father | | Mother | | Father | | Mother | | Mother | |
| | No. | % | No. | % | No. | % | No. | % | No. | % | No. | % | No. | % |
| Service | 10 | 36 | 9 | 32 | 4 | 14 | 0 | 0 | 14 | 50 | 14 | 50 | 5 | 18 |
| Construction | 7 | 44 | 4 | 24 | 1 | 6 | 0 | 0 | 8 | 50 | 12 | 71 | 1 | 6 |
| Manu- facturing | 11 | 44 | 8 | 32 | 0 | 0 | 0 | 0 | 14 | 56 | 15 | 60 | 2 | 8 |
| Retail | 11 | 55 | 11 | 55 | 4 | 20 | 0 | 0 | 5 | 25 | 6 | 30 | 3 | 15 |
| All industries | 39 | 44 | 32 | 36 | 9 | 10 | 0 | 0 | 41 | 46 | 47 | 52 | 11 | 12 |

agricultural background, a confirmation of Charlesworth (1974) who reported Malay entrepreneurs to be of largely rural origins.

Although the index used in this study was not refined enough, it provides some indications regarding the mobility of the entrepreneurs. This is shown in Table 7.4. While 45% of the entrepreneurs said they were locals, i.e. belonged to the place of work, 55% of them were originally from other places. The percentage of non-locals was higher in the construction and retail industries. In this respect the results show that as a group the entrepreneurs were quite mobile. Similar findings regarding mobility have been reported by Popenoe (1970) regarding the more motivated Minangkabau of Sumatra who emigrated in search of better opportunities. Additionally, for the bumiputra it might be easier to start a business as a non-local in view of a more tolerable^{nt} Malay attitude towards outsiders (Afifudin Haji Omar, 1973).

7.1.2 Schooling, Employment History, Business Attempts, Business Motives, Business Thoughts

The highest level of formal schooling among the entrepreneurs was up to the School Certificate or fifth form level which corresponds to a minimum of 11 years at school. Table 7.5, however, shows that 62% of the entrepreneurs had only up to primary level education, including 14%

Table 7.4

The Mobility Index of Bumiputra Entrepreneurs

| Industries | Mobility Index | | | | | | | |
|----------------|--|----|---|----|--|-----|--|----|
| | (1) Self or parents from business place (locals) | | (2) Self or parents from other places (non-local) | | (3) All near * relatives in Kelantan | | (4) Some near * relatives outside Kelantan | |
| | No. | % | No. | % | No. | % | No. | % |
| Service | 14 | 50 | 14 | 50 | 22 | 81 | 5 | 19 |
| Construction | 6 | 35 | 11 | 65 | 17 | 100 | 0 | 0 |
| Manufacturing | 13 | 54 | 11 | 46 | 13 | 54 | 11 | 46 |
| Retail | 7 | 37 | 12 | 63 | 16 | 84 | 3 | 16 |
| All industries | 40 | 45 | 48 | 55 | 68 | 78 | 19 | 22 |

* up to first cousin

who never went to school at all. Their low level of schooling was true across all industries with a median of 6.0 years.

Early school withdrawals among entrepreneurs in the United States were seen by Collins and Moore (1970) to be due to frustration with the establishment, and were voluntary. However in Malaysia it could be due to the absence of educational opportunities rather than voluntary withdrawals, because until the

Table 7.5

The Levels of Schooling Among Bumiputra Entrepreneurs

| Industries | Level of Schooling | | | | | | | | | |
|----------------|--------------------|----|---------|----|-----------------|----|-----------------|----|--------------------|--------|
| | Without schooling | | Primary | | Lower secondary | | Upper secondary | | Years of schooling | |
| | No. | % | No. | % | No. | % | No. | % | Mean | Median |
| Service | 4 | 13 | 11 | 37 | 4 | 13 | 11 | 37 | 7.0 | 7.5 |
| Construction | 2 | 12 | 8 | 47 | 1 | 6 | 6 | 35 | 6.5 | 6.0 |
| Manufacturing | 6 | 24 | 15 | 60 | 2 | 8 | 2 | 8 | 4.6 | 3.0 |
| Retail | 1 | 5 | 10 | 50 | 1 | 5 | 8 | 40 | 7.6 | 6.0 |
| All industries | 13 | 14 | 44 | 48 | 8 | 9 | 27 | 29 | 6.4 | 6.0 |

past two years school children were subjected to several stages of public examinations before they could proceed to various stages prior to the fifth form. In the early years after Malaysia's independence schools were rare in the villages, and most of them were in faraway towns, thus making them geographically quite inaccessible. The relatively lower level of schooling attained by entrepreneurs in this study cannot be said to be atypical. In fact, the pattern was the same for all Malaysians coming from a low socio-economic status and rural backgrounds (Murad report,

1973). Said Lai Ah Eng (1982:566), "The harsh reality of poverty and the extremely limited employment opportunities make dropping-out of school a realistic choice for poor children."

The low level of educational attainment could perhaps explain the kind of employment history of the entrepreneurs shown in Table 7.6. Their academic qualifications were unsuited for managerial-type employment which could have prepared them better for their chosen lines of business. Inspection of the original data shows that those entrepreneurs who had been previously employed either in the government, armed forces or private firms were mostly blue-collar workers with a meagre income.

Table 7.6

The Employment History of Bumiputra Entrepreneurs

| Industries | Previous Employer | | | | | | | | | |
|----------------|-------------------|----|--------------|---|---------------|----|---------------|----|-------------|---|
| | Government | | Armed Forces | | Private Firms | | Self-Employed | | Un-employed | |
| | No. | % | No. | % | No. | % | No. | % | No. | % |
| Service | 3 | 10 | 2 | 7 | 14 | 47 | 11 | 37 | 0 | 0 |
| Construction | 6 | 35 | 1 | 6 | 6 | 35 | 3 | 18 | 1 | 6 |
| Manufacturing | 0 | 0 | 0 | 0 | 9 | 36 | 16 | 64 | 0 | 0 |
| Retail | 7 | 35 | 0 | 0 | 5 | 25 | 7 | 35 | 1 | 5 |
| All industries | 16 | 17 | 3 | 3 | 34 | 37 | 37 | 40 | 2 | 2 |

Table 7.7

The Frequency of Business Attempts made by Bumiputra Entrepreneurs

| Industries | No. of Attempts | | | | | |
|----------------|-----------------|----|----------------|----|-----------------|----|
| | Beginners | | Second attempt | | More than twice | |
| | No. | % | No. | % | No. | % |
| Service | 21 | 70 | 7 | 23 | 2 | 7 |
| Construction | 10 | 59 | 4 | 24 | 3 | 18 |
| Manufacturing | 15 | 60 | 7 | 28 | 3 | 12 |
| Retail | 12 | 60 | 8 | 40 | 0 | 0 |
| All industries | 58 | 63 | 26 | 28 | 8 | 9 |

In view of their low level of educational attainment and their unimpressive employment history, the entrepreneurs did not appear to have any choice but to start their own business in order to improve themselves. And for those who had no previous employment, it was the only choice. This could possibly explain why the entrepreneurs shown in Table 7.7 tended to stay on even if they had to start anew.

The facts that in Table 7.8 45% of them mentioned 'better income', and 23% mentioned 'work opportunity' as their motives for being in business are further testimonies regarding the employment

dilemma faced by the entrepreneurs. A significant point to note here is that in Malaysia the government does not provide unemployment benefits. Everyone has to earn a living. Said one entrepreneur:

The idea of business is to get a better income than earning a salary. For example, a regular salary of \$100 is not likely to increase. In business you may earn \$200 or \$150. I do not have the qualifications to earn a good salary.

Surprisingly, only two entrepreneurs mentioned 'achievement' as their motive for being in business. However, including 'sense of independence' and 'family tradition' only 30% of the entrepreneurs went into business for other than 'work related' reasons.

The results show that more than two-thirds of the entrepreneurs may be classified as 'forced' into entrepreneurship. Although, as Storey (1982) found out, this was not necessarily bad, the results in this study show that only one-third of the bumiputras went into business for the 'right reasons', i.e. due to the desire to achieve (e.g. Schumpeter, 1934; McClelland, 1961).

Table 7.8 also indicates that as far as business ventures were concerned, the majority of the bumiputra entrepreneurs in this study were not influenced by family tradition as only 2% of them indicated the latter to be.

One explanation for this could possibly be the small

nature of bumiputra businesses, which may not be considered worthwhile ventures. To be attractive, the business must instil some confidence in the incumbent.

Table 7.8

The Business Objectives of Bumiputra Entrepreneurs

| Industries | Business Objectives | | | | | | | | | | | |
|----------------|---------------------|----|----------------------|---|-----------------------|----|------------------|----|--------------------|----|--------|---|
| | Better income | | Sense of achievement | | Sense of independence | | Family tradition | | Work opportunities | | Others | |
| | No. | % | No. | % | No. | % | No. | % | No. | % | No. | % |
| Service | 13 | 43 | 0 | 0 | 12 | 40 | 0 | 0 | 4 | 13 | 1 | 3 |
| Construction | 6 | 35 | 1 | 6 | 5 | 29 | 0 | 0 | 5 | 29 | 0 | 0 |
| Manufacturing | 12 | 48 | 0 | 0 | 4 | 16 | 0 | 0 | 8 | 32 | 1 | 4 |
| Retail | 10 | 50 | 1 | 5 | 3 | 15 | 2 | 10 | 4 | 20 | 0 | 0 |
| All industries | 41 | 45 | 2 | 2 | 24 | 26 | 2 | 2 | 21 | 23 | 2 | 2 |

Further, the results in Table 7.9 show that 61% of the entrepreneurs thought about a business of their own during adulthood (defined as after they had left school to earn a living); about one-third of the entrepreneurs said they had thought about starting their own business during childhood (while they were at school). This may be taken to mean that for a significant number of the entrepreneurs in this study, the world of business is detached from childhood. This was more likely to happen because they could not get

Table 7.9

Initial Business Thoughts among Bumiputra Entrepreneurs

| Industries | Period | | | |
|----------------|-----------|----|-----------|----|
| | Childhood | | Adulthood | |
| | No. | % | No. | % |
| Service | 12 | 40 | 18 | 60 |
| Construction | 7 | 41 | 10 | 59 |
| Manufacturing | 9 | 36 | 16 | 64 |
| Retail | 8 | 40 | 12 | 60 |
| All industries | 36 | 39 | 56 | 61 |

other jobs in view of their low levels of education. In this respect Abdul Aziz Mahmud (1977) was fairly accurate in his remarks that "unlike the Chinese, the world of business was not as common to the Malay children".

7.1.3 Business Training, Sources of Business Advice, Membership of Business Association

According to Collins and Moore (1970) real training for the entrepreneurial types did not take place inside the classrooms, it took place outside the four walls. However, as indicated in Chapter 6 (Abdul Aziz Mahmud, 1977) and in the earlier chapters regarding bumiputra

entrepreneurship, the latter do not have the necessary infrastructure within their own culture to cultivate business training apart from attending formal classes. The results of the present study in Table 7.10 show that slightly less than half of the entrepreneurs had no kind of business training at all. This is quite disturbing, although the percentage without training (53%) is much lower than those reported by Charlesworth (1974) at 70%. The differences are more noticeable between industries led by the manufacturing industry with 72% untrained, followed by retail with 60% untrained, service with 53% untrained, and the construction industry with 18% untrained.

Table 7.10

Business Training Received by Bumiputra Entrepreneurs

| Industries | Training Received | | | | | | | | | | | |
|----------------|-----------------------|----|---------|----|------------------------|----|---------|----|---------------------------|----|-----------|----|
| | Pre-business training | | | | Post-business training | | | | Total exposed to training | | | |
| | With | | Without | | With | | Without | | Trained | | Untrained | |
| | No. | % | No. | % | No. | % | No. | % | No. | % | No. | % |
| Service | 8 | 27 | 22 | 73 | 10 | 33 | 20 | 67 | 14 | 43 | 16 | 53 |
| Construction | 5 | 29 | 12 | 71 | 13 | 76 | 4 | 24 | 14 | 82 | 3 | 18 |
| Manufacturing | 2 | 8 | 23 | 92 | 7 | 28 | 18 | 72 | 7 | 28 | 18 | 72 |
| Retail | 2 | 10 | 18 | 90 | 7 | 35 | 13 | 65 | 8 | 40 | 12 | 60 |
| All industries | 17 | 18 | 75 | 82 | 37 | 40 | 55 | 60 | 43 | 47 | 49 | 53 |

More disturbing is the fact that 82% of the entrepreneurs shown in Table 7.10 went into business without any pre-business training, and such high percentages were true for all industries. Without the necessary experience, the risks faced by the bumiputra entrepreneurs were certainly to be greater for those who had no business training or qualifications.

The absence of a business culture for the bumiputras to fulfil their training needs can be further demonstrated by their heavy reliance on government agencies. These are shown in Tables 7.11 and 7.12. In fact the demand for business training provided by the government was so great that an officer from the Public Works Department interviewed in this study had this to say: "We can't fulfil the demand for business courses made by contractors. At best we can meet 30 participants at each course."

Among other sources of training only one entrepreneur mentioned he had some business training when he was at the British army school in Singapore, and a few of them had some apprenticeships with some Chinese friends. The lack of business training in the Malaysian school system can be identified with that of Britain, described by Bannock (1980:87) as follows:

Table 7.11

The Sources of Pre-business Training Received by Bumiputra Entrepreneurs

| Industries | Training Sources | | | | | | | | | | | |
|--------------------|------------------|-----|-----|----|-----|----|--------|---|-------|----|--------|----|
| | MARA | | PWD | | NPC | | PERNAS | | KKBS* | | Others | |
| | No. | % | No. | % | No. | % | No. | % | No. | % | No. | % |
| Service | 4 | 50 | 1 | 13 | 1 | 13 | 0 | 0 | 1 | 13 | 1 | 13 |
| Construc- tion | 3 | 60 | 1 | 20 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 20 |
| Manu- facturing | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 50 | 1 | 50 |
| Retail | 2 | 100 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| All industries | 9 | 53 | 2 | 12 | 1 | 6 | 0 | 0 | 2 | 12 | 3 | 18 |

Table 7.12

The Sources of Post-business Training Received by Bumiputra Entrepreneurs

| Industries | Training Sources | | | | | | | | | | | |
|--------------------|------------------|----|-----|----|-----|----|--------|----|-------|----|--------|----|
| | MARA | | PWD | | NPC | | PERNAS | | KKBS* | | Others | |
| | No. | % | No. | % | No. | % | No. | % | No. | % | No. | % |
| Service | 6 | 60 | 0 | 0 | 1 | 10 | 0 | 0 | 1 | 10 | 2 | 20 |
| Construc- tion | 7 | 54 | 4 | 31 | 1 | 20 | 0 | 0 | 0 | 0 | 1 | 8 |
| Manu- facturing | 5 | 71 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 29 |
| Retail | 3 | 43 | 0 | 0 | 0 | 0 | 2 | 29 | 0 | 0 | 2 | 29 |
| All industries | 7 | 19 | 21 | 57 | 4 | 11 | 2 | 5 | 2 | 5 | 1 | 3 |

*Kementerian Kebudayaan Belia dan Sukan (Ministry of Culture, Youth and Sports)

All we can say is that the educational system in Britain in its broadest sense seems to ourselves and to many observers to be more remote from the influence of the wealth creating sector of society than it is in other country. This manifests itself in primary education where children are ill-prepared for the reality that the majority will grow up to work in private business of one kind or another ... The practical arts of baking bread, filing and drilling metal or even photo-etching are seen in the British educational process as activities for the academic failure, not as an important part of the learning process and as a means to a satisfying and probably more creative alternative to a desk job.

In Malaysia, technical and business education are associated with the less gifted and are mainly available at vocational schools (see Lapuran Kabinet, 1979, Cabinet Report on Education). Even as late as 1971, a substantial number of Malaysian children had to sit for an external overseas examination to obtain a business qualification. In 1976, of the total 150,000 students in commercial classes in Malaysia, only 10% were Malays (Shaari Isa, 1978).

It has been pointed out that the bumiputra entrepreneurs in this study lacked the necessary managerial experience as judged by their occupational history or educational background. However, such shortcomings could have been compensated through other means like training, advisory services, or through exposure via business association membership. Unfortunately, the results of this study show that this was not the case. Instead, as shown

in Table 7.13, only 45% of the bumiputra entrepreneurs were members of any business association and, in Table 7.14, 40% of them said they received no business advice.

Table 7.13

Membership of Business Associations among Bumiputra Entrepreneurs

| Industries | Membership Status | | | |
|----------------|-------------------|----|------------|----|
| | Member | | Non-member | |
| | No. | % | No. | % |
| Service | 7 | 23 | 23 | 77 |
| Construction | 14 | 82 | 3 | 18 |
| Manufacturing | 11 | 44 | 15 | 56 |
| Retail | 9 | 45 | 11 | 55 |
| All industries | 41 | 45 | 51 | 55 |

Although there are no written documents to suggest that the Chinese are better organized in business, it is a common feature that the Chinese would form associations at the first opportunity (see Popenoe, 1970). On the other hand, the bumiputras do not seem to have much respect for associations even if they had one. One such attitude is reflected in the following statement made by an entrepreneur in this study:

Table 7.14

The Advice Seeking Activity among Bumiputra Entrepreneurs

| Industries | Advice | | | |
|--------------------|---------------|----|------------------|----|
| | Sought advice | | No advice sought | |
| | No. | % | No. | % |
| Service | 18 | 60 | 12 | 40 |
| Construction | 14 | 82 | 3 | 18 |
| Manu- facturing | 13 | 52 | 12 | 48 |
| Retail | 10 | 50 | 10 | 50 |
| All industries | 45 | 60 | 37 | 40 |

"Associations are not active. They do not give any confidence to the members. Normally there were no actions taken after any association meeting." In fact, on the political scene, it is common practice for standing Members of Parliament to pay the membership fees of several hundred people present at political meetings before the members were eligible to vote. Although this is common knowledge in Malaysia, again there is no written evidence to demonstrate this practice.

Table 7.14 shows that 82% of the entrepreneurs in the construction industry sought business advice, followed in second, third, and fourth place by the manufacturing,

service, and retail industries. The entrepreneurs in the construction industry, as Table 7.21 indicates, were also the most successful, while entrepreneurs in the retail industry were the least successful.

The bumiputra entrepreneurs in this study were not only dependent on government agencies for their business training, but also for their sources of business advice. However, as shown in Table 7.15, government officials, who received only 18% of mentions, came out a poor second as sources of business advice, after business friends. This was really unsatisfactory, considering that there were government business agencies in practically all the districts in the Malaysian state of Kelantan. Advice sought from other professionals such as accountants, lawyers, and bankers was almost non-existent. The pattern regarding sources of business advice, however, is not wholly typical of the bumiputra entrepreneurs in Malaysia. For example, public awareness of government assistance and programmes in some countries was, according to Bannock (1980:93), still low:

Research results that are available confirm that in all countries the level of awareness of what governments are trying to do for small firms and on the details of legislation affecting them is low. This is inevitable given the complexity of contemporary business life and the limited time available to small business proprietors.

In Britain, however, Bannock (1980:94) felt "there

Table 7.15

The Sources of Business Advice Obtained by Bumiputra

Entrepreneurs

| Industries | Sources of Advice | | | | | | | | | | Total no. of responses | | |
|----------------|-------------------|-----|--------|-----|--------|-----|-----------------|-----|----------|-----|------------------------|------------------------------|-----|
| | Accountant | | Lawyer | | Banker | | Business friend | | Relative | | | Govt. Officials/ Agencies | |
| | No.* | %** | No.* | %** | No.* | %** | No.* | %** | No.* | %** | | No.* | %** |
| Service | 0 | 0 | 1 | 5 | 0 | 0 | 16 | 80 | 2 | 10 | 1 | 5 | 20 |
| Construction | 0 | 0 | 0 | 0 | 0 | 0 | 10 | 63 | 3 | 19 | 3 | 19 | 16 |
| Manufacturing | 0 | 0 | 0 | 0 | 0 | 0 | 7 | 50 | 3 | 21 | 4 | 29 | 14 |
| Retail | 0 | 0 | 0 | 0 | 0 | 0 | 6 | 60 | 1 | 10 | 3 | 30 | 10 |
| All industries | 0 | 0 | 1 | 2 | 0 | 0 | 39 | 65 | 9 | 15 | 11 | 18 | 60 |

*number of responses

**percentage of responses

is tremendous scope for better presentation of government services and requirements". In this study, a number of officials interviewed felt the same about public awareness of government business advisory services in Malaysia. One of them said:

They [the entrepreneurs] do not know where to turn to for advice. The information does not reach the people. As an example, MARA means business loans and nothing else when in actual fact MARA offers other services as well including business consultations.

More will be discussed regarding the availability of business advisory services in another section on business problems.

7.1.4 Business Origins, Year of Establishment, Types of Ownership

Table 7.16 shows that 85% of the bumiputra entrepreneurs started their own businesses compared with only 10% who inherited, and 5% who bought an existing business. The results in Table 7.16 fit in quite well with the results in Table 7.8 where the family had little influence on the business careers of bumiputra entrepreneurs. However, other possibilities such as a high failure rate among them could have denied the incumbent from business inheritance, rather than the problem of succession like that given by Jonathan Boswell (1972). Similarly, due to their poor education referred to earlier in Table 7.5, the owners had no choice but to stay with their firms rather than prepare

them for a smooth takeover by their offspring. It is also likely that as relative newcomers into business and industry (as indicated in Table 7.17 following), the bumiputra firms were relatively young, and so the owners comprised the first generation of bumiputras rather than their offsprings.

The effect of government calls for bumiputra participation in business and industry under Malaysia's New Economic Policy (NEP), begun in 1970, is reflected in Table 7.17. The table shows that 78% of the firms in this study were established after the NEP was launched compared to 4% before independence, and 17% between 1957 and 1969.

Table 7.16

The Origins of Bumiputra Business Establishments

| Industries | Origin | | | | | |
|----------------|--------------|----|-----------|----|--------|----|
| | Self-starter | | Inherited | | Bought | |
| | No. | % | No. | % | No. | % |
| Service | 28 | 93 | 1 | 3 | 1 | 3 |
| Construction | 16 | 94 | 1 | 6 | 1 | 3 |
| Manufacturing | 19 | 76 | 4 | 16 | 3 | 15 |
| Retail | 15 | 75 | 3 | 15 | 2 | 10 |
| All industries | 78 | 85 | 9 | 10 | 5 | 5 |

Table 7.17

The Period of Starting Businesses among Bumiputra Entrepreneurs

| Industries | Period | | | | | |
|----------------|----------|---|-----------|----|-----------|----|
| | Pre-1957 | | 1957-1969 | | Post-1969 | |
| | No. | % | No. | % | No. | % |
| Service | 1 | 3 | 4 | 13 | 25 | 83 |
| Construction | 0 | 0 | 5 | 29 | 12 | 71 |
| Manufacturing | 2 | 8 | 5 | 20 | 18 | 72 |
| Retail | 1 | 5 | 2 | 10 | 17 | 85 |
| All industries | 4 | 4 | 16 | 17 | 72 | 78 |

The data given in Table 7.17 were generally true for all industries. The table implies that the years before and since independence, 1957 to 1969, did not do much to attract the bumiputras into business and industry. The figures, however, speak for the quantitative rather than the qualitative type of achievements because, as has been discussed in Chapter 2, bumiputra businesses were generally small (SERGPU, 1975; MCDS, 1976; Mohd. Fauzi Yaakub, 1978).

7.1.5 Size: Ownership, Capital, Employees

Among the more common features that distinguish small and big businesses (apart from the size of capital) is ownership. In this study, the bumiputra entrepreneurs were largely owner managers as reflected in Table 7.18. The table shows that 91% of the enterprises were owner managed sole-proprietorship and 9% owner managed partnership. These types of business organizations provide easy access to the commercial world, especially those with a small capital. Sole-proprietorship as a form of business organization is quite popular among small businesses. In Malaysia a simple business registration costs \$25.00 compared to about \$2,000 to register a limited liability company. While easier access was the main consideration, it is not known whether entrepreneurs were aware of the disadvantages arising from sole-proprietorships.

A further testimony to the smallness of the bumiputra businesses, and to the low level of qualitative bumiputra participation in business and industry in Malaysia, relates to the size of their capital shown in Tables 7.18 and 7.19. As demonstrated in Table 7.19 the median initial capital was \$2,000. But in fact 55% of the entrepreneurs began their businesses with less than \$2,000, and 89% of the firms started with a capital of less than \$10,000. The differences between firms were

Table 7.18

Types of Business Ownership among Bumiputra Entrepreneurs

| Industries | Ownership Type | | | |
|----------------|---------------------|----|-------------|----|
| | Sole proprietorship | | Partnership | |
| | No. | % | No. | % |
| Service | 28 | 93 | 2 | 7 |
| Construction | 16 | 94 | 1 | 6 |
| Manufacturing | 22 | 88 | 3 | 12 |
| Retail | 18 | 90 | 2 | 10 |
| All industries | 84 | 91 | 8 | 9 |

Table 7.19

The Value of Initial Capital in Malaysian Ringgit (\$) Used to Start Bumiputra Businesses

| Industries | Values | | | | | | | | | | | | Median |
|----------------|---------|----|---------------|----|----------------|---|-----------------|---|-----------------|----|----------|---|---------|
| | ≤\$2000 | | \$2001-\$5000 | | \$5001-\$10000 | | \$10001-\$25000 | | \$25001-\$50000 | | >\$50000 | | |
| | No. | % | No. | % | No. | % | No. | % | No. | % | No. | % | |
| Service | 17 | 57 | 8 | 27 | 2 | 7 | 1 | 3 | 2 | 7 | 0 | 0 | \$1,700 |
| Construction | 6 | 35 | 7 | 41 | 1 | 6 | 1 | 6 | 2 | 12 | 0 | 0 | \$3,000 |
| Manufacturing | 15 | 60 | 5 | 20 | 2 | 8 | 2 | 8 | 1 | 4 | 0 | 0 | \$1,000 |
| Retail | 13 | 65 | 5 | 25 | 1 | 5 | 1 | 5 | 0 | 0 | 0 | 0 | \$1,500 |
| All industries | 51 | 55 | 25 | 27 | 6 | 7 | 5 | 5 | 5 | 5 | 0 | 0 | \$2,000 |

not noticeable. None of the firms started with a capital of more than \$50,000, the criterion for big business classification used by MARA.

The median value of current assets among the firms studied was \$13,000 as shown in Table 7.18. In 84% of them, the value of their current assets did not exceed \$50,000, which, as mentioned above, was the criterion used by MARA to classify big businesses. However, the small business division of Citibank, Kuala Lumpur, uses the value of current assets of \$250,000 as the upper limit to qualify for small business loans (Ong Ah Tin, 1981). If this were the case then practically all the firms in this study were small even by Malaysian standards.

Table 7.20 also gives an indication regarding industry differences, led by the construction industry with a median asset value of \$20,000; manufacturing, \$15,000; retailing, \$14,000; and service, \$9,000. Although the figures in Table 7.20 were indicators of growth differences between industries, these could have been influenced by the nature of the different industries such that the construction and manufacturing industries might have required expensive machinery and would therefore have larger figures. This possibility cannot be ruled out when discussing

Table 7.20

Bumiputra Entrepreneurs: The Value of Current Assets in Malaysian Ringgit (\$) of Bumiputra Business Establishments

| Industries | Values | | | | | | | Median |
|----------------|---------|---------------|----------------|-----------------|-----------------|----------|----------|--------|
| | ≤\$2000 | \$2001-\$5000 | \$5001-\$10000 | \$10001-\$25000 | \$25001-\$50000 | >\$50000 | | |
| | No. % | No. % | No. % | No. % | No. % | No. % | | |
| Service | 5 17 | 5 17 | 7 23 | 5 17 | 5 17 | 3 10 | \$9,000 | |
| Construction | 3 19 | 0 0 | 4 25 | 4 25 | 2 13 | 3 19 | \$20,000 | |
| Manufacturing | 0 0 | 5 20 | 6 24 | 6 24 | 2 8 | 6 24 | \$15,000 | |
| Retail | 1 5 | 5 25 | 2 10 | 6 30 | 4 20 | 2 10 | \$14,000 | |
| All industries | 9 10 | 15 16 | 19 21 | 21 23 | 13 14 | 14 15 | \$13,000 | |

their relative growth.

As shown in Table 7.20, and using the criteria for business growth defined in the previous chapter, the manufacturing and construction industries experienced the greatest growth followed by the service industry. The retail industry had the least growth. However as a whole, 70% of the firms did not experience any growth. This was so even allowing for the crudeness of the growth index used, and the fact that the figures given by the entrepreneurs were conservative, as the culture

normally dictates that they be modest when talking about their achievements. Personally, the author felt the entrepreneurs have been conservative in their estimates of their assets as they had to be constantly reminded in the interviews to consider also their possessions which they used as assets in the course of their business.

Table 7.21

The Business Growth Experience by Bumiputra Business Establishments

| Industries | Growth Categories | | | | | |
|----------------|-------------------|----|-----------------|----|--------------|----|
| | Most growth | | Moderate growth | | Least growth | |
| | No. | % | No. | % | No. | % |
| Service | 3 | 11 | 5 | 19 | 19 | 70 |
| Construction | 3 | 18 | 3 | 18 | 11 | 65 |
| Manufacturing | 6 | 24 | 2 | 8 | 17 | 68 |
| Retail | 1 | 6 | 3 | 17 | 14 | 78 |
| All industries | 13 | 15 | 13 | 15 | 61 | 70 |

This study also traced the sources of initial and subsequent capital obtained by the bumiputra entrepreneurs. The overall pictures are shown in Figures 7.1 and 7.2. Figure 7.1 demonstrates that personal savings were the most frequently mentioned source of initial capital with 70%, followed by borrowing from relatives (15%) and government agencies (10%). Only two

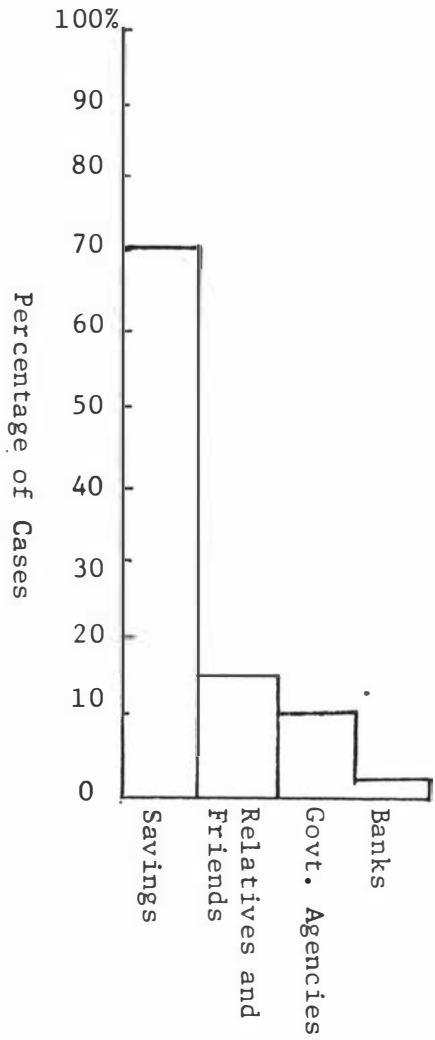


Figure 7.1: The Sources of Initial Capital
Obtained by Bumiputra Entrepreneurs

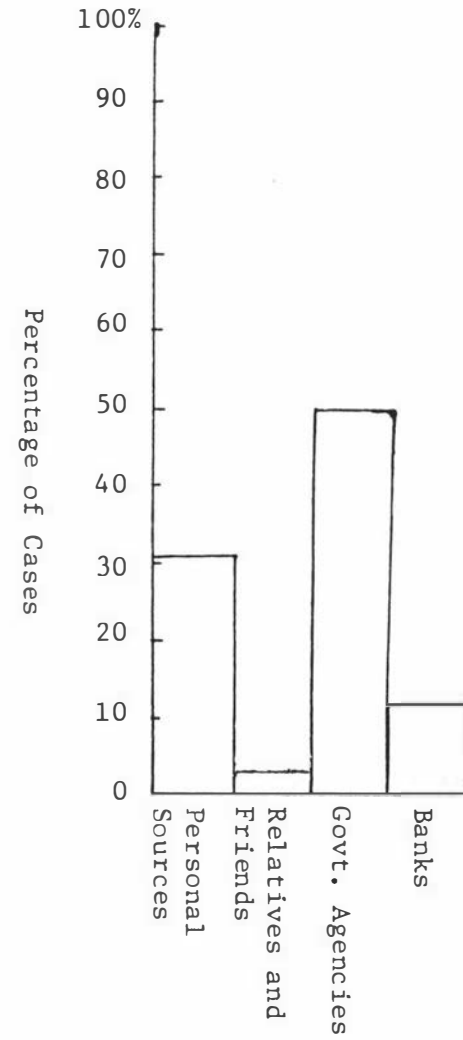


Figure 7.2: The Sources of Subsequent Capital
Obtained by Bumiputra Entrepreneurs

respondents (or 2% of responses) mentioned commercial banks as a source of initial capital. The breakdowns by industry regarding initial and subsequent sources of capital are shown in Tables 7.22 and 7.23 respectively. They indicate similar overall trends across all industries.

Table 7.22

The Sources of Initial Capital Obtained by Bumiputra Entrepreneurs

| Industries | Sources | | | | | | | | | | | |
|----------------|---------|-----|----------------|-----|-------|-----|-----------|-----|----------|-----|---------|-----|
| | Savings | | Govt. agencies | | Banks | | Relatives | | Partners | | Friends | |
| | No.* | %** | No.* | %** | No.* | %** | No.* | %** | No.* | %** | No.* | %** |
| Service | 25 | 69 | 5 | 14 | 1 | 3 | 5 | 14 | 0 | 0 | 0 | 0 |
| Construction | 13 | 59 | 4 | 18 | 1 | 5 | 3 | 14 | 1 | 5 | 0 | 0 |
| Manufacturing | 23 | 79 | 2 | 7 | 0 | 0 | 3 | 10 | 1 | 3 | 0 | 0 |
| Retail | 16 | 70 | 0 | 0 | 0 | 0 | 5 | 22 | 1 | 4 | 1 | 4 |
| All industries | 77 | 70 | 11 | 10 | 2 | 2 | 16 | 15 | 3 | 3 | 1 | 1 |

*number of responses

**percentage of responses

Tables 7.22, 7.23 and 7.24 also indicate that the role played by financial institutions set up to assist the bumiputra entrepreneurs was much below expectations. In particular, the contribution made by the banks was hardly mentioned in spite of the fact that

Table 7.23

The Sources of Subsequent Capital Obtained by Bumiputra Entrepreneurs

| Industries | Sources | | | | | | | | | |
|----------------|------------------|-----|----------------|-----|-------|-----|-----------|-----|--------|-----|
| | Personal sources | | Govt. agencies | | Banks | | Relatives | | Others | |
| | No.* | %** | No.* | %** | No.* | %** | No.* | %** | No.* | %** |
| Service | 15 | 33 | 25 | 54 | 4 | 9 | 1 | 2 | 1 | 2 |
| Construction | 10 | 31 | 13 | 41 | 6 | 19 | 2 | 6 | 1 | 3 |
| Manufacturing | 18 | 39 | 23 | 50 | 4 | 9 | 0 | 0 | 1 | 2 |
| Retail | 10 | 27 | 20 | 54 | 5 | 14 | 1 | 3 | 1 | 3 |
| All industries | 53 | 33 | 81 | 50 | 19 | 12 | 4 | 2 | 4 | 2 |

* number of responses

** percentage of responses

Bank Bumiputra had been set up to spearhead bumiputra business ventures very much earlier, during the First Bumiputra Economic Convention in 1965 (Geyer, 1972). Similarly, the data obtained for this study showed that the role played by government agencies, although greater than the banks, was also poor in view of the number of agencies that have been established under the New Economic Policy (mentioned in Chapter 2). In fact the present data show that, even though the entrepreneurs in this study had been disadvantaged by poverty, as most bumiputras are, they have relied more on personal sources of capital than would have been imagined.

The information given in Table 7.24 shows that the bumiputra entrepreneurs in this study made substantial contribution to initial capital.

Table 7.24

The Personal Contribution to Initial Capital made by Bumiputra
Entrepreneurs

| Industries | Percentage of Personal Contribution | | | | | | | | | | | |
|----------------|-------------------------------------|----|----------------------|---|---------------|---|---------------------|---|-------|----|-------------|----|
| | One hundred percent | | Seventy-five percent | | Fifty percent | | Twenty-five percent | | < 25% | | None at all | |
| | No. | % | No. | % | No. | % | No. | % | No. | % | No. | % |
| Service | 19 | 63 | 1 | 3 | 2 | 7 | 1 | 3 | 3 | 10 | 4 | 13 |
| Construction | 9 | 53 | 1 | 6 | 1 | 6 | 1 | 6 | 1 | 6 | 4 | 24 |
| Manufacturing | 19 | 76 | 0 | 0 | 1 | 4 | 1 | 4 | 2 | 8 | 2 | 8 |
| Retail | 12 | 60 | 0 | 0 | 1 | 5 | 1 | 5 | 2 | 10 | 4 | 20 |
| All industries | 59 | 64 | 2 | 2 | 5 | 5 | 4 | 4 | 8 | 9 | 14 | 15 |

In view of the data regarding sources of capital given in Tables 7.22, 7.23 and 7.24, it is not true that the bumiputras were too dependent on the government for capital and that they did not put in the business their own contribution. To demonstrate the existence of this myth, I will quote one officer interviewed in this study: "Even if one wants to drain water out of one's ear, the

first thing to do is to pour in some water. If you are serious you must put in your own money." The results in this study failed to show that the bumiputras were not willing to contribute their own money into business ventures, as claimed by one official in this study.

On the other hand, one should ask why the banks or the government appear to play a lesser role in providing capital for the bumiputra entrepreneurs. An explanation with respect to banks may be taken from a United Kingdom finding. Bannock (1980) reported that banks were reluctant to lend to small businesses due to higher overhead costs to service the loans. Bannock (1980:61) wrote:

The same forces and financial economies of scale have led to the concentration of financial institutions into very large units with centralized management which are inherently ill-suited to meet the financing needs of small business.

Rightly or wrongly, the banks probably perceive the risks to be greater among small businesses although this is not necessarily true. But more importantly banks were not willing to change their attitude towards the provision of credit, especially in rural areas. In Papua New Guinea, for example, the World Bank (1965) observed:

The trading banks, however, are not organized or orientated to implementing an aggressive policy of development financing. They have a commercial banking outlook which is in keeping with their

responsibilities. They require the security of land with recorded individual title, charge interest rates in line with those in Australia and finance only a relatively modest share of the total costs of new projects: also their period of lending is too limited. In general they attempt to apply to the Territory the policies adapted for Australia (quoted in Ward, 1972:506).

In Malaysia, no small business loan counter exists among trading banks. Perhaps small businesses were merely seen as big businesses in miniature, and therefore would not require different approaches to banking needs. Although the problems regarding working capital are discussed in another section, the following quotation from an interview with a bank manager illustrates the situation regarding the small contribution made by banks in Malaysia:

Capital is available but entitlement disqualifies them (the entrepreneurs) in terms of bank requirements. For the small businessmen the conditions laid by banks are too tight. Even the C.G.C. (Credit Guarantee Corporation) can guarantee only after the banks approve. For the entrepreneurs they lack documentary evidence, at best they could produce only sales records and no others.

One entrepreneur interviewed said:

The value of collateral required by the banks is three times the value of the amount to be borrowed. In cases where loans were of \$5,000 and above, banks require referees who had a monthly income of \$1,000 or more. We do not have such persons that are known to us.

As well as capital, data on the number of employees have been used to obtain the index for business

growth in Table 7.21. And like capital, the number of paid employees points to the extremely small size of the bumiputra firms. For example, Table 7.25 shows that the average number of paid employees for all industries was initially 2.6 persons. Although the figures were higher for the construction and manufacturing industries, this was perhaps due to the nature of their work which required employees, compared to the service and retail industries where the owners could largely manage on their own.

Table 7.25

The Number of Initial Employees Employed by Bumiputra Business Establishments

| Industries | No. of Employees | | | | | | | | Average no. of employees |
|----------------|-------------------|-----|------|-----|------|-----|------|-----|--------------------------|
| | No paid employees | | 1-5 | | 6-10 | | > 10 | | |
| | No.* | %** | No.* | %** | No.* | %** | No.* | %** | |
| Service | 18 | 60 | 9 | 30 | 3 | 10 | 1 | 3 | 1.4 |
| Construction | 0 | 0 | 8 | 47 | 2 | 12 | 3 | 18 | 5.6 |
| Manufacturing | 7 | 28 | 14 | 56 | 2 | 8 | 1 | 4 | 3.5 |
| Retail | 16 | 80 | 4 | 20 | 0 | 0 | 0 | 0 | 0.5 |
| All industries | 41 | 45 | 35 | 38 | 7 | 8 | 5 | 5 | 2.6 |

*number of firms

** percentage of firms

Table 7.26

The Number of Current Employees Employed by Bumiputra Business
Establishments

| Industries | No. of Employees | | | | | | | | Average no. of employees |
|----------------|-------------------|-----|------|-----|------|-----|------|-----|--------------------------|
| | No paid employees | | 1-5 | | 6-10 | | > 10 | | |
| | No.* | %** | No.* | %** | No.* | %** | No.* | %** | |
| Service | 16 | 53 | 9 | 30 | 3 | 10 | 2 | 7 | 3.1 |
| Construction | 3 | 18 | 4 | 24 | 3 | 18 | 3 | 18 | 6.5 |
| Manufacturing | 7 | 28 | 8 | 32 | 6 | 24 | 4 | 16 | 5.3 |
| Retail | 15 | 75 | 4 | 20 | 0 | 0 | 1 | 5 | 1.0 |
| All industries | 41 | 47 | 25 | 28 | 12 | 14 | 10 | 11 | 4.5 |

*number of firms

**percentage of firms

However, as shown in Table 7.26, the average number of employees at the time of the interview was 4.5 persons, with the manufacturing and construction industries showing the higher number of employees. Between them they employed 396 people, excluding employment for the owners themselves. The employment figures in Table 7.26 compare quite well with those found in, for example, Korea (Ho, 1980), Thailand (Sanguanruang et al., 1978), the Philippines (Anderson & Khambata, 1981), and New Zealand (Devlin & Le Heron, 1977). In fact, in relative terms, based on the size of their capital, the bumiputra firms

in Malaysia can be said to act as better sources of employment compared to their counterparts in developed countries who are endowed with larger capital, but who are by definition small businesses (see for example Bolton, 1971; Wiltshire, 1971; Yamanaka, 1971; Love, 1977; Japan's MTTI, 1979; Bannock, 1980).

The results regarding bumiputra personal and business profiles demonstrate that there has been very little change, if any at all, from the conclusions discussed earlier in Chapter 3 (e.g. Charlesworth, 1974; SERGPU, 1975; MCDS, 1976). In particular, and with respect to the MARA loanees who have been selected for this study, the following may be said of the entrepreneurs:

- a) The bumiputra entrepreneurs comprised largely the male sex; had a median age of 39.5 years; were of rural backgrounds; and as a group were relatively mobile.
- b) The bumiputra entrepreneurs had little formal education; had little business or any other job experience relevant to business; were largely motivated by income rather than a need to achieve; and were likely to remain in business for lack of other forms of employment opportunities.
- c) The majority of bumiputra entrepreneurs went

into business without any kind of business training and, of those who finally established themselves, more than half of them remained without training.

- d) A high percentage of the bumiputra entrepreneurs were not members of business associations; and, as many as 40% of them did not seek outside business advice. However, when they did receive any advice, the majority of them mentioned 'business friends' as their main source of advice. Government agencies were a poor second with only 18% of the responses mentioning them as their other sources of advice.
- e) The majority of bumiputra firms were established after 1969, i.e. during the period of the New Economic Policy. They were relatively young firms and comprised, almost wholly, sole proprietorships.
- f) The bumiputra firms were very small business ventures by any standard at all, but relative to the size of their assets they employed more people than smaller firms in developed countries such as Japan, the U.S.A., Britain, Australia or New Zealand. Also, as in other countries, they were not looked upon favourably by financial institutions, and had to rely on personal sources of capital.

- g) For reasons yet to be uncovered, the bumiputra firms not only started small but also remained small, experiencing little or no growth.

7.2 Business Practices and Abilities of Bumiputra Entrepreneurs

7.2.1 Business Practices Among Bumiputra Entrepreneurs

The results regarding bumiputra business practices relate mainly to the keeping of business records, apart from a few other business activities which had been included in the questionnaire. The results in Table 7.27 generally show that bumiputra entrepreneurs keep very poor financial records. For example, even in what can be considered as the most elementary form of bookkeeping 38% of the entrepreneurs never kept a record of their income, 36% never recorded their expenditure, and 33% never recorded their debts. As there were no noticeable variations between industries, the results of the analysis by industry are not reproduced here.

Apart from not knowing the elements of bookkeeping, a number of reasons have been given by the bumiputra entrepreneurs regarding their failure to keep business records. Most of them, however, did not seem to appreciate how important it was to have proper business records. Said one of the entrepreneurs:

Table 7.27

The Business Practices of Bumiputra Entrepreneurs

| Business practice | Frequency | | | | | | | | | |
|--------------------------------|-----------|----|------------|----|---------------|----|-----------|----|-------|----|
| | Always | | Almost all | | Half the time | | Sometimes | | Never | |
| | No. | % | No. | % | No. | % | No. | % | No. | % |
| Record: | | | | | | | | | | |
| Income | 35 | 38 | 11 | 12 | 5 | 5 | 6 | 7 | 35 | 38 |
| Expenditure | 40 | 43 | 6 | 7 | 4 | 4 | 9 | 10 | 33 | 36 |
| Debts | 51 | 55 | 2 | 2 | 3 | 3 | 6 | 7 | 30 | 33 |
| Travel | 19 | 21 | 2 | 2 | 2 | 2 | 3 | 3 | 66 | 72 |
| Stocks | 17 | 18 | 0 | 0 | 2 | 2 | 0 | 0 | 72 | 78 |
| | Monthly | | Quarterly | | Half-yearly | | Yearly | | Never | |
| | No. | % | No. | % | No. | % | No. | % | No. | % |
| Prepare: | | | | | | | | | | |
| Profit & loss a/c | 7 | 8 | 2 | 2 | 2 | 2 | 21 | 23 | 60 | 65 |
| Balance sheets | 0 | 0 | 0 | 0 | 0 | 0 | 11 | 12 | 81 | 88 |
| Cash flows | 7 | 8 | 1 | 1 | 1 | 1 | 0 | 0 | 83 | 90 |
| Work plan | 18 | 20 | 1 | 1 | 0 | 0 | 0 | 0 | 72 | 78 |
| Survey prices | 12 | 13 | 18 | 20 | 11 | 11 | 16 | 18 | 34 | 38 |
| Compare income and expenditure | 33 | 36 | 2 | 2 | 4 | 4 | 6 | 7 | 46 | 51 |
| Advertise** | 5 | 7 | 1 | 1 | 0 | 0 | 10 | 14 | 58 | 78 |
| | | | | | | | Yes | | Never | |
| | | | | | | | No. | | No. | |
| | | | | | | | % | | % | |
| Give discounts | | | | | | | 25 | 31 | 56 | 69 |
| Provide worker incentives* | | | | | | | 44 | 88 | 6 | 12 |

**Construction industry was excluded because they needed special permits to advertise. Their smallness excluded them.

*42 firms had no paid employees.

I didn't do it partly because I am not familiar with the techniques involved. Even though I had attended a course it was too short and could not have learnt within the time ... Anyway, I am in a business of my own. The business is mine. It does not involve any other people.

When probed as to how they kept in touch with their business, a number of them replied they just relied on their memories. Those who were in partnerships were more careful about keeping business records but this was more likely to be related to their desire to keep the peace rather than as an instrument of managerial control, as a number of them felt they had to be more careful with other people's money.

Table 7.27 also shows that 90% of the entrepreneurs never did any cash flow analysis, and 78% said they planned their work on the same day as the need arose, which the author took to mean that they never planned ahead of time.

The results also show that 51% of the entrepreneurs mentioned they did not compare between sales and expenditure, 65% failed to prepare a profit and loss account, and 88% failed to prepare balance sheets. When asked how they distinguished between making a profit or suffering a loss, one of them said:

Last time when I first started my capital was so much, and now it is this much, and I am able to buy more things. I have no difficulty providing for my family - for me that is profit.

Another bumiputra entrepreneur said:

I couldn't be losing because I knew how much I bought and how much to sell. Most important is I have enough to eat.

Among 44 entrepreneurs who had paid employees, 88% of them mentioned they provided worker incentives. However, if one is looking for some kind of blueprint regarding personnel policies, there was none. When probed, the kind of incentives they provided were occasional offers of cigarettes, free lunches, or cash advances to meet the needs of festive seasons or the start of a new school year. For some of them their approach to incentives is totally different from any that a person trained in business has in mind. Said one contractor:

My kind of incentive is to give payments on time. Besides if the employee asks for \$100 I will only give \$80, so that I can hold on to \$20. This way I can encourage my employees to work harder.

Little attention has also been given by the entrepreneurs regarding their stocks; 78% of them mentioned that they never kept any records on stocks. Most of them merely relied on visual inspection, or at best on their bills. Said one, "It is rather boring calculating stocks. Best to leave them till the end of the year." Attitudes regarding stock records such as that just quoted cannot go unnoticed. In fact according to Meredith (1977:24) inadequate inventory management is one of the causes of small business crises and failure. He said:

... few small enterprise owners are aware of the store performance by products, although for wholesalers and retailers this is vital information in the management exercise.

However, the bumiputra entrepreneurs were not alone in being poor keepers of financial records. Similar findings have been reported by Sieh Mei Ling (1974) regarding the retail industry in West Malaysia, and mentioned also by Ho (1980) in the case of Korea, discussed in Chapter 4 of this thesis.

7.2.2 Business Ability Rating of Bumiputra Entrepreneurs

To supplement the information regarding bumiputra business practices, i.e. their ability in business, the author asked Malay officials both in the government and the non-government services to rate bumiputra abilities in business. The results pertaining to five different areas of management are given in Table 7.28. If bumiputra abilities as rated in Table 7.28 are measured against Table 7.27 regarding their business practices, then the author's impression is that the officials had a pretty good idea about bumiputra weaknesses, yet they did not seem to do anything about them. Instead, the officials insisted that the entrepreneurs adhere to proper business methods in dealing with them.

As shown in Table 7.28, 40 out of 44 officials (or 91% of them) rated bumiputra ability in financial administration as poor. None of the officials rated bumiputra ability in finance as either good or excellent. In the fields of personnel

administration, public relations, and marketing more than 50% of the officials rated bumiputra ability in the respective areas to be poor and about 40% rated them average. Some examples concerning the nature of bumiputra managerial weaknesses as given by the officials are summarized and shown in Table 7.29. Although there were some overlaps between the examples given, they helped identify the nature of the weaknesses.

Table 7.28

The Business Ability Ratings of Bumiputra Entrepreneurs made by Bumiputra Officials

| Management Areas | Ability Ratings | | | | | | | | | |
|--------------------------|-----------------|---|------|----|---------|----|------|----|------------|---|
| | Excellent | | Good | | Average | | Poor | | Don't know | |
| | No. | % | No. | % | No. | % | No. | % | No. | % |
| Office administration | 0 | 0 | 1 | 2 | 19 | 43 | 24 | 55 | 0 | 0 |
| Personnel administration | 0 | 0 | 4 | 9 | 15 | 34 | 24 | 55 | 1 | 2 |
| Public relations | 0 | 0 | 6 | 14 | 14 | 32 | 25 | 52 | 1 | 2 |
| Financial administration | 0 | 0 | 0 | 0 | 4 | 9 | 40 | 91 | 0 | 0 |
| Marketing | 0 | 0 | 4 | 9 | 17 | 39 | 23 | 52 | 0 | 0 |

In order to gain further insights into some of the various comments made by the officials regarding their rating of bumiputra ability in the management areas previously put to them, some examples of the tape extracts are quoted below and are arranged according to the specific areas of management:

a) Office administration

They (the entrepreneurs) had no daily plans. They did not plan ahead and so their administration is haphazard.

Their letters are not in order; even their addresses keep on changing.

b) Personnel administration

Their approach to business is not tailored to retain labourers. There are no elements of conscious personnel policy. This is rampant in printing, bakery etc. They need to emphasize retention otherwise the labourers leave as soon as they obtain minimum experience. It is necessary that the entrepreneurs have a committed staff.

Rarely do they (i.e. the entrepreneurs) engage personnel. But strictly speaking their policies are based on experience. They leave totally to the discretion of workers especially in contracting to which they rely on 'kepala' (group leaders), if they are away from home or in remote areas.

c) Financial administration

The entrepreneurs do not know the importance of record keeping and how to use it. Frequently they said, "I wanted to record, but I am busy looking for markets."

Finance ... ah! they do as they like. They feel it's theirs to give away, to spend, to give to their wife. They regard business as a hobby. They are more interested in the accumulation of wealth, hence their business goes down the drain.

d) Marketing management

They go into business because they can produce goods rather than being able to sell. Their marketing is passive and basically production oriented.

Basically unsatisfactory. On the planning side, if they see other retailers progressing they too want to start one without considering whether that line of business is sufficient or not. They do not survey the market ... One person starts a mee (food) stall, ten other persons want to start the same business.

Table 7.29

Some Examples of the Nature of Managerial Weaknesses as given by

Bumiputra Officials

| Areas of Management | Nature of Weaknesses | Counts | % of Responses |
|----------------------|----------------------------|--------|----------------|
| Office management | no records | 10 | 23 |
| | poor knowledge | 15 | 34 |
| | poor arrangement | 7 | 16 |
| | no planning | 6 | 14 |
| | poor discipline | 3 | 7 |
| | lack specialization | 2 | 5 |
| | poor use of space | 1 | 2 |
| Personnel management | wages not on time | 2 | 6 |
| | lack incentive system | 16 | 47 |
| | poor control | 11 | 32 |
| | poor discipline | 1 | 3 |
| | too many employees | 1 | 3 |
| | poor planning | 3 | 9 |
| Public relations | poor service | 10 | 26 |
| | poor human relations | 16 | 42 |
| | poor back-up service | 2 | 5 |
| | lack confidence | 8 | 21 |
| | reliance on politics | 1 | 3 |
| | ignorance | 1 | 3 |
| Financial management | poor knowledge | 19 | 35 |
| | poor or without records | 16 | 30 |
| | wrong attitudes | 17 | 32 |
| | poor planning | 2 | 4 |
| Marketing | passive and narrow | 15 | 28 |
| | poor service | 5 | 9 |
| | lack capital to expand | 3 | 6 |
| | production oriented | 3 | 6 |
| | unattractive layout | 4 | 8 |
| | lack initiative | 7 | 13 |
| | no planning | 3 | 6 |
| | poor costing | 5 | 9 |
| | reliance on captive market | 8 | 15 |

The results concerning bumiputra business practices and the ratings of their abilities indicate some similarities with the results reported by Mayer and Goldstein (1961) reviewed earlier in Chapter 2 pertaining to the characteristics of the less successful entrepreneurs. In fact, as quoted earlier, Mayer and Goldstein (1961) felt that some owners lacked the most elementary technical know-how necessary to operate a particular type of business or any business at all.

Without proper records, there is no way that the entrepreneurs are able to make sound business decisions. In fact, stressing the need for an adequate information system, Meredith (1977:23) said:

A retail manager (for example) should have details of the gross margins by major product groups; details of the total gross margin from sales for each day of the trading week; a knowledge of the total expenses necessary to keep the shop operating on a day-to-day basis; and contribution or productivity of staff.

7.3 Bumiputra Business Problems

7.3.1 Bumiputra Business Problems Perceived by Bumiputra Entrepreneurs

The present study presented 12 business problems to the entrepreneurs for their comments. The results of the analysis are shown in Table 7.30. The author, instead of asking whether working capital was a problem, asked whether they had difficulty regarding access to loans. This was a slight variation to asking a direct question

on problems about working capital. It was found that the top five problems in order of importance were:

- a) access to a business loan;
- b) difficulty in getting supplies;
- c) bureaucratic delays;
- d) access to business consultations;
- e) supply of skilled personnel.

Table 7.30

The Size of Bumiputra Business Problems Perceived by Bumiputra
Entrepreneurs

| Types of Problems | Size of Problems | | | | | | | |
|------------------------|------------------|----|--------|----|-------|---|------|----|
| | Big | | Medium | | Small | | None | |
| | No. | % | No. | % | No. | % | No. | % |
| Access to loans | 42 | 46 | 2 | 2 | 2 | 2 | 45 | 50 |
| Supplies | 36 | 40 | 2 | 2 | 5 | 6 | 48 | 53 |
| Bureaucracy | 35 | 38 | 3 | 3 | 5 | 5 | 49 | 53 |
| Business consultations | 32 | 35 | 9 | 10 | 6 | 7 | 44 | 48 |
| Skilled personnel | 24 | 26 | 5 | 5 | 7 | 8 | 56 | 61 |
| Laws and regulations | 18 | 20 | 2 | 2 | 4 | 4 | 64 | 74 |
| Prejudice | 16 | 17 | 4 | 4 | 7 | 8 | 65 | 71 |
| Corruption | 16 | 17 | 2 | 2 | 7 | 8 | 67 | 73 |
| Long-term loan | 14 | 15 | 1 | 1 | 1 | 1 | 76 | 83 |
| Government agency | 6 | 7 | 0 | 0 | 1 | 1 | 85 | 92 |

Details concerning the exact nature of the problems given by the entrepreneurs are given in Table 7.31. The following, however, are some of the comments made by the bumiputra entrepreneurs interviewed in this study regarding some of the problems they faced (these comments have been selected by the author not merely as illustrations, but to provide some insight on the local phenomena which might otherwise be unfamiliar to an outsider):

a) On competition with government agencies

Some projects have been withdrawn under the pretext that there were insufficient funds. In fact they were given to their own subsidiaries. When it comes to their own subsidiaries no tenders were necessary.

b) On the processing of business loans

Every businessman who wants to borrow definitely needs the money - but loans took time to process. The fastest MARA loans could be obtained in four months, whereas commercial banks took only two months.

To cite one example: I needed a loan from MARA, but MARA wanted a bill before they could give me any loan. So I got a bill - not a real one, and gave to MARA. I finally got the loan. With MARA you really must have at least half your own money in order to obtain certain loans. You need to use your own money to secure the first bill as evidence of your work. However, I do not blame MARA because there are people who obtained extra loans so that they could use some money to meet their personal needs such as the purchase of a motorcar.

c) On bureaucratic delays

On the face of it the officials had work lying on their desks, but in actual fact they do not touch them. This happened at the lower levels. If we had the co-operation from government servants our work would not be affected. Their attitude is that it's not theirs, so why hurry.

d) On political interference

I attended interviews to obtain shoplots twice but was told I couldn't get because I belonged to PAS (an opposition party). I felt discouraged because even though I was interviewed I was told I might not get because I do not belong to the government.

e) On supplies and monopoly

I had to buy cooking oil which costs \$25.50 from the same distributor who sold the goods at \$24.00 to a non-Malay shopkeeper.

f) On business premises

It costs \$140-150 thousand to buy a shophouse built by the SEDC. Out of this, the down payment is \$22,000, and the monthly repayment is \$1,300. This kind of price is beyond the standard of business in this district, let alone the bumiputras.

g) On corruption

Normally if you want things done faster you need to provide as well both in terms of cash or in kind. My feelings are the graph for corruption has risen 30-40% and still rises. Mostly, they involve medium level officers, and not the top people. If I don't subscribe there will be more problems. For example, bills will be wrongly written, the boss does not approve etc. etc. The only way to overcome is to work sincerely. We hope that God will consider our efforts

7.3.2 Bumiputra Business Problems Perceived by Bumiputra Officials

The results regarding bumiputra business problems as perceived by the officials interviewed in the present study, which are shown in Table 7.32, appear to match those of the entrepreneurs themselves. In fact, based on similar business problems (in Table 7.30) presented earlier to the entrepreneurs, it was found that a high percentage of the officials felt bumiputra business

Table 7.31

Some Examples of the Nature of Business Problems as Given by Bumiputra

Entrepreneurs

| Types of Problems | Nature of Problems | Counts | % of Responses |
|-----------------------------------|-------------------------------|--------|----------------|
| Laws and regulations | poor implemented | 3 | 21 |
| | finer | 4 | 29 |
| | ridiculous conditions | 5 | 36 |
| | high licence fees | 2 | 14 |
| Bureaucracy | late payments | 19 | 46 |
| | loan processing | 13 | 32 |
| | issue of licences | 4 | 10 |
| | inspection of jobs done | 1 | 2 |
| | understaffing | 2 | 5 |
| | inexperienced staff | 1 | 2 |
| | correspondence | 1 | 2 |
| Supplies | no credit facilities | 1 | 7 |
| | seasonal shortages | 3 | 21 |
| | inflationary prices | 2 | 14 |
| | distance | 4 | 29 |
| | sabotage | 4 | 29 |
| Monopoly | price discrimination | 6 | 75 |
| | poor location | 1 | 13 |
| | no credit facilities | 1 | 13 |
| Government agencies | favouritism | 3 | 75 |
| | market access | 1 | 25 |
| Access to loan | no collateral | 27 | 79 |
| | no working paper | 4 | 12 |
| | without guarantor | 1 | 3 |
| | inexperienced staff | 2 | 6 |
| Political interference | allocation of premises | 2 | 17 |
| | referees | 1 | 8 |
| | allocation of tenders | 5 | 42 |
| | patronage | 3 | 25 |
| | loan processing | 1 | 8 |
| Availability of skilled personnel | prefer to be own boss | 7 | 29 |
| | low wages | 3 | 13 |
| | trustworthy | 2 | 8 |
| | simply not available | 8 | 33 |
| | due to migration to Singapore | 4 | 17 |
| Business consultations | nowhere to turn to | 12 | 100 |

Table 7.31 (contd.)

Some Examples of the Nature of Business Problems as Given by Bumiputra

Entrepreneurs

| Types of Problems | Nature of Problems | Counts | % of Responses |
|-------------------|------------------------|--------|----------------|
| Prejudice | failure to patronize | 5 | 29 |
| | due to poor management | 1 | 6 |
| | lack nationalism | 1 | 6 |
| | jealousy | 5 | 29 |
| | no credit facilities | 5 | 29 |
| Corruption | free meals | 3 | 18 |
| | commission | 13 | 76 |
| | entertainment | 1 | 6 |
| Long-term loan | collection too soon | 7 | 100 |

problems to be greater than the entrepreneurs themselves have thought those problems to be. Specific examples regarding the nature of the bumiputra business problems as given by the officials are listed in Table 7.33.

However, the results in Table 7.32 also show that the officials felt 'inadequate preparation' was as great a problem as 'working capital'. This is quite significant because as we have seen earlier on bumiputra business profile, more than 80% of them went into business without any kind of business training. Although the New Economic Policy may have been responsible for bumiputra influx into business and industry, the rush after the May 13 racial riot of 1969 in Malaysia could also be detrimental. According

to one of the officials in the present study, "The bumiputras were hasty after 13th May, 1969. Everybody seems to turn to business. It looks attractive. People look at the rosy picture" Another official felt "most of the bumiputras had no experience in the chosen field and in spite of their commendable working papers - which secured the initial business loan, they soon fell apart after a few years."

Accordingly:

The bumiputras tend to copy other people. They went into fields already attempted by others but they never stopped to assess their own abilities.

Sometimes the bumiputras have the interest, but not the skills. They are strong willed but they lack experience. For some, only after hardly a year of work experience, they decide to become a towkay (i.e. own and run their own business). But before we become a towkay, we must first be a coolie (i.e. labourer).

Table 7.32

The Size of Bumiputra Business Problems Perceived by Bumiputra Officials

| Type of Problems | Size of Problems | | | | | | | | | |
|------------------------|------------------|----|--------|----|-------|----|------|----|------------|---|
| | Big | | Medium | | Small | | None | | Don't Know | |
| | No. | % | No. | % | No. | % | No. | % | No. | % |
| Working capital | 30 | 68 | 10 | 23 | 3 | 7 | 0 | 0 | 1 | 2 |
| Inadequate preparation | 30 | 68 | 5 | 11 | 3 | 7 | 6 | 14 | 0 | 0 |
| Bureaucratic delays | 22 | 50 | 7 | 16 | 9 | 20 | 6 | 14 | 0 | 0 |
| Supplies | 20 | 45 | 13 | 30 | 2 | 5 | 8 | 18 | 1 | 2 |
| Business consultations | 20 | 45 | 6 | 14 | 2 | 5 | 15 | 34 | 1 | 2 |
| Monopoly | 19 | 43 | 8 | 18 | 5 | 11 | 10 | 23 | 2 | 5 |
| Prejudice | 17 | 39 | 10 | 23 | 10 | 23 | 5 | 11 | 2 | 5 |
| Corruption | 14 | 32 | 4 | 9 | 14 | 32 | 8 | 18 | 4 | 9 |
| Political interference | 14 | 32 | 4 | 9 | 16 | 36 | 9 | 20 | 1 | 2 |

It will be quite a while for a person to gain any meaningful experience in a trade. However, in the words of one banker, "We don't expect experience in the trade, but we expect some elements of management experience. This can be overcome through management development programmes."

Table 7.33

Some Examples of the Nature of Business Problems Given by Bumiputra

Entrepreneurs

| Type of Problems | Nature of Problems | Counts | % of Responses |
|----------------------|---|--------|----------------|
| Laws and regulations | ignorance | 7 | 30 |
| | requirement of local by-laws | 5 | 22 |
| | too many pre-requisites | 4 | 17 |
| | red tape, centralization | 6 | 26 |
| | enforcement hassle | 1 | 4 |
| Bureaucracy | payments | 14 | 37 |
| | power supply | 2 | 5 |
| | centralization | 4 | 11 |
| | inadequate staffing | 4 | 11 |
| | issuance of licence | 2 | 5 |
| | poor follow-ups by businesspersons | 7 | 18 |
| | inadequate information | 1 | 3 |
| | processing corruption | 3 1 | 8 3 |
| Supplies | unable to obtain hardwares | 5 | 12 |
| | too many middle men | 2 | 5 |
| | price discrimination | 7 | 17 |
| | no Malay suppliers | 8 | 20 |
| | insufficient capital | 5 | 12 |
| | poor credit facilities | 11 | 27 |
| | poor resourcefulness | 13 | 37 |
| Monopoly | price discrimination | 7 | 35 |
| | poor location | 8 | 40 |
| | market control via distribution network | 3 | 15 |

Table 7.33 (contd.)

Some Examples of the Nature of Business Problems Given by Bumiputra

Entrepreneurs

| Type of Problems | Nature of Problems | Counts | % of Responses |
|------------------------|--|--------|----------------|
| Monopoly | poor co-operation between entrepreneurs | 2 | 10 |
| Political interference | loan processing | 5 | 23 |
| | allocation of premises | 6 | 27 |
| | allocation of tenders | 3 | 23 |
| | administrative interference | 3 | 14 |
| | overlicensing | 1 | 5 |
| | self-interest among politicians | 1 | 5 |
| | simple favours | 1 | 5 |
| Working capital | poor management, abuse etc. | 27 | 53 |
| | poor access due to collaterals | 17 | 33 |
| | poverty-failed to save due to late progress payment | 4 | 8 |
| | | 3 | 6 |
| Inadequate preparation | lack specific skills | 13 | 35 |
| | lack managerial know-how | 10 | 27 |
| | access to licence but without skills | 1 | 3 |
| | easy access into business | 10 | 27 |
| | expands too fast | 3 | 8 |
| Business consultations | inadequate staff | 19 | 37 |
| | lack information about availability | 12 | 24 |
| | poor response by entrepreneurs | 12 | 24 |
| | inexperienced officers | 6 | 12 |
| | poor co-ordination between agencies | 2 | 4 |
| Prejudice | failure of entrepreneurs to overcome personal shortcomings | 17 | 44 |
| | Malay clients lack nationalism | 17 | 44 |
| | poor customer relations mainly between races, Chinese towards Malays | 3 | 8 |
| | | 2 | 5 |

Table 7.33 (contd.)

Some Examples of the Nature of Business Problems Given by Bumiputra

Entrepreneurs

| Type of Problems | Nature of Problems | Counts | % of Responses |
|------------------|---|--------|----------------|
| Corruption | issue of licences, permits | 2 | 7 |
| | exist but unverifiable | 4 | 15 |
| | demand for commissions | 7 | 26 |
| | only applies to big contractors and bigger businesses | 5 | 19 |
| | out of habit | 2 | 7 |
| | allocation of tenders | 1 | 4 |

7.3.3 Comparison of Bumiputra Business Problems Perceived between

Bumiputra Officials and Bumiputra Entrepreneurs

In order to obtain a clearer picture, a comparison was made between the perceptions of entrepreneurs and officials regarding bumiputra business problems, selecting only matching problems, and by reclassifying 'big' and 'medium' responses as 'a problem', and reclassifying a 'small' response as 'no problem'. Table 7.34 was constructed. The rationale is that judging from the tone of responses with regard to a 'small' response the author got the impression that problems of such magnitude could be easily handled by the entrepreneurs, unlike those classified as 'big' or 'medium'. Also, assuming that the problem of working capital is identical to the problem in securing loans for working capital, Table 7.34 shows both groups ranked working capital as the number one problem. However, when the author went through

the field notes and listened to the comments made by the entrepreneurs and officials recorded on tapes during the interviews, there appeared to be differences with regard to the problems underlying working capital. The officials recognized the problems of access to capital, but unlike the entrepreneurs who felt that the banks did not favour them (e.g. due to the absence of collateral), the officials felt the entrepreneurs were themselves to blame (e.g. due to their inability to keep proper business records, or simply abuse, such as using loan money to spend on cars). The following were some of their comments:

Capital becomes a big problem out of their own doing. Some engage others to prepare working papers, but cannot themselves carry it out. Some failed to justify their difficulties until it's too late.

The Malays wanted to begin a business out of the blue. They have no collateral sources. They couldn't contribute bigger sums to working capital. This coupled with weak management and initial losses leads to the shrinking of capital.

One official, however, expressed doubts as to whether the banks were fulfilling their obligations. He said:

What we fear is that banks deliberately lend to unproductive bumiputra firms to prove that they have fulfilled their obligations but the faults are still the entrepreneurs'.

Although Table 7.34 shows that some problems were ranked differently by the two groups, a few problems share an almost equal ranking. For example, the problem regarding supply was ranked second by the officials but third by the entrepreneurs. The officials also expressed their concern about certain discriminating

Table 7.34

Bumiputra Entrepreneurs: Comparison of Bumiputra Business Problems
Perceived between Bumiputra Officials and Bumiputra
Entrepreneurs

| Types of Problems | Respondents | | | | | |
|--------------------------------------|-------------|----|------|---------------|-------|----|
| | Officials | | | Entrepreneurs | | |
| | No.** | % | Rank | Rank | No.** | % |
| Laws and regulations | 12 | 27 | 9 | 5 | 20 | 22 |
| Bureaucratic delays | 29 | 66 | 3 | 3 | 38 | 42 |
| Supplies | 33 | 75 | 2 | 3 | 38 | 42 |
| Monopoly | 27 | 61 | 5 | 8 | 17 | 19 |
| Political interference | 18 | 41 | 7 | 9 | 8 | 9 |
| Business consultations | 26 | 59 | 6 | 2 | 41 | 45 |
| Prejudice | 27 | 62 | 4 | 6 | 20 | 21 |
| Corruption | 18 | 41 | 7 | 7 | 18 | 20 |
| Working capital/ access to loans* | 40 | 91 | 1 | 1 | 44 | 48 |

*For officials 'working capital' was asked, for entrepreneurs 'access to loans' was asked. The author assumed some equivalence between the two for ease of comparison.

**Those figures were derived by collapsing 'big and medium problems', as 'problems' and collapsing 'small and no problems' as 'no problems'.

. practices towards the bumiputras by the non-bumiputra suppliers. Said one of them, "There is some unfairness. For the bumiputras to get 30 days' credit is a difficulty, for the non-bumiputras 60-90 days' credit is normal."

Regarding supplies, another official explained in greater detail:

The bumiputras buy building materials on the open market - there are no government suppliers. When there is a shortage in supplies, the government does not hesitate to impose fines on bumiputra contractors. At times there are elements of sabotage. Over the grapevine, I hear there are special prices - one for the bumiputras, another for the non-bumiputras. For the bumiputras the conditions are very stringent like having to pay cash, and the prices are also different. Nobody can trace or control these practices.

Closely related to the problems regarding supplies is the question of monopoly, thought to be a problem by 61% of the officials. One official felt that there existed some kind of sabotage against the bumiputras. For example, in order to fill certain government quotas the bumiputras were given uneconomic areas for distribution, or given certain lines of products where turnover is low. An instance was quoted over the supply of milk powder where the bumiputra retailers were supplied with milk powder which was suited to older children when the market was for babies.

It is significant that 66% of the officials recognized the problems related to bureaucracy compared to 42% for the entrepreneurs. In both the problem ranked third. But most of the officials felt the bumiputras were responsible for the delays, although in some cases, regarding contract work the government was to be blamed, especially in relation to payments

governing re-vote cases. One banker said, "If you deal with a public sector this is a fact you have to contend with ... Bumiputra reliance on captive markets made this inescapable." According to another official, the bumiputras lack the proper approach and initiative to seek faster payments and services from government departments:

This is a matter of approach and attitude. Before we complain we must find out first. If we need something, we need not write immediately to higher authorities ... I feel basically the entrepreneurs lack the right approach.

The results in Table 7.34 also show that a high proportion of the officials felt prejudice was a significant problem faced by bumiputra entrepreneurs. While one cannot help being prejudiced (e.g. Allport, 1954:3), its effects towards the bumiputras may deny the latter opportunities to prove their abilities, particularly in business and industry. Al-Attas (1977), cited previously, felt current attitudes towards the indigenous population are the product of misconceptions by the colonial masters. It becomes a problem when prejudices are assumed to be true and are used as excuses to deny bumiputra entrepreneurs entry into the business world. Comments made by officials could therefore reflect their own prejudice towards bumiputra entrepreneurs. The results of this study in Table 7.34 certainly show there was a higher percentage among officials (62%) who were themselves Malays, compared to entrepreneurs (21%), who felt prejudice to be a problem. It is perhaps not surprising to suggest that the officials

might themselves have been prejudiced towards bumiputra entrepreneurs.

The officials also expressed their own dissatisfaction regarding the current availability of business consultations by government agencies. The author's own findings on the subject in Chapter 2, Table 2.1, indicate gross overlaps and duplications in government programmes. To this, one official commented:

There exists rivalry and duplications among government agencies. Proved: a lot of development funds are not spent, showing limited capacity on each agency. There should be just one agency so that accountability is assured.

In view of the preceding comment regarding the role of government agencies, there is a strong feeling among the officials that business consultations are inadequate in several aspects, including understaffing or inexperienced staff. For example, a very senior MARA officer had this to say:

The problem is still there. We find it difficult to retain our own staff. Ideally, consultants should have at least five years' experience. If they are just out of college or the university, the clients do not have any confidence in them, however good the graduates are ... In some instances our officers lack public relations. They use terminology that is new to the villagers- they talk in different wavelengths, and so the villagers are not attracted. The villagers do not mind a hypocrite, but the officers must learn to respect their clients. This takes time. Lacking experience is a big problem for the institution.

We should have more staff, but with a certain level of skills. I do not consider what's available as effective. Officers are more interested in obtaining paper qualifications in order to get promoted. They get frustrated and search for loopholes.

Similarly, one bank officer during the interview said, "Those involved in giving assistance are themselves qualified but inexperienced. We are short of capable bumiputra managers. We produce graduates but not managers."

A MARA officer made the following complaint concerning the poor staff-client ratio:

There are insufficient advisory follow-ups. The bumiputra entrepreneurs are very much on their own. It cannot possibly be done - we have one officer looking after thirty businesses. That does not include our other duties. There is no special officer looking after business.

The officer was not alone in this respect. All the MARA officers the author interviewed felt the same. Similar complaints were made by officers attached to the 'Youths in Business' programmes with the Ministry of Youth, Culture and Sports. These officers at the district level, for example, had to be jacks-of-all-trades, looking after everything there is - from cultural interests to business to the sporting field.

Although ranked almost at the bottom, it is also significant that more officials (41%) than entrepreneurs (20%) thought that corruption is a problem. Commenting on corruption one official said:

Definitely it exists. That's a way of life. And our businessmen must know to accept it but within reasonable means. If by paying \$100 you can get a profit of \$1000, so why not? That's how the Chinese prosper. To them it's nothing, it's part of the game ...

It is a problem to those who do not know the ethics of business. It's an unhealthy ethic but it is one we cannot disregard. If you cannot fight them join them ...

Before you deal with an officer, you find out his weaknesses - women, gambling etc. That is the quality of a good entrepreneur. In the business world it is a prerequisite to assess or evaluate the other person's weaknesses.

The above quotation does not prove that officials condone corruption. Indeed, successive Malaysian governments are trying hard to stamp out corruption in the Civil Service, a fact acknowledged by Jon Quah (1982:158):

In June 1975, the then Deputy Prime Minister Datuk Hussein Onn spoke to the youth and women's sections of the United Malays National Organization (UMNO) and condemned corruption as 'deviations in the country's development' which would 'sap the fibre of the nation and bring about decadence' if it was not curbed. More importantly he promised that the government would expose corrupt practices regardless of those involved whether they were 'mouse-deer or dragon'. After Tun Razak's death in early 1976, Hussein Onn became Prime Minister and demonstrated his tough stand against corruption when the Chief Minister of Selangor (one of the constituent states of Malaysia) Datuk Harun Idris was brought to trial on several charges of corruption and was convicted.

On 16 July 1981, Datuk Seri Dr. Mahathir Mohamad succeeded Datuk Hussein Onn as Prime Minister. Like his predecessor, Dr. Mahathir is serious about eradicating bureaucratic corruption in Malaysia (John Quah, 1982:158).

A commission set up in the then Federated Malay States in 1952 and led by Justice Taylor distinguished between bribes and such minor forms of corruption as tips, substantial presents, entertainments and voluntary payments. But a bribe was defined as "money or money's worth, given to a person in authority either to do something improper or to

neglect a duty" (Federation of Malaya, Report of a Commission of Enquiry into the Integrity of the Public Services, Kuala Lumpur, 1955:63). It is not known in the present study which aspects of corruption were referred to by both entrepreneurs and officials. The examples given by them in Tables 7.31 and 7.33 are indications regarding the nature of these corruptions. Another official who happened to be a banker felt that corruption should not happen:

Corruption ... yes, this is a big problem. This should not happen. If we seek it will come like ants. In my experience there were entrepreneurs who tried to give me money, but they were mistaken.

The problems regarding laws and regulations were among the lowest rated by the officials and appeared fifth among the entrepreneurs. Even among the officials, a bigger proportion of the blame was placed on the government judging from the frequency of examples given by officials in Table 7.33. One banker blamed the government for bumiputra business failures and made the following comments:

Bumiputras are subject to proper approaches, but a non-bumiputra starts his business anywhere - behind houses, under the houses, on unoccupied land and so on. But the bumiputras who rely on financial institutions for their capital are required to have proper premises, follow certain rules - and so increased their overhead costs. Virtually they have got to conform to obtain any form of finance.

Although the officials felt political interference to be a problem, which in some cases such as printing and lorry permits resulted in over-licensing, in general they have helped the bumiputras. One MARA officer said:

... For the bumiputras to expand their business this is more conducive rather than an interference. A very genuine entrepreneur does not strictly involve himself in politics - he knows how to survive in whatever system. At the most he will become a contributor. He will never project himself as belonging to any political party.

The results concerning the perception of officials regarding bumiputra business problems suggest that some of the problems earlier identified by the entrepreneurs were shared equally by the officials the author interviewed. However, when the details of the problems are closely examined, there appears to be a mismatch between what the entrepreneurs thought were their problems and what officials believed them to be. For example, both the entrepreneurs and the officials agreed that capital was a problem, but the latter felt that it was not due to access, instead it was due to improper use of funds by the entrepreneurs. Although that may not be entirely true, most of the officials interviewed in this study tended to apportion the blame on the bumiputra entrepreneurs for most of the problems which existed. Perhaps it is for these reasons that even though the officials were more aware of the problems compared to the entrepreneurs themselves, little could have been done as long as the officials believed those problems to be outside their reach. In simpler terms, the officials felt that the bumiputra entrepreneurs were largely unaware of their own problems and weaknesses, a view expressed previously by the MCDS (1976) regarding the bumiputra entrepreneurs in Kelantan. While that was partly true, the officials too were largely ignorant of the needs of entrepreneurs and needed to be enlightened as well.

Generally, the results regarding bumiputra business problems discovered in the present study demonstrate quite strongly that ever since the New Economic Policy was launched in 1971, the problems have remained basically the same to those found in earlier studies by, for example, Mohd. Aris Mohamed (1974), Abdul Aziz Mahmud (1977), Abu Hassan (1981) and SERU (1981). Hence the bumiputra entrepreneurs still had difficulty regarding 'access to business loan', 'access to supplies', 'bureaucratic delays', 'business consultations', 'the supply of skilled personnel' and others shown in Table 7.30.

The persistence of the business problems as shown in Table 7.30, especially the top five of them, imply the following:

- a) The financial institutions have not opened their doors to the bumiputras, and have remained unsympathetic. The results of this research, regarding bumiputra sources of capital presented earlier, are a testimony to this.
- b) The suppliers, i.e. wholesalers, have not been treating bumiputra businesses favourably. This could only be possible when a monopoly is involved, and the bumiputra entrepreneurs had no alternative sources of supply. But it could also be due to insufficient working capital arising from poor access to business loans, or simply prejudice.
- c) The government machinery has not adjusted to meet the needs of the entrepreneurs. This can be due to ignorance,

or it could be deliberate owing to elements of corruption within the system.

- d) The bumiputra entrepreneurs are aware of the value of business advice, but this aspect of the service has not been emphasized by the government agencies involved due to various factors such as poor staffing. However, it appears that current programmes to promote bumiputra entrepreneurship only emphasize their entry points, but neglect a concerted effort to sustain them.
- e) In spite of high rates of unemployment, most of the manpower that is available is unskilled labour. This could be a reflection of the school curriculum which does not seem to provide sufficient emphasis on manual and technical skills (discussed earlier in this chapter).

There are of course other implications arising from the business problems identified in this study. In addition to those already described, the results presented in this section also suggest that the problems faced by the bumiputra entrepreneurs were not solely due to their own inadequacy as owner-managers. The environment which ideally should foster their entrepreneurial talents was equally hostile to them. The fact that the bumiputra enterprises were small adds another dimension to their problems. Hence, on top of the problems specific to the bumiputras, the entrepreneurs had to face the problems associated with small businesses such as those reported by, for example, Bolton, 1971; Wiltshire, 1971; Meredith, 1977; and Devlin and Le Heron, 1977. The present results regarding

bumiputra business problems suggest that it is not enough to prepare the man alone for business ventures, but due weight must be given to the provision of a supportive business environment (pointed out earlier in the paradigm in Figure 5.2, Chapter 5).

7.4 Preference for Business Courses, Course Times and Travel Distance

7.4.1 Business Courses Needed by Bumiputra Entrepreneurs

As was mentioned earlier, the author presented 13 types of business courses to the bumiputra entrepreneurs for them to indicate whether they were appropriate to their needs or not. Looking at the results presented so far in this thesis it would have been surprising if the responses obtained from the entrepreneurs under this section were unfavourable. The results shown in Table 7.35 were in fact very encouraging. However, a high percentage of the entrepreneurs did not think certain courses were required, including advertising, credit-debt management, personnel management, government rules and regulations, taxation, business law, and stock management. It is not known whether this was due to their ignorance of the benefits of those courses or whether they found the courses irrelevant to their immediate needs (for example, entrepreneurs who dealt on a cash basis may not have favoured courses on credit management). Similarly courses on taxation, business law, rules and regulations were perhaps seen as more suitable to bigger businesses rather than smaller bumiputra businesses which more often than not were unregistered. If immediate

needs were the prime consideration for choosing business courses then it is appropriate that as many as 28% of the entrepreneurs did not require a course on personnel, as a significant number of them had no paid employees. Among the entrepreneurs interviewed, two of them aged 60 and 80 years definitely thought they were too old to benefit from attending any business courses at all.

Table 7.35

The Types of Business Courses Needed by Bumiputra Entrepreneurs

| Type of Courses | Strength of Responses | | | | | |
|----------------------------------|-----------------------|----|--------|---|------------|----|
| | Most needed | | Needed | | Not needed | |
| | No. | % | No. | % | No. | % |
| Sales | 77 | 84 | 7 | 8 | 8 | 9 |
| Advertising | 54 | 59 | 6 | 7 | 32 | 35 |
| Purchasing | 61 | 66 | 7 | 8 | 23 | 25 |
| Bookkeeping | 81 | 88 | 4 | 4 | 7 | 8 |
| Loan application management | 76 | 83 | 6 | 7 | 10 | 11 |
| Capital management | 72 | 79 | 5 | 6 | 14 | 15 |
| Credit-debt management | 60 | 66 | 3 | 3 | 28 | 31 |
| Personnel management | 57 | 63 | 8 | 9 | 25 | 28 |
| Stock management | 60 | 65 | 4 | 4 | 28 | 30 |
| Government rules and regulations | 61 | 66 | 6 | 7 | 24 | 26 |
| Taxation | 65 | 72 | 5 | 6 | 20 | 22 |
| Business law | 66 | 72 | 6 | 7 | 20 | 22 |
| Business planning | 79 | 87 | 6 | 7 | 6 | 7 |

But apart from the reasons given above it is hard to explain why as high as 30% of the entrepreneurs did not feel they wanted a course in stock management, whose importance has been emphasized by Meredith (1977). Again the reason may be due to the ignorance of its importance or the fact that the lack of funds would not allow them to hold stocks. The relatively lower response rates to advertising courses may be due to either bumiputra attitudes towards any type of marketing, or the presence of the entrepreneurs in the construction industries, whose small sizes preclude them from advertising, especially in housing construction. The law requires them to be of a certain size in terms of their licences before they are able legally to advertise. However, it is encouraging to see that a high percentage of the entrepreneurs wanted courses related to finance, such as bookkeeping (88%), loan application management (83%) and capital management (79%). The percentage of mentions did not include those classified as just 'needed', which would have brought the frequency of respective mentions higher still.

As a whole, the results did not support the findings reported by Aminudin Sulaiman et al. (1977) who said that the entrepreneurs in his sample did not want business courses even if they were given free. The present results suggest that the entrepreneurs were aware of their professional weaknesses and wanted to improve themselves so that they had a better chance of success.

In fact during the interviews many of the entrepreneurs complained that they had no chance to participate in the courses they heard of 'over the grapevine'. Some even thought that the author was seeking names to shortlist for imminent courses. Others who have attended such courses felt they were insufficient and would have liked another chance.

7.4.2 Preferred Course Times and Travel Distances

The author also sought to find out the most convenient time that the respondents in this study were able to attend business courses, and the distances preferred. This was in view of the fact that the courses organized by government agencies had added constraints in terms of access due to the distance and time involved. In this respect the entrepreneurs were asked their preferred times and distances. The results are shown in Tables 7.36 and 7.37.

In Table 7.36 the results show that almost half (45%) of the entrepreneurs interviewed preferred evening courses, with about one-third (32%) of them preferring weekends. Probably the low percentage (16%) of entrepreneurs who could attend courses at any time could be due to the fact that many of the business persons were owner-managers who could not afford to be absent from their place of work.

Similarly, in terms of distances preferred, Table 7.37 shows that 20 miles would probably be the maximum distance

Table 7.36

Course Times Preferred By Bumiputra Entrepreneurs

| Industries | Choice | | | | | | | |
|----------------|---------|----|---------|----|-----------------|----|---------|----|
| | Evening | | Weekend | | School Holidays | | Anytime | |
| | No. | % | No. | % | No. | % | No. | % |
| Service | 16 | 53 | 11 | 37 | 0 | 0 | 3 | 10 |
| Construction | 10 | 59 | 4 | 24 | 0 | 0 | 3 | 18 |
| Manufacturing | 8 | 33 | 9 | 38 | 1 | 4 | 6 | 25 |
| Retail | 7 | 37 | 5 | 26 | 4 | 21 | 3 | 16 |
| All industries | 41 | 45 | 29 | 32 | 5 | 5 | 15 | 16 |

Table 7.37

Travel Distances Preferred By Bumiputra Entrepreneurs

| Industries | Distance | | | | | | | | | |
|----------------|----------|----|----------|----|----------|----|----------|----|--------------|----|
| | 5 miles | | 10 miles | | 20 miles | | 50 miles | | Any distance | |
| | No. | % | No. | % | No. | % | No. | % | No. | % |
| Service | 8 | 27 | 6 | 20 | 8 | 27 | 5 | 17 | 3 | 10 |
| Construction | 2 | 12 | 5 | 29 | 2 | 12 | 4 | 24 | 4 | 24 |
| Manufacturing | 2 | 8 | 6 | 24 | 7 | 28 | 3 | 12 | 7 | 28 |
| Retail | 5 | 26 | 3 | 16 | 4 | 21 | 3 | 16 | 2 | 21 |
| All industries | 17 | 19 | 20 | 22 | 21 | 23 | 15 | 16 | 18 | 20 |

for most of them. In fact 41% of the respondents could be included in the 5-10 mile categories. Such short distance preferences could be due to transportation problems. Owning a car in Malaysia is a luxury, even though the use of motorcycles is quite a common feature. In rural areas public transport such as buses is infrequent, while taxis only ferry passengers between towns, and only pick up people on their way when they have excess capacity.

To summarize, the results regarding business courses left no doubt whatsoever that the bumiputra entrepreneurs were overwhelmingly keen to attend business training. The fact that almost half of them received no business training at all cannot be taken as complacency but rather lack of opportunities. However, the design of courses must necessarily take into account their relevance to the size of the bumiputra businesses, the level of education of the entrepreneurs, and access in terms of time and location. Later on in this study an attempt is made, based on the findings, to determine the kind of emphasis required in designing business courses, which as they are now seem too 'technical' for the participants. In fact, an official interviewed in this study felt "that current training programmes in entrepreneurship in Malaysia did not have enough input on thinking" and wanted to see "more emphasis on motivation training involving attitudinal changes".

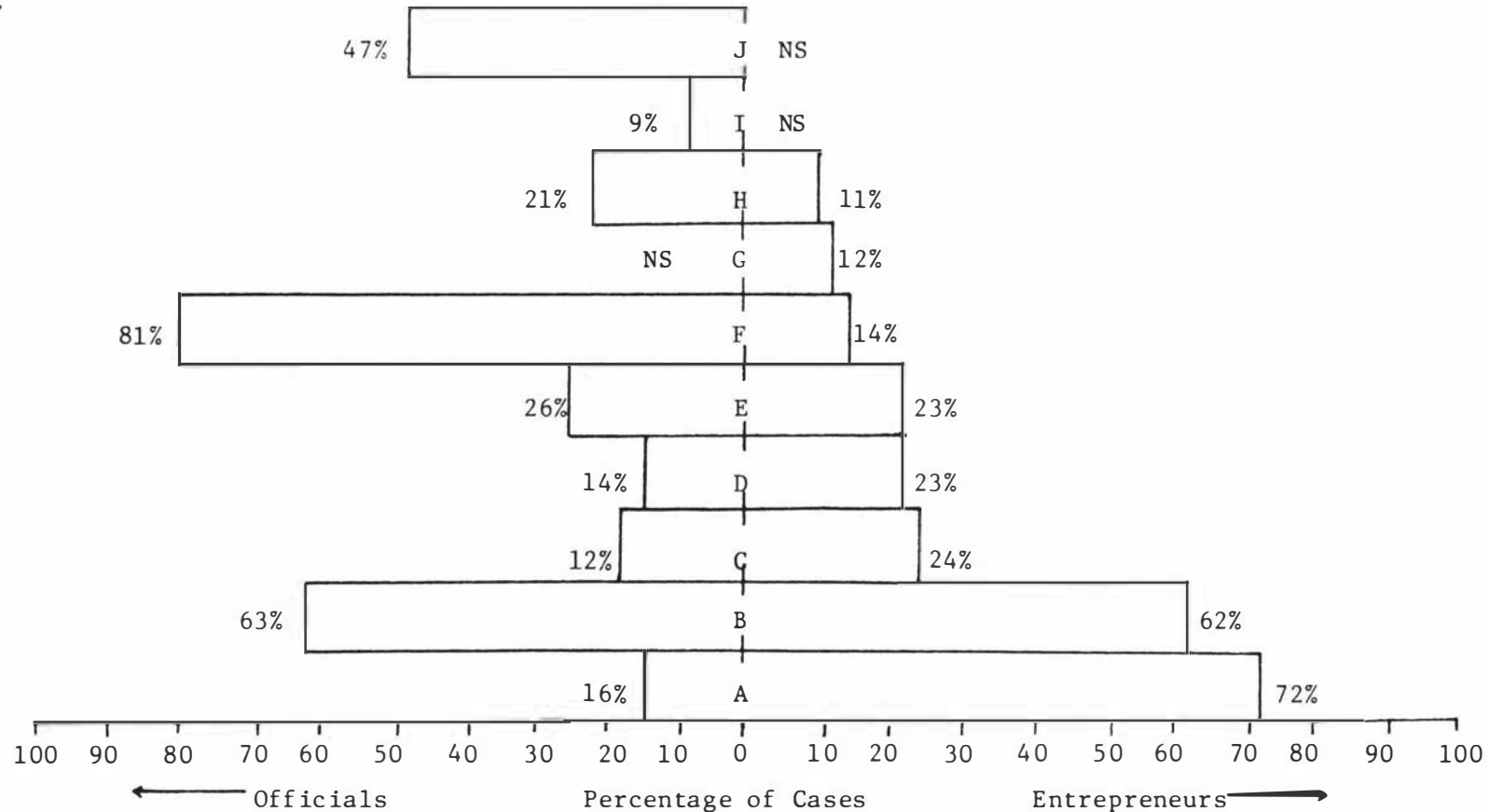
7.5 Comparison of Suggestions for Increasing the Number of Bumiputra Entrepreneurs between Officials and Entrepreneurs

Suggestions for increasing the number of bumiputra entrepreneurs were obtained from both the bumiputra entrepreneurs and the bumiputra officials interviewed in this study. The suggestions which were recorded on taperecorders were in response to an open-ended question which involved a discussion between the author and the subjects. Because the suggestions were not previously prepared and presented to the interviewees, certain suggestions were not available to either of the groups to be compared, as shown in Figure 7.3. The suggestions were coded and generally fell into 10 different aspects:

- A. increased and better access to capital;
- B. increased management training and guidance;
- C. increased and better access to strategic and cheaper premises;
- D. better access to supplies;
- E. change in officers' attitudes;
- F. a change in bumiputra business attitudes;
- G. an increase in the supply of skilled labour;
- H. better market assistance;
- I. better quality of advisory officers;
- J. better co-ordination of government programmes.

Figure 7.3

Comparison of Suggestions for Increasing the Number of Bumiputra Entrepreneurs
between Bumiputra Officials and Bumiputra Entrepreneurs



LEGEND:

- A. increased and better access to capital
- B. increased management training and guidance
- C. increased and better access to strategic and cheaper premises
- D. better access to supplies
- E. a change in officers' attitudes

- F. a change in bumiputra business attitudes
- G. an increase in the supply of skilled labour
- H. better market assistance
- I. better quality of advisory officers
- J. better co-ordination of government programmes
- NS. not suggested

Although the percentages of cases in each of the above items vary, most items matched except for items G, I and J. As shown in Figure 7.3, there were noticeable differences between the frequencies suggested in items A, C, D, F, G, H, I and J. The results show that both entrepreneurs and officials tended to agree on the need to increase the areas of management training and guidance. Although no specific suggestions were made, comments from both the officials and the entrepreneurs (quoted earlier) indicate that both the quantity and quality of advisory services leave much to be desired. Dr. Mahathir Mohamad in a headline in one of the Malay newspapers said:

The government is prepared to bring in overseas experts to advise bumiputra businesses. The government realized that licensing, premises or capital aren't among the bigger problems faced by the bumiputra businesses but managerial expertise. (Utusan Malaysia, 17/8/81, p.1)

Consistent with the above, Datuk Samy Vellu, Malaysia's Minister of Works and Utilities announced the following which was reported in the New Sunday Times of 7th March, 1982, p.7:

This year alone, the Ministry has been allocated \$620,000 specially for courses for Bumiputra contractors as the Government realizes that the root problem among these contractors is the lack of knowhow and half-hearted attitudes.

Figure 7.3 also shows that there were more cases among the officials who wanted to see a change in the officers' attitudes (26%) compared to the 23% of cases among entrepreneurs. Although the percentage of cases was comparable, it is significant that

the officials themselves pointed out their own weaknesses.

Although capital was identified as the number one problem by both entrepreneurs and officials, the two groups did not seem to agree on the remedies required. This can be seen from Figure 7.3 where there were only 16% of cases among officials who suggested an increase and better access to capital compared to 72% by entrepreneurs. As was discussed earlier, the officials insisted that poor capital management rather than its access contributed to the real problems, a view not necessarily shared by the entrepreneurs themselves.

The officials also realized that better access to strategic and cheaper premises was necessary, but only 12% of the cases were suggested by the officials compared to 24% suggested by the entrepreneurs. Apparently there was a shortage of good business premises that were suited to the size of bumiputra businesses. In this respect, the New Straits Times of 17th December, 1982 carried the following news item entitled Shops for bumis: Issue hots up:

Kuala Lumpur, Thurs-
Umno Youth today expressed regret over the lack of opportunities for Malays to open shops in shopping complexes, particularly at the new Kota Raya Complex here.

The movement's vice-president, Datuk Najib Tun Abdul Razak, said that where bumiputras had been given opportunity to carry out business at complexes, their number was generally small.

Datuk Najib who is also Umno Youth economic bureau chairman said that usually bumiputras who did business at such complexes were given places 'in some corner' and not at strategic areas.

Datuk Najib said Umno Youth wanted to know whether the lack of bumiputra participation at the complex was due to their not being able to afford the rent or because there was no real desire among the owners to give opportunities to bumiputra businessmen ...

It is also significant that a high percentage of the officials (81%) also wanted to see a change in bumiputra business attitudes compared to only 14% of the entrepreneurs who offered a similar suggestion. Poor bumiputra business attitudes were likely to be related to their use of money, passive marketing, or simply poor motivation. However, referring to bumiputra attitudes in business, Tengku Razaleigh Hamzah, Malaysia's Minister of Finance, made the following remarks which were reported in a Malaysian daily, Berita Minggu, 15th November, 1981:

The New Economic Policy may not achieve its objectives if the bumiputras continue to be complacent and negligent, and harbour ill feelings over other people ...

Bumiputra entrepreneurs do not try to seize business opportunities created by the government at the national and international levels, in shipping or in related activities.

Bumiputra retailers show little interest in trading electrical appliances or photographic equipment even though the government has reduced those taxes. Bumiputra weakness is also due to their dependence on government assistance instead of standing on their own feet ...

As far as complacency and dependence on the government are concerned the Minister could have been right about the bumiputras. However it is questionable whether the bumiputras have the expertise to go into areas which require a high level of skills such as shipping, electrical appliances, or photographic equipment as suggested by the Minister. It is doubtful if changes in attitudes alone were the answer to the current lack of bumiputra participation

in business and industry, without equipping them with the necessary skills required by certain specialized industries. Perhaps it is due to this misconception that the officials in this study failed to emphasize or suggest the need for an increase in the supply of skilled labour as one way of increasing the supply of bumiputra entrepreneurs.

Figure 7.3 shows that only 12% of the entrepreneurs wanted to see an increase in the supply of skilled labour, but none of the officials made any mention. This was quite surprising because the officials ought to be monitoring the demand for skilled labour especially in the construction, manufacturing and service industries. A good supply of skilled labour may help prevent the high level of labour turnover, but more importantly help safeguard the quality of the services and products originating from bumiputra businesses. It will lend them credibility and help overcome prejudice. It will also prepare the bumiputras for entry into new areas of business and industry. A sufficient supply of skilled labour would force the potential bumiputra entrepreneurs to gain sufficient experience instead of rushing into a business venture.

The list of suggestions in Figure 7.3 also shows that almost twice as many officials (21%) wanted to see a better marketing assistance for the bumiputras compared to 11% of the entrepreneurs. This tends to confirm the officials' view that the bumiputra entrepreneurs were quite happy to maintain a narrow market at the subsistence level. The narrow approach towards marketing adopted by bumiputra entrepreneurs has been the subject of a paper presented recently by Dr. Ismail Rejab, from the National University

of Malaysia at a bumiputra business convention in Kuala Lumpur.

He said:

Most bumiputra entrepreneurs relied on Malay nationalism to sympathize with their products. Such marketing strategies are not effective and cannot ensure their abilities to compete in the open market. (quoted in Utusan Malaysia, 22nd November 1982, p.1)

Dr. Ismail added that the above, coupled with the marketing systems in Malaysia, made the situation for the bumiputras a lot worse.

He urged the relevant authorities concerned with the New Economic Policy to give attention to the two problems he identified because the prevailing conditions could affect bumiputra success in business.

It is also significant that none of the entrepreneurs made any suggestions regarding the quality of advisory officers attached to government departments and agencies. Although the percentage of officials who did so was small (9% of the cases), their criticisms regarding the quality of advisory officers were well expressed (as quoted at length earlier). Similarly, 47% of the officials wanted to see better co-ordination of government programmes, but none of the entrepreneurs. The officials through their suggestions displayed very clearly their awareness regarding weaknesses in the present delivery system of entrepreneurial and related issues in Malaysia, which according to one of them "lack a concerted and total approach, requiring an articulated implementation programme, which is still absent". When probed as to how confident he was about the present system of delivering a larger pool of bumiputra entrepreneurs, one senior government servant replied:

The present system as it is can produce only those who are very keen to become businessmen. In fact there is no ideal environment for businessmen to spring up. Under current adverse conditions we see good ones emerging but bad ones are falling like ten pins causing a lot of alarm. The rate of success is less than what we expect. We can hope to produce 30-40% good ones out of which 30-40% will drop out due to insufficient supervision and advice ...

Today the Malays treat business as an occupation, a quick way of getting rich and not a way of life. Hence this is an institutional drawback on the Malays. Instead of 'makan gaji' (earning a salary) 'dia jadi peniaga' (they became businessmen) - merely another occupation.

Finally, in much the same vein, a Malay bank officer in the interview said:

It is time to look at the whole system and improve its effectiveness. What is currently available can hope to assist 'half way'. Institutional set-up is sufficient but the impact is not up to expectations. The main stumbling blocks are 'ourselves' (such as our sheltered lives, our inabilities to accept changes, and our attitudes) and 'competition'.

Generally the results regarding suggestions for increasing the number of bumiputra entrepreneurs show that there were some differences of opinion between entrepreneurs and officials regarding the necessary course of action. Referring back to Figure 7.3, in the views of the officials the first five priorities in order of importance were as follows:

- a) a change in bumiputra business attitudes;
- b) increased management training and guidance;
- c) better quality of advisory officers;
- d) a change in officers' attitudes;
- e) better market assistance.

On the other hand, the bumiputra entrepreneurs wanted to see the following:

- a) increased and better access to capital;
- b) increased management training and guidance;
- c) increased and better access to strategic and cheaper premises;
- d) better access to supplies;
- e) a change in the officers' attitudes.

The issue here is not that one is wrong or the other is right, but more importantly that a blueprint for increasing the number of bumiputra entrepreneurs must consider all the relevant aspects so that they complement one another. In the opinion of this author, the findings so far presented in this thesis point to the personal inadequacies of bumiputra entrepreneurs as well as to what Glade (1967) calls the lack of opportunity structure that surrounds them, including such factors as the financial institutions, market systems, advisory services and even the economic and political climate, which appear to resist bumiputra newcomers in business and industry.

The second part of this chapter examines the results of the quantitative analysis attempted on selected aspects of this research.

Part Two: Results of The Quantitative Analysis

The quantitative analysis of the data obtained in BERQ-one (i.e. the questionnaire used to interview the entrepreneurs) and BERQ-two (i.e. the questionnaire used to interview the Malay officials) was undertaken to supplement some of the qualitative results which have been presented in Part One of this chapter, and to explore certain trends associated with selected variables in this study. Although the results of the quantitative analysis are able to shed some light on bumiputra entrepreneurship, they were not designed to test any specific hypothesis.

As a reminder the following scales have been constructed and used in the analysis:

- a) business-record scale;
- b) business-problem scale;
- c) training-need scale;
- d) officials'-attitude scale;
- e) officials'-problem scale.

Where the Chi-square statistics are used, the corrected chi-square values are reported in cases where the expected (E) frequency of observation in the cells on a 2 x 2 contingency table was less than 10, following Mc Nemar (1955 : 230-231) :

The use of χ^2 when any one E is less than 5 is questionable for four-fold contingency table, an allowance for discontinuity can be made by applying Yates correction for continuity, which should always be used when any one E is less than 5, and is advisable when an E is less than 10.

7.6 Results of the Statistical Analysis Between Selected Independent Variables and the 'Business-Record Scale', 'Business-Problem Scale' and 'Training-Need Scale' in BERQ-one

The median scores obtained by selected independent and dependent variables on each of the scales - 'business-record', 'business-problem' and 'training-need' - are shown in Table 7.38.

Those statistical tests on the scales that reached the criterion level of $p \leq 0.02$ on the Mann-Whitney U tests are reproduced in Table 7.39. Apart from the variables shown in 7.39 there were no significant differences between all the other variables shown in Table 7.38. In particular Table 7.38 shows the following:

- a) There were no significant differences between urban and rural entrepreneurs with regard to business problems;
- b) There were no significant differences between entrepreneurs who had only primary schooling and those who had secondary schooling with regard to record keeping;
- c) There were no significant differences between entrepreneurs who fathers were in business and those who fathers were on salaries regarding record keeping or business problems;
- d) There were no significant differences between entrepreneurs whose previous occupation was with the government and those who were in the private sector, regarding record keeping or business problems;

Table 7.38

Bumiputra Entrepreneurs: Median Scores Obtained by Selected Independent Variables on the 'Record', 'Problem' and 'Training-Need' Scales in BERQ-one

| Variable Names in pairs of 1 and 2 | | Business- Record Scale | Business- Problem Scale | Training- Need Scale |
|---------------------------------------|-----------------------------|------------------------------|-------------------------------|----------------------------|
| | | Median Scores | | |
| 1 | Urban entrepreneurs | 4.8* | 3.5 | 11.9 |
| 2 | Rural entrepreneurs | 3.2* | 3.0 | 11.4 |
| 1 | Sole proprietorships | 3.7* | 3.2* | 11.6 |
| 2 | Partnerships | 6.3* | 4.3* | 10.5 |
| 1 | Members of bus. assoc. | 5.6* | 2.6* | 12.0 |
| 2 | Non-members of bus. assoc. | 3.5* | 2.6* | 11.3 |
| 1 | Primary schooling | 3.6 | 2.6* | 11.3 |
| 2 | Secondary schooling | 4.9 | 4.2* | 12.6 |
| 1 | Father in business | 3.9 | 3.3 | 11.6 |
| 2 | Father on salary | 4.2 | 3.4 | 11.6 |
| 1 | Previous occupation - govt. | 4.4 | 3.0 | 10.8 |
| 2 | Previous occupation - pte. | 3.8 | 3.4 | 11.8 |
| 1 | Received advice | 4.4 | 3.6 | 11.9 |
| 2 | Did not receive advice | 3.7 | 2.5 | 11.3 |
| 1 | Had business training | 5.3* | 3.8 | 13.0 |
| 2 | No business training | 3.3* | 2.9 | 13.4 |
| 1 | Experienced most growth | 4.5 | 3.5 | 11.4 |
| 2 | Experienced moderate growth | 3.3 | 4.0 | 12.8 |
| 1 | Experienced moderate growth | 3.3 | 4.0 | 12.8 |
| 2 | Experienced least growth | 3.9 | 3.2 | 11.8 |
| 1 | Experienced most growth | 4.5 | 3.5 | 11.4 |
| 2 | Experienced least growth | 3.9 | 3.2 | 11.8 |
| 1 | Retail | 3.5 | 3.2 | 12.6 |
| 2 | Service | 3.9 | 2.8 | 11.8 |
| 1 | Retail | 3.5 | 3.2 | 12.6 |
| 2 | Construction | 5.5 | 4.3 | 10.8 |
| 1 | Retail | 3.5 | 3.2 | 12.6 |
| 2 | Manufacturing | 3.8 | 3.6 | 11.8 |
| 1 | Service | 3.9 | 2.8 | 12.0 |
| 2 | Construction | 3.5 | 4.3 | 10.8 |

Table 7.38 (contd.)

Bumiputra Entrepreneurs: Median Scores Obtained by Selected Independent Variables on the 'Record', 'Problem' and 'Training-Need' Scales in BERQ-one

| Variable Names in pairs of 1 and 2 | | Business- Record Scale | Business- Problem Scale | Training- Need Scale |
|---------------------------------------|---------------|------------------------------|-------------------------------|----------------------------|
| | | Median Scores | | |
| 1 | Service | 3.9 | 2.8 | 12.0 |
| 2 | Manufacturing | 3.8 | 3.6 | 11.8 |
| 1 | Construction | 5.5 | 4.3 | 10.8 |
| 2 | Manufacturing | 3.8 | 3.6 | 11.8 |

*Significant at $p \leq 0.02$ (2 tailed) on the Mann-Whitney U test.

- e) There were no significant differences between entrepreneurs who received business advice and those who did not, regarding record keeping or business problems;
- f) There were no significant differences between entrepreneurs who had business training and those who did not, regarding business problems;
- g) There were no significant differences between entrepreneurs who experienced most business growth and those with moderate growth, regarding record keeping or business problems;
- h) There were no significant differences between entrepreneurs who experienced moderate business growth and those with the least growth, regarding record keeping or business problems;

- i) There were no significant differences between entrepreneurs who experienced most business growth and those with the least growth, regarding record keeping or business problems.

In addition to the above, Table 7.38 also shows there were no significant differences between all the variables listed regarding 'training needs', and between industries - retail, service, construction, manufacturing - regarding record keeping, business problems and 'training needs'. These results suggest that there were no differences between the industries not only in terms of their responses to the training needs, but also in terms of their business practices or their business problems. In fact the results of the quantitative analysis confirm the same trend discussed in Part One regarding the absence of differences between industries concerning business practices, business problems, and training needs.

It is also significant to note that the results in Table 7.38 failed to show any significant relationship between any of the 'business growth' variables on record keeping, suggesting that there might be other non-technical factors which affect business growth. The author's subsequent analysis between independent variables such as entrepreneurs motivated by 'independence' and those motivated by 'income' or 'work opportunity', and any of the 'growth' variables, also failed to show any significant differences. These subsequent results also coincide with those reported by Storey (1982) who found that entrepreneurs forced into entrepreneurship were no less successful than those who

voluntarily chose business as a career. However, as far as the bumiputra entrepreneurs in the present study were concerned, it is this author's opinion (as suggested in Part One of this chapter) that the growth experienced mainly by entrepreneurs in the construction industry might have been due to the construction boom during the post-NEP (New Economic Policy) period. This was much more likely, as most of the contractors in the construction industry relied on captive markets such as government contracts. These were more certain compared, for example, to the retail industry which had to rely on the open market.

Apart from the results stated in the above the following can be said based on the results presented in Tables 7.38 and 7.39:

- a) urban entrepreneurs kept better records than rural entrepreneurs;
- b) entrepreneurs in partnership kept better records than entrepreneurs who were sole proprietors, but they also had more problems;
- c) entrepreneurs who were members of business associations kept better records than those who were non-members;
- d) entrepreneurs who had secondary schooling had more problems than those who had only primary education;
- e) entrepreneurs who had business training kept better records than those without.

Following the results shown in Table 7.39, analysis of the items comprising each of the scales was administered to determine which

Table 7.39

Bumiputra Entrepreneurs: Mann-Whitney U test Results* Between Selected Independent Variables on the 'Business-Record' and 'Business-Problem' Scales in BERQ-one

| Independent Variables | | Dependent Variables | | | | | |
|-----------------------|---|-----------------------|----------|--------------|------------------------|--------|--------------|
| | | Business-Record Scale | | | Business-Problem Scale | | |
| | | U | Z | P (2-tailed) | U | Z | P (2 tailed) |
| 1 | Urban entrepreneurs vs 2 Rural entrepreneurs | 440.5 | -2.1787 | 0.02 | | | |
| 1 | Sole proprietorships vs 2 Partnerships | 66.5 | -3.1233 | 0.00 | 387.0 | -3.421 | 0.00 |
| 1 | Members of business association vs 2 Non-members of business association | 434.0 | -2.5013 | 0.01 | | | |
| 1 | Entrepreneurs with secondary schooling vs 2 Entrepreneurs with only primary schooling | | | | 482.5 | -2.232 | 0.02 |
| 1 | Entrepreneurs with business training vs 2 Entrepreneurs without business training | 396.0 | -0.29924 | 0.00 | | | |

*Only those that reached the criterion level of $p < 0.02$ (2-tailed) are listed.

of the items might have contributed to the significant differences between the groups classified as independent variables in Table 7.39. The results of the item analysis using the chi-square statistic comprising those that reached the criterion level of ≤ 0.05 are shown in Table 7.40. Based on Table 7.40, the following may now be said regarding bumiputra entrepreneurs in the present study.

7.6.1 Urban Entrepreneurs and Rural Entrepreneurs

- a) There was a slight but significant relationship between urban entrepreneurs and the keeping of income records compared with rural entrepreneurs.
- b) There was a slight but significant relationship between urban entrepreneurs and the keeping of expenditure records compared with rural entrepreneurs.
- c) There was a slight but significant relationship between urban entrepreneurs and the keeping of travel records compared with rural entrepreneurs.
- d) There was a slight but significant relationship between urban entrepreneurs and the preparation of profit and loss accounts compared with rural entrepreneurs.

7.6.2 Entrepreneurs in Sole Proprietorship and Those in Partnership

- a) There was a slight but significant relationship between entrepreneurs in partnership and the keeping of travel records compared with entrepreneurs in sole proprietorships.

Table 7.40

Bumiputra Entrepreneurs: Results** of the Item Analysis on 'Business-Record' and 'Business-Problem'

Scales in BERQ-one

| Independent Variables | Dependent Variables | Chi Square with 1 ^o of freedom | P | Phi correlation |
|---|----------------------------------|---|------|-----------------|
| Urban entrepreneurs vs Rural entrepreneurs | Items in business record scale: | | | |
| | record income | 7.17 | 0.00 | 0.28 |
| | record expenditure | 4.86 | 0.03 | 0.23 |
| | record travels | 7.96 | 0.00 | 0.29 |
| | prepare profit and loss a/c | 4.09 | 0.04 | 0.21 |
| Sole proprietorship vs Partnership | Items in business record scale: | | | |
| | record travels | 4.85* | 0.03 | 0.28 |
| | prepare profit and loss a/c | 6.40* | 0.01 | 0.31 |
| | prepare balance sheets | 19.71* | 0.00 | 0.53 |
| | Items in business problem scale: | | | |
| | problem govt. agency | 10.59* | 0.00 | 0.42 |
| Members of business association vs. Non-members of business association | Items in business record scale: | | | |
| | record travels | 6.36 | 0.02 | 0.26 |
| | prepare profit and loss a/c | 14.81 | 0.00 | 0.40 |
| | Items in business problem scale: | | | |
| | bureaucratic delays | 11.80 | 0.00 | 0.36 |
| | access to capital | 10.48 | 0.00 | 0.34 |
| | prejudice | 3.33* | 0.06 | 0.22 |
| long-term loan | 4.69* | 0.03 | 0.26 | |

Table 7.40 (contd.)

Bumiputra Entrepreneurs: Results** of the Item Analysis on 'Business-Record' and 'Business-Problem'

Scales in BERQ-one

| Independent Variables | Dependent Variables | Chi Square with 1 ^o of freedom | P | Phi correlation |
|--|----------------------------------|---|------|-----------------|
| Entrepreneurs with secondary schooling vs Entrepreneurs with primary schooling | Items in business record scale: | | | |
| | record expenditure | 4.16 | 0.04 | 0.21 |
| | record debts | 4.09 | 0.04 | 0.21 |
| | record travels | 4.09 | 0.04 | 0.21 |
| | Items in business problem scale: | | | |
| long-term loan | 4.86 | 0.02 | 0.27 | |
| Entrepreneurs with business training vs Entrepreneurs without bus. training | Items in business record scale: | | | |
| | record income | 7.49 | 0.00 | 0.29 |
| | record expenditure | 5.58 | 0.02 | 0.25 |
| | record travels | 7.39 | 0.00 | 0.28 |
| | prepare profit & loss a/c | 12.45 | 0.00 | 0.32 |

*Where E was less than 10, the corrected Chi square value is reported.

**Only those that reached the criterion level of $p \leq 0.05$ are reported.

- b) There was a slight but significant relationship between entrepreneurs in partnerships and the preparation of profit and loss accounts compared with entrepreneurs in sole proprietorships.
- c) There was a strong and significant relationship between entrepreneurs in partnerships and the preparation of balance sheets compared with entrepreneurs in sole proprietorships.
- d) There was a strong and significant relationship between entrepreneurs in partnerships and problems associated with competition with government agencies compared with entrepreneurs in sole proprietorships.

7.6.3 Entrepreneurs who were Members of Business Associations and who were Non-Members of Business Associations

- a) There was a slight but significant relationship between entrepreneurs who were members of business associations and the keeping of travel records compared with non-members.
- b) There was a strong and significant relationship between entrepreneurs who were members of business associations and the preparation of profit and loss accounts compared with non-members.
- c) There was a moderate and significant relationship between entrepreneurs who were members of business associations and the problems associated with bureaucratic delays compared with non-members.

- d) There was a moderate and significant relationship between entrepreneurs who were members of business associations and difficulty regarding access to capital compared with non-members.
- e) There was a slight and insignificant relationship ($p = 0.06$) between entrepreneurs who were members of business associations and problems regarding prejudice compared with non-members.
- f) There was a slight but significant relationship between entrepreneurs who were members of business associations and the problem regarding long-term loans compared with non-members.

7.6.4 Entrepreneurs who had only Primary Schooling and those who had Secondary Schooling

- a) There was a slight but significant relationship between entrepreneurs with secondary schooling and the keeping of expenditure records compared with those who had only primary schooling.
- b) There was a slight but significant relationship between entrepreneurs with secondary schooling and the keeping of debt records compared with those who had only primary schooling.
- c) There was a slight but significant relationship between entrepreneurs with secondary schooling and the keeping of travel records compared with those who had only primary schooling.

- d) There was a slight but significant relationship between entrepreneurs with secondary schooling and problems regarding long-term loans compared with those who had only primary schooling.

7.6.5 Entrepreneurs with Business Training and without Business Training

- a) There was a slight but significant relationship between entrepreneurs who had business training and the keeping of income records compared with those without.
- b) There was a slight but significant relationship between entrepreneurs who had business training and the keeping of expenditure records compared with those without.
- c) There was a slight but significant relationship between entrepreneurs who had business training and the keeping of travel records compared with those without.
- d) There was a moderate relationship between entrepreneurs who had business training and preparation of profit and loss accounts compared with those without.

The results of the item analysis in Table 7.40 helped identify the exact nature of the problems mentioned by the respective groups of entrepreneurs. For example, the item analysis given in Table 7.40 shows that non-members of business associations faced specific problems with regard to bureaucratic delays, access to capital, prejudice, and long-term loans rather than all the problems which comprised the scale.

The results of the item analysis shown in Table 7.40 also demonstrate

that the entrepreneurs were inconsistent in keeping business records. For example, at any one time no more than four out of ten items on the business record scale came out significant in the statistical test administered. The implications are more serious since the item analysis in Table 7.40 shows that inconsistencies in record keeping were found among entrepreneurs who had some kind of business training. In this respect, the results could mean either that the business training which they received was not effective as far as the keeping of business records was concerned, or that the entrepreneurs failed to realize the importance of keeping business records; the latter reason may be further interpreted as a reflection of their general attitude towards business.

Generally, the results of the quantitative analysis between selected independent variables and each of the constructed scales failed to show any significant differences between them. However, the results gave some indication that general exposure such as urbanization, membership of business organizations, and business training were related to the keeping of business records. At the same time, exposures such as those mentioned have led to more business problems, which could perhaps be explained in terms of greater awareness regarding the rights expected by the entrepreneurs. The finding that schooling levels were not significantly related to record keeping, in part, appears to be consistent with those reported by Abdul Aziz Mahmud (1977) regarding the relationship between education and business performance.

7.7 Results of the Statistical Analysis between selected Independent Variables in BERQ-one

In addition to the analysis between selected independent variables and each of the scales shown in Table 7.38, analysis between selected independent variables was undertaken. The independent variables selected for analysis between each other are shown earlier in Table 6.1. Except for the results described below, most of the analysis between independent variables failed to reach the criterion level of $p \leq 0.05$. However details of those that reached the criterion level are shown in the accompanying 2 x 2 contingency tables. The tables show expected frequencies in brackets, observed frequencies outside brackets, the χ^2 value, and the Phi measure of correlation. The following may now be said regarding the relationships between some of the independent variables.

- a) There was a strong and significant relationship between entrepreneurs who were members of business associations and business training compared with those who were non-members.

| | members | non-members |
|------------------|--------------|--------------|
| with training | 30 (19.2) | 13 (23.8) |
| without training | 11 (21.8) | 38 (27.2) |

$\chi^2 = 20.76,$ $P = 0.05,$ $\text{Phi} = 0.47$

- b) There was a slight but significant relationship between entrepreneurs with secondary schooling and business training compared with those who had only primary schooling.

| | Primary Schooling | Secondary Schooling |
|------------------|----------------------|------------------------|
| with training | 21 (26.6) | 22 (16.1) |
| without training | 36 (26.1) | 13 (18.6) |

$$\chi^2 = 5.90, P = 0.05, \text{Phi} = 0.25$$

- c) There was a slight but significant relationship between entrepreneurs who had business training and independence as their business objective, compared with those without training who had income as their main objective.

| | Income as business objective | Independence as business objective |
|------------------|------------------------------------|--|
| with training | 16 (20.8) | 18 (13.2) |
| without training | 25 (20.2) | 8 (12.8) |

$$\chi^2 = 5.81, P = 0.05, \text{Phi} = 0.29$$

- d) There was a moderate and significant relationship between entrepreneurs who had business training and advice compared with those without training and advice.

| | Received advice | Did not receive advice |
|------------------|--------------------|---------------------------|
| with training | 33 (25.7) | 10 (17.3) |
| without training | 22 (29.3) | 27 (19.7) |

$$\chi^2 = 9.66, P = 0.05, \text{Phi} = 0.32$$

To restate, the results just presented in the above suggest the following:

- a) Entrepreneurs who were members of business associations had better access to business training;
- b) Entrepreneurs who had better education also had more business training;
- c) Entrepreneurs who had business training tended to seek business advice;
- d) Entrepreneurs who had business training were motivated by 'independence' rather than 'income' as a basis for being in business.

7.7.1 Results of the Statistical Analysis between Selected

Independent Variables and Categories of 'Business Growth'

The statistical analysis between selected independent variables in BERQ-one also failed to show any significant relationship between each of the selected variables with any of the 'growth' categories. In particular, apart from the failure to obtain any significant relationship between 'business growth' and 'record keeping' (Table 7.38) or between 'business growth' and types of business motivation, discussed previously, the results of the present analysis between independent variables (in Table 6.1) show no significant relationship between the following variables:

- a) 'growth' and business location classified as urban or rural;
- b) 'growth' and types of business ownerships such as sole proprietorships or partnerships;
- c) 'growth' and membership of business associations;
- d) 'growth' and levels of schooling;
- e) 'growth' and parental source of income;
- f) 'growth' and previous occupation such as being in the government service or being in the private sector;
- g) 'growth' and 'business advice';
- h) 'growth' and 'business training'.

Even accepting that the growth index used in this study had its limitations, it is quite notable that 'record keeping' and 'business training' were not related to any of the business growth categories. The results in 'record keeping' and 'business training' just mentioned suggest that perhaps technical skills alone were insufficient conditions for effective entrepreneurship. In fact Lea et al. (1974), in a study regarding efficiency and growth in the building industry in Britain, reported that those firms which experienced growth seemed to have violated most of what can be considered as proper business practice. In view of the present findings, one has equally to consider the importance of non-technical factors, particularly the personality factors such as those reported by McClelland (1958, 1961) and improved by, for example, Love et al. (1977) and Timmons et al. (1977).

7.8 Results of the Statistical Analysis in BERQ-two - Data obtained from Officials

Analysis of the data in BERQ-two was mainly concerned with the relationship between different classification of officials as independent variables and the 'official-attitude' and the 'official-problem' scales as dependent variables shown earlier in Table 6.2. The results regarding the median scores obtained by each of the independent variables identified in BERQ-two on each of the scales are shown in Table 7.41. The results of the Mann-Whitney-U test did not show any significant differences between officials on the 'attitude-scale' used

to judge bumiputra abilities in business. The results of the statistical test are quite consistent with the qualitative results presented earlier, where the officials were found to judge bumiputra business abilities fairly low, even though the officials not only belonged to different departments or government agencies, but also held different responsibilities such as trainers, bankers and advisers.

Table 7.41

Bumiputra Entrepreneurs: Median Scores Obtained by Independent Variables on the 'Official-Attitude' and 'Official-Problem' Scales in BERQ-two

| Independent Variables in pairs of 1 and 2 | | Dependent Variables | |
|--|------------------------------------|-----------------------------|----------------------------|
| | | Official- Attitude Scale | Official- Problem Scale |
| | | Median Scores | |
| 1 | MARA officers | 2.0 | 6.0 |
| 2 | Other officers | 2.4 | 7.5 |
| 1 | State officers | 2.2 | 6.0* |
| 2 | Federal officers | 2.2 | 8.0* |
| 1 | Junior officers | 2.4 | 6.5 |
| 2 | Senior officers | 1.9 | 7.6 |
| 1 | Officers in the private sector | 2.3 | 6.5 |
| 2 | Officers in the government service | 1.5 | 7.7 |
| 1 | Officers who are trainers | 2.2 | 6.3 |
| 2 | Officers who are non-trainers | 2.1 | 8.0 |

*Significant at $p < 0.02$ (2-tailed)

Analysis of the data regarding 'official-problem scale' in BERQ-two, however, found a significant difference (at $p = 0.01$) between the perception of officials at the state and federal

levels. The results of the Mann-Whitney-U test on the 'official-problem scale' are shown in Table 7.42.

Table 7.42

Bumiputra Entrepreneurs: Results* of the Mann-Whitney-U Test between Selected Independent Variables on the 'Official-Problem' Scale

| Independent Variables | Dependent Variables | | |
|---|------------------------|---------|--------------|
| | Official-Problem Scale | | |
| | U | Z | P (2-tailed) |
| Officials at state vs Officials at federal level | 83.0 | -2.4708 | 0.01 |

*Reports only those results that reach the criterion level of $p \leq 0.02$ (2-tailed)

Further analysis of the items in the 'official-problem' scale show that there were significant differences only with regard to the item on monopoly. As shown in the 2 x 2 contingency table below, there was a substantial and significant difference between federal officials and their perception of the problem of monopoly compared with those at the state levels. This

| | No problem on monopoly | Problem monopoly |
|-------------------------------|---------------------------|---------------------|
| Officials at state level | 10* (6.4)** | 17 (20.6) |
| Officials at federal level | 0 (3.6) | 15 (11.4) |

$\chi^2 = 5.39, P = 0.05, \text{Phi} = 0.42$

* observed values outside brackets

** expected values inside brackets

discrepancy may be explained by the fact that entrepreneurs in the state of Kelantan could turn to neighbouring Thailand when faced with shortages in a number of commercial items, thus breaking certain monopolies within the state. This type of alternative was not possible in most other Malaysian states that did not share a common border with Thailand.

In view of the above, the results in BERQ-two generally show that the officials were fairly unanimous in their views regarding the abilities of small bumiputra businesses or their problems.

7.9 Results of the Statistical Comparison between

Bumiputra Business Problems Perceived by Entrepreneurs and Officials

By recoding problems perceived as big or medium as 'problem' and recoding problems perceived as small or no problem as 'not a problem' (as for Table 7.34 earlier) the author analyzed the responses made by the entrepreneurs with those made by the officials. The following report the results, illustrated by the relevant 2 x 2 contingency tables. The chi-square value and the level of significance are also shown together with the phi correlation coefficient. The figures in brackets refer to expected values, and those outside refer to observed values.

7.9.1 Problem on Laws and Regulations

There was no significant difference between entrepreneurs and officials regarding their perceptions on problems associated with laws and regulations.

| | No problems on laws and regulations | Problems on laws and regulations |
|---------------|-------------------------------------|----------------------------------|
| Entrepreneurs | 72 (70.3) | 20 (21.6) |
| Officials | 32 (33.6) | 12 (10.4) |

$\chi^2 = 0.49, P = 0.5, \text{Phi} = 0.06$

7.9.2 Problems on Bureaucratic Delays

There was a slight but significant relationship between the perception of officials regarding bureaucratic delays compared with the entrepreneurs.

| | No bureaucratic problems | Bureaucratic problems |
|---------------|--------------------------|-----------------------|
| Entrepreneurs | 54 (46.7) | 38 (45.3) |
| Officials | 15 (22.3) | 29 (21.7) |

$\chi^2 = 6.26, P = 0.05, \text{Phi} = 0.21$

7.9.3 Problems on Monopoly

There was a substantial and significant relationship between the perception of officials regarding the problem of monopoly compared with the entrepreneurs.

| | No monopoly problems | Monopoly problems |
|---------------|----------------------|-------------------|
| Entrepreneurs | 74 (60.9) | 17 (30.1) |
| Officials | 15 (60.9) | 27 (13.9) |

$\chi^2 = 24.98,$ $P = 0.05,$ $\Phi = 0.43$

7.9.4 Problems on Political Interference

There was a moderate and significant relationship between the perception of officials regarding political problems compared with the entrepreneurs.

| | No political problems | Political problems |
|---------------|-----------------------|--------------------|
| Entrepreneurs | 84 (74.3) | 8 (17.7) |
| Officials | 25 (34.7) | 18 (8.3) |

$\chi^2 = 18.65,$ $P = 0.05,$ $\Phi = 0.37$

7.9.5 Problems on Business Consultation

There was a slight but no significant difference between the perception of officials regarding the problem of business consultation compared with the entrepreneurs.

| | No consultation problems | Consultation problems |
|---------------|--------------------------|-----------------------|
| Entrepreneurs | 50 (45.5) | 41 (45.5) |
| Officials | 17 (21.5) | 26 (21.5) |

$$\chi^2 = 2.68, P = 0.1, \text{Phi} = 0.14$$

7.9.6 Problems on Prejudice

There was a moderate and significant relationship between the perception of officials regarding the problems of prejudice compared with the entrepreneurs.

| | No prejudice problems | Prejudice problems |
|---------------|-----------------------|--------------------|
| Entrepreneurs | 72 (59.7) | 20 (32.3) |
| Officials | 15 (27.3) | 27 (14.7) |

$$\chi^2 = 20.43, P = 0.05, \text{Phi} = 0.38$$

7.9.7 Problems on Corruption

There was a slight but significant relationship between the perception of officials regarding the problem of corruption compared with the entrepreneurs.

| | No corruption problems | Corruption problems |
|---------------|------------------------|---------------------|
| Entrepreneurs | 74 (66.9) | 18 (25.1) |
| Officials | 22 (29.1) | 18 (10.9) |

$$\chi^2 = 7.87, P = 0.05, \text{Phi} = 0.24$$

7.9.8 Problems on Capital

There was a substantial and significant relationship between the perception of officials regarding the problem of capital compared with the entrepreneurs.

| | No capital problems | Capital problems |
|---------------|---------------------|------------------|
| Entrepreneurs | 47 (34.0) | 44 (57.0) |
| Officials | 3 (16.0) | 40 (27.0) |

$$\chi^2 = 24.75, P = 0.05, \text{Phi} = 0.43$$

7.9.9 Problems on Supply

There was a moderate and significant relationship between the perception of officials regarding the problem of supplies compared with the entrepreneurs.

| | No supply problems | Supply problems |
|---------------|--------------------|-----------------|
| Entrepreneurs | 53 (42.8) | 38 (48.2) |
| Officials | 10 (20.2) | 33 (22.8) |

$$\chi^2 = 12.56, P = 0.05, \text{Phi} = 0.31$$

The results of the statistical analysis in the above again demonstrate that the officials were more aware of the problems faced by the bumiputras than the bumiputra entrepreneurs themselves. The only exceptions were problems regarding 'laws and regulations' and 'business consultations' where both the officials and the entrepreneurs seem to be equally aware of the size of existing problems. These results confirmed and reinforced the comments made earlier by the author during the qualitative presentation of the results in Part One of this chapter, and reported as well by the MCDS (1976).

Although, as has been previously mentioned, the results of the quantitative analysis presented in Part Two of this chapter were not intended to prove any particular theory or hypothesis, they have helped to confirm most of what has been presented as qualitative findings in Part One. In addition to that they have also indicated certain trends associated with bumiputra entrepreneurship

in this study, which could not be clearly identified much earlier. Specifically, the quantitative analysis of the data in BERQ-one and BERQ-two demonstrate the following:

- a) There were no significant differences between all the four industries - construction, retail, manufacturing, services - with respect to training needs, business problems, and the keeping of business records. The analysis showed they all had problems, wanted business training, and were poor at keeping business records.
- b) Although the level of schooling did not seem to affect record keeping practices, other variables, indicative of business exposures, such as 'business training' and 'association memberships' were found to be significantly related to record keeping practices. However, further statistical analysis showed there were inconsistencies in the types and frequencies of business records kept, even among those who had business training.
- c) None of the 'technical' variables, such as business training, education, record keeping, or demographic variables such as parental background, previous occupational history or even business motive were found to be significantly related to any of the growth categories as defined in this study.
- d) The officials were unanimous in rating bumiputra business abilities as fairly low. Likewise, there was a consensus among the officials regarding the size of bumiputra business problems in spite of their varied backgrounds and responsibilities.

- e) There were some disagreements between the entrepreneurs and the officials with regard to the size of the business problems perceived. However, the mismatch did not concern the presence of the problems; rather, the mismatch showed that the officials were more aware of the problems faced by the bumiputra entrepreneurs than the entrepreneurs themselves.

A summary of all the major results presented for this study on bumiputra entrepreneurs (i.e. MARA loanees in the Malaysian state of Kelantan) and some recommendations to develop bumiputra entrepreneurship in Malaysia are given in the next chapter.

CHAPTER 8

SUMMARY AND RECOMMENDATIONS

8. Summary of Results

The summary of results on bumiputra entrepreneurship in this study is classified as follows:

- a) personal profile
- b) business profile
- c) business practices and growth profile
- d) business-problems profile
- e) training-needs profile
- f) areas needing improvements

8.1 The Personal Profile of Bumiputra Entrepreneurs

Some of the major findings and conclusions regarding the personal profiles of the bumiputra entrepreneurs are listed below.

- a) The majority of bumiputra entrepreneurs had parents who were poor, with rural and agricultural backgrounds. The entrepreneurs comprised mainly men and the middle-aged group of 30-40 year olds. They were quite a mobile group judging from their parents' or their own birthplace.

- b) A substantial number of the bumiputra entrepreneurs had very little formal education with more than half (62%) having had only primary schooling. However, their low level of schooling did not distinguish them as a group from the rest of the bumiputra population who generally had little education.
- c) Although almost 50% of the bumiputra entrepreneurs in this study had parents whose sources of income were from business this did not seem to influence their choice of occupation. In fact only two of those interviewed mentioned they were in business to keep up the family tradition. The majority(68%) of them were in business as a source of work and employment, or as Storey (1982) calls it, "forced into entrepreneurship".
- d) A high percentage (82%) of the bumiputra entrepreneurs in this study began their businesses without any training at all, and at the time of the interviews 53% of them had no business training of any kind.
- e) Data on the previous occupational history of the bumiputra entrepreneurs in this study indicate that they were all blue collar workers without any managerial experience.

Generally, the information on the bumiputra personal profile, such as their background, education, or experience, indicates that these could not have adequately prepared the bumiputras entrepreneurs for the vocation they were in.

8.2 The Business Profile of Bumiputra Entrepreneurs

- a) More than three-quarters (78%) of the bumiputra enterprises in this study were started only after 1969 (i.e. during the period of the NEP [New Economic Policy]), and not during the years immediately after independence in 1957. This implies that bumiputra entry into business and industry was a direct outcome of the NEP. In fact 63% of them were beginners.
- b) Sole proprietorships were the most popular type of business organization among the bumiputra entrepreneurs in this study (i.e. 91%).
- c) In terms of organization and exposure, more than 50% of the entrepreneurs in this study were not members of business associations, and 40% did not receive outside business advice. Of those who did receive business advice, 65% of them mentioned business friends as their source, followed in poor second place by government agencies with 18% of responses. The main sources of business training were those provided by government departments or agencies.
- d) Data on capital show that almost 90% of the bumiputra entrepreneurs in this study started with a capital of less than \$10,000, with 55% of them actually beginning with less than \$2000.
- e) The most popular sources of venture capital among the bumiputra entrepreneurs in this study were personal savings (70%), followed by government agencies (10%). However, of the sources of subsequent capital mentioned, government

agencies received 50% followed by personal sources which received 33%. As sources of subsequent capital the contribution made by other financial institutions in the private sector such as the commercial banks was poor (12%).

- f) In terms of firm size, the median value of current assets owned by the bumiputra firms in this study was \$13,000, with only 15% claiming to own assets in excess of \$50,000, the criteria used by MARA to classify larger businesses. Data regarding their initial and current assets show that the bumiputra firms were not only small, but were also stagnant.
- g) Almost half(47%) of the bumiputra businesses in this study had no paid employees; but those businesses who did were a useful source of employment, compared to firms of similar size in other countries such as Japan, the United Kingdom, Australia, or New Zealand.

Generally, the data on bumiputra business profiles demonstrate that the bumiputra businesses were relatively young, small, poorly organized, and ailing. They did not appear to receive much support from either the public or private sectors, especially from banks. As a whole, the bumiputra firms were a neglected group of small business ventures.

8.3 The Business Practice and Growth Profile of Bumiputra Entrepreneurs

8.3.1 Business Practice Profile

Data on selected business practices show a substantial number of the bumiputra businesses were operating without written business records or related business documents. Of the main ones, and excluding those who kept records on an infrequent basis:

- a) 38% never recorded their incomes compared to 38% who did;
- b) 36% never recorded their expenditures compared to 43% who did;
- c) 33% never recorded their debts compared to 55% who did;
- d) 78% never recorded their stocks compared to 18% who did;
- e) 65% never prepared profit and loss accounts compared to 35% who did;
- f) 90% never prepared cash flows compared to 10% who did;
- g) 78% never prepared a work plan in advance compared to 22% who did.

In confirmation of the above:

- a) 90% of the officials rated bumiputra ability in financial administration as poor and none considered them good or excellent;
- b) more than 50% of the officials rated the bumiputras to be poor in each of the following: office administration, personnel administration, public relations, and marketing management.

8.3.2 Business Growth Profile

Analysis of the growth categories, however, failed to show that the keeping of business records was significantly related to business growth. In fact none of the personal, demographic or business variables identified in this study were found to be significantly related to business growth.

As a whole, the data regarding bumiputra practice and ability indicate that their business and technical skills were still at a very low level. They did not seem to have prepared themselves sufficiently for entry into the business world, nor did they realize what business signifies.

8.4 The Business Problem Profile of Bumiputra Entrepreneurs

Apart from the problems peculiar only to themselves, the bumiputra entrepreneurs also faced problems that are typical of small businesses. In descending order, the bumiputra entrepreneurs in this study were found to face the following problems:

- a) access to loans (46%)
- b) access to supplies (40%)
- c) bureaucratic delays (38%)
- d) availability of business consultations (35%)
- e) availability of skilled personnel (26%)
- f) laws and regulations (20%)
- g) prejudice (17%)
- h) corruption (17%)

The persistence of problems in this list suggests that in spite of government efforts to assist them, the bumiputra entrepreneurs were operating in a relatively hostile environment. In fact, the officials interviewed in this study felt these problems to be much greater than the entrepreneurs themselves realized.

8.5 The Training-Needs Profile of Bumiputra Entrepreneurs

Generally, the entrepreneurs responded positively to business courses suggested to them. Their priorities regarding specific courses (as indicated by the percentage of responses) were in the following order:

- a) bookkeeping (88%)
- b) business planning (87%)
- c) sales management (84%)

- d) loan application management (83%)
- e) capital management (79%)
- f) taxation (72%)
- g) business law (72%)
- h) government rules and regulations (66%)
- i) stock management (66%)
- j) credit-debt management (66%)
- k) purchasing (66%)
- l) personnel (63%)
- m) advertising (59%)

However, in designing courses for the entrepreneurs consideration must be given to a) the most convenient course times which were found to be either evenings or weekends b) the most convenient travel distance, which was found to be a radius of 20 miles (about 30 kilometres) c) the levels of education of the entrepreneurs, which were found to be quite elementary and d) the non-technical factors which the bumiputra entrepreneurs appear to be lacking.

8.6 Bumiputra Entrepreneurship: Areas Needing Improvements and their Implications

Following the suggestions made by both entrepreneurs and officials interviewed, below is a list of areas in need of improvement, followed by some of the implications arising from the list.

- a) bumiputra business attitudes
- b) access to capital
- c) training and guidance
- d) co-ordination of government programmes
- e) attitude of officials towards entrepreneurship and the problems of small businesses in particular
- f) market assistance
- g) assistance ensuring a fairer distribution of supplies of goods or services
- h) a need to maintain an expert pool of advisory officers who are career minded
- i) a need to ensure the availability of strategic premises but at affordable prices.

This list and the overall results of this study imply the following.

- a) The bumiputras lack certain psychological factors to prepare them for entry and progress in business and industry. Even from within Malay society, the environment does not seem to be very sympathetic to the bumiputras in business and industry.
- b) The financial institutions, including government agencies and commercial banks, have not adapted to the needs of small bumiputra businesses. For example, banks still maintain a conservative approach towards lending, requiring collateral as security.

- c) Currently, the areas of business training and guidance seem to have suffered from the lack of qualified staff and co-ordination between government departments. Existing programmes appear to be largely ad hoc and are not sufficiently dynamic to produce and maintain a permanent class of bumiputra entrepreneurs. Bumiputra sole reliance on government training programmes indicates the absence of leadership coming from the private sector, especially from various business organizations, or even from institutions of higher learning.
- d) In spite of government efforts to assist the bumiputras in business and industry there still appears to be some resistance regarding the implementation of the New Economic Policy. Indifference and corruption on the part of some government officers have exacerbated these problems.

8.7 Recommendations for the Development of Bumiputra Entrepreneurship and for Further Research

The importance of 'village entrepreneur', as the subjects of this study could accurately be called, should not be underestimated, not only in terms of their total assets but also in terms of their demonstrative effects on other bumiputras who aspire to be part of the business and industrial community. Ultimately, the attractiveness of the entrepreneurial pursuits will be judged by the relative success of this group of bumiputra entrepreneurs (i.e. the 'village entrepreneurs') who, however unimportant they may appear, are models for

the rest of the bumiputra population. Recommendations to ensure their success and to promote bumiputra entrepreneurship can be made within the limitations of the results presented for this study. These include recommendations for immediate needs, including the creation of support services, as well as long-term needs.

8.7.1 Recommendation for Immediate Needs

- a) Co-ordination of government programmes to avoid waste of resources arising from inefficiencies due, for example, to overlaps between agencies. The present situation presents a confused picture to the potential bumiputra entrepreneurs. Clearly, there should be a special department responsible for developing bumiputra entrepreneurship and answerable to a cabinet Minister. Presently nearly every government department is involved in entrepreneurial development. There appear to be no articulated plans, and their resources are stretched without regard for capacity.

- b) A review of the present training programmes to consider their curriculum in terms of technical skills and the factors involved in motivating potential entrepreneurs. There are a number of Malay beliefs and attitudes that stress achievement-oriented behaviour which could be included and emphasized in the training programmes. A number of overseas models could be adapted with the use of outside leaders in the field.

To be effective, training must not only be highly selective, but must be designed to meet the different educational standards of the bumiputras. Also training has to be a continuous process, not merely for the starting of a business.

In certain fields of business and industry, where places for training in commercial firms are not available locally, potential entrepreneurs ought to be sent overseas for apprenticeship and training. It is also essential to increase the supply of skilled labour as a source of new venture creations, apart from pure commercial training.

- c) The training of advisory officers is a priority to ensure their quality and to give confidence to the bumiputra clients. The ratio of advisory officers in the extension services to the number of bumiputra businesses must be improved to a manageable level. Steps should be taken to use community resources such as the few retired business persons. The government has to consider ways of retaining experienced field officers. In fact their remuneration must be appropriate to their jobs, rather than based on their paper qualifications.
- d) Rearrangement of existing financial facilities based on overseas experience are urgently needed. Currently, most private financial institutions are geared to the need

of bigger businesses, yet the bumiputra firms are largely small enterprises. If necessary, there should be small business counters attached to all financial institutions which operate on different terms from ordinary business loans.

e) A good relationship with government departments

can ensure the smooth running of bumiputra enterprises. Although government servants often perceive the problems bumiputras face better than the bumiputras themselves, their indifference is well documented. Apart from educating the officers themselves, there should be a bureau for complaints etc. which exists at all levels - district, state or federal - with powers to investigate, direct and report any problems or foul play to the Prime Minister's office, or even the Prime Minister himself.

f) The establishment of market research centres would

help to guide and channel the bumiputras into businesses and industries that offer the least resistance. The government, through the centre, could identify new lines of businesses and industries and help avoid confrontation with any established ventures apart from perhaps breaking a monopoly. Initially, the bumiputras should refrain from trying to handle production and marketing solely on their own. The government, in the early stages, could help pool bumiputra resources and arrange for the markets.

8.7.2 Support Services

In addition to the above, the availability of supporting services is essential to attract, maintain, and guide the bumiputras in commerce and industry. Overseas, a number of services are available which can be modelled upon. For example, Love (1977) and Bannock (1980) have documented a fairly exhaustive list of the kinds of programmes adopted in several countries. The kinds of supporting services envisaged would include:

- a) A documentation and information centre which would provide a central point for collating information of significance to the bumiputra entrepreneurs. It should be able to utilize existing sources and distribute on a referral basis regular information to all interested business associations or individuals. The key to such a system is the initial indexing and categorizing and the updating of information.
- b) An advisory service with branches at the state and district level, attached to MARA, for example, would provide a basic signposting, referral and advisory service. The service should draw up a list of consultants drawn from the business community and the educational institutions. The scheme should cover remunerations for outside consultants on a subsidized basis. It should be able to provide both initial and continuous consultancy services.
- c) The establishment of a small business institute which would make use of university resources comprising

staff and senior students. The institute would have direct contact with business associations, or interested individuals, particularly new entrants in business and industry.

- d) Education and training in the field of entrepreneurship and the small business is highly demanded and needed. Courses should be organized to meet the needs of new businesses and potential entrepreneurs, as well as in specialized areas. It should be quite selective. The scheme would require a highly trained group of key management personnel.
- e) An entrepreneurial curriculum development centre ought to be started to develop curriculum materials for use in education and training. The materials should include course outlines, visual aids etc. The centre should be able to test and adapt materials used in training packages overseas for local consumption, including their translation into Bahasa Malaysia (Malay).
- f) The training of small business advisers cannot be overlooked as overseas experience indicates that consultants such as accountants, bankers, lawyers, and other personnel found orientation programmes to be very useful.
- g) The publication of specialist materials and a directory of resources would help acquaint the bumiputra entrepreneurs with existing methods and resources. Some overseas materials could be obtained for translation, subject to permission being granted.

- h) A guide on finance to be used by entrepreneurs as well as financial institutions is necessary. Banks, finance houses, and government agencies need to be educated on the needs, possibilities and approach to financing of small businesses. Similarly, the bumiputra entrepreneurs are largely unaware of the type of financing that is least expensive and risky, and one which they will be able to present themselves, adequately, instead of relying solely on the availability of collaterals.
- i) The establishment of an entrepreneurial research and development centre at a university is necessary to monitor the needs of the bumiputra entrepreneurs. Research and development in the field of entrepreneurship cannot be left solely to the initiative of interested individuals. It should be an on-going process. The university is well suited because of the readily available resources. Besides, the university often provides common service facilities such as workshops, testing centres, data processing and forums, as well as academic programmes in entrepreneurship and the small business.

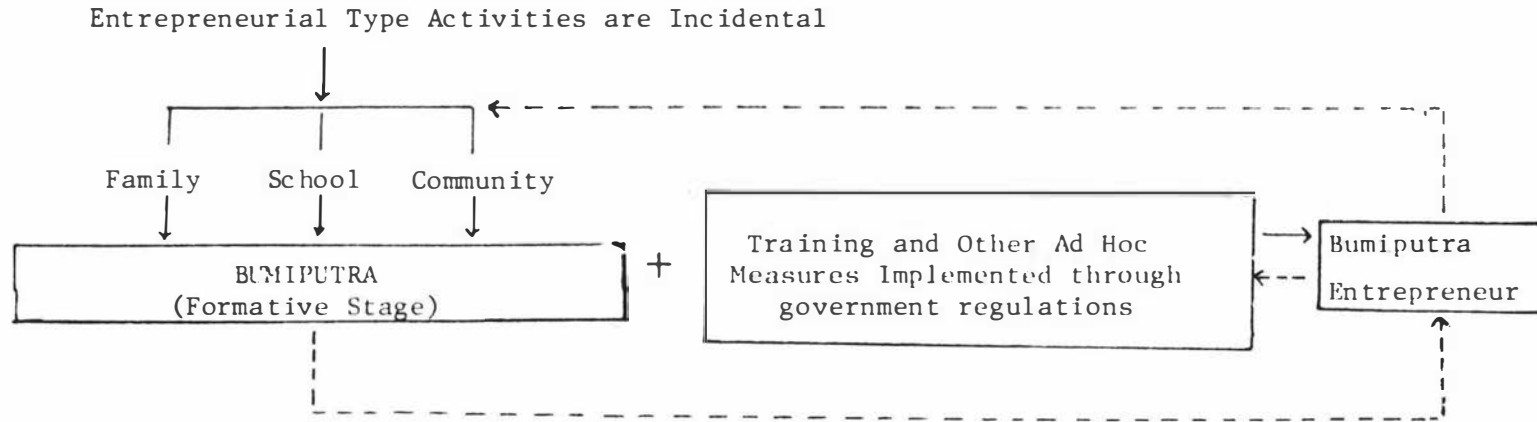
8.7.3 Recommendation for Long-Term Needs

The long-term goal ought to be to instil entrepreneurship early in the life of the bumiputras, as part of their personality, in the whole process of growth, rather than having entrepreneurial skills largely 'implanted' through training later in life as shown in A (present programme)

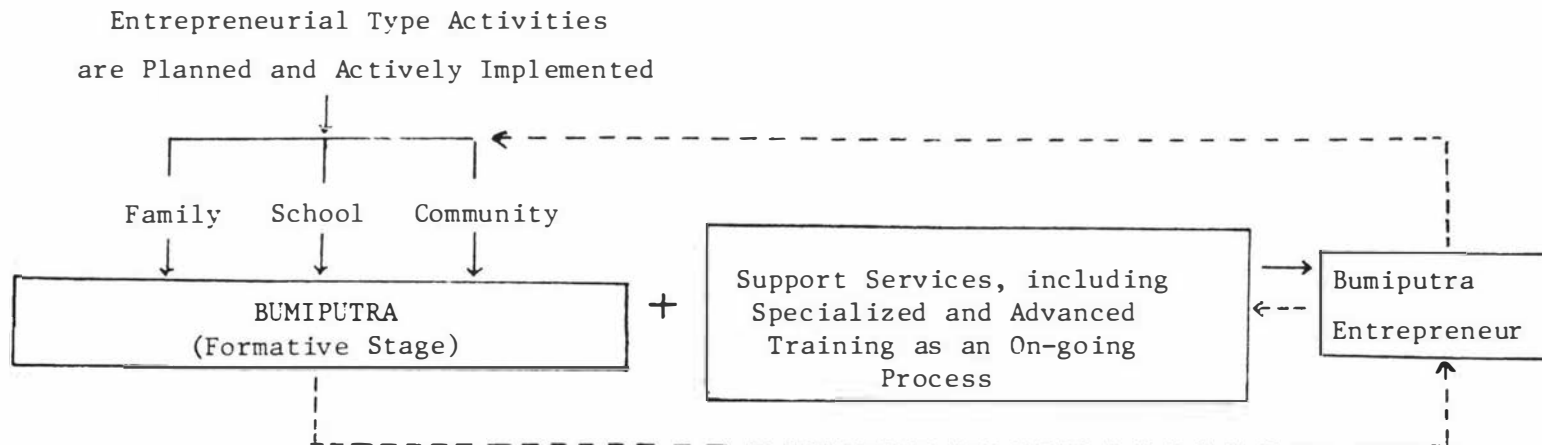
Figure 8.1

A Simplified Model Representing Programmes to Promote Bumiputra Entrepreneurship in Malaysia

A. Present Programme (Short-Term Measures)



B. Alternative Programme (Long-Term Measures)



of Figure 8.1. Although the present system is working, it is doubtful whether current efforts are sufficiently dynamic to produce and maintain generations of bumiputra entrepreneurs.

As shown in B (alternative programme) of Figure 8.1, entrepreneurial activities are planned and actively implemented through social institutions such as the family, the school, and the community at large. While such activities may vary, the following are some examples of the kinds envisaged.

a) Family and The School

Through the family, parents could be encouraged to instil in their children concepts of independence and innovativeness which appear to be lacking among the bumiputras. Education for parenthood cannot simply be left to find its course but requires active suggestions through the mass media, particularly the radio, the cinemas, and television. Trained in the old ways, parents are largely unaware of alternative ways of making a living through business and industry and this in turn gets transferred to their children.

The school system too should be able to present to each child worthwhile alternative life styles (i.e. ways of earning a living) that would divert

some from the current scramble for jobs in the government. There are many ways of doing this, but at least elementary business and technical skills have to be taught much earlier especially in view of the tendency among the entrepreneurial types to leave school sooner. The school curriculum might include information regarding all the support activities, both public and private including the functions of various institutions, that are accessible to entrants in commerce and industry.

b) Community Involvement

At one time in Malaysia there were weekend markets in every village or district where the people could display, sell their crafts, or demonstrate their skills (Maxwell, 1948). Except in certain urban centres, these are long gone. Perhaps, such activities ought to be revived and improved not simply as hobbies but as potential business activities worthy of serious attention (Zaiton Idris, 1977). The government represented by the district officers should constantly monitor any element of entrepreneurial talents, analyse their potential, identify the problems, and pave the way for growth. Where possible, established business leaders may be invited to participate on equal terms as government officers.

The identification of specific activities or methods of introducing entrepreneurial activities through the family, school, or any other institution in the community, indicated in Figure 8.1 is beyond the scope of this study and must

be left to future research in this and related fields.

8.7.4 Recommendations for Further Research

Further research on bumiputra entrepreneurship and related fields is still needed in view of the exploratory nature of the present study and the scarcity of empirical data on entrepreneurship in Malaysia. In this respect, the following are some recommendations for further research.

- a) Research into the personal and business characteristics of successful and unsuccessful bumiputra entrepreneurs.
- b) Research on a larger scale into the different problems and needs of bumiputra entrepreneurs according to industrial classification, business size, stage of development and business location.
- c) Research into the relative success of current training programmes and methods adopted by various government agencies to promote bumiputra entrepreneurship.
- d) Research into specific problems and needs of government agencies entrusted with the development of bumiputra entrepreneurship.
- e) Research relating to entrepreneurial activities most suitable for introduction into the family, school or the community.

Appendix 1

Promotion of Bumiputra Entrepreneurship: Loan Facilities

| <u>Agency</u> | <u>Objective</u> | <u>Target group</u> | <u>Type of loans</u> | <u>Limitations</u> |
|--|---|--|--|---|
| Implementation and coordination unit (ICU) (from 1977) | To promote small businesses via basic facilities. | Hawkers regardless of races. | Interest free loan 1. Purchase of motor-cycles (up to 70% of costs). 2. Push-carts. 3. Tricycle. 4. Hawking (Perkakas). | All loans are not given in monetary forms but in kinds. |
| MARA | To promote Malay business | Malay businesses and industrialists in existence or new. | 1. Working capital in trade and services. 2. Purchase of taxicabs. 3. Purchase of fixed assets. 4. Working capital in construction projects. 5. Bank Guarantees. 6. Integrated loans scheme together with C.G.C. 7. Supervised Credit Schemes. | Not exceeding \$M50,000. |

Appendix 1 (Cont'd)

Promotion of Bumiputra Entrepreneurship: Loan Facilities

| | | | | |
|---|---|--|--|--|
| Credit Guarantee Corp. (CGC) | As Guarantors to Commercial Bank loans. | Small Businesses, bumiputras particularly. | Working Capital in agriculture, small businesses in commerce and industry. | <ol style="list-style-type: none"> 1. No collateral to loans under \$M30,000. 2. Maximum to bumiputras \$M200,000 non-bumiputras \$M100,000. |
| Bank Pertanian. (Agricultural Bank) | Supervised development. | Entrepreneurs in agricultural sector. | Credits in agricultural related pursuits. | No limits but subject to project viability. |
| Development Bank of Malaysia. (Est. 1973 operative 1974). | To promote bumiputra entrepreneurs in projects at all levels including feasibility studies, finance and management. | Bumiputra entrepreneurs in industrial sectors. | Long and medium term loans to purchase fixed assets in manufacturing mining, tourism, logging, transportation and professional services. | Exceeding \$M50,000 |

Appendix 1 (Cont'd)

Promotion of Bumiputra Entrepreneurship: Loan Facilities

| | | | | |
|--|--|--|--|--|
| MIDF (Malaysian Industrial Development and finance). | To develop industrial sectors via assistance to local and foreign interests. | All racial groups. A special unit is established for bumiputras. | Long and medium term loans. | Not exceeding \$M300,000 for small businesses. |
| UDA (Urban Development Authority). | To develop, or redevelop urban centres, allocate business premises, industrial premises, and housing in more <u>equal</u> terms between races. | All racial groups. | Loans to cover redevelopment of premises, collaterals, purchase of business premises, housing and business projects. | |

Appendix 1 (Cont'd)

Promotion of Bumiputra Entrepreneurship: Loan Facilities

| | | | |
|--|--|--|--|
| Ministry of Youths, Culture and Sports Youths in Business. | To develop entrepreneurs among, Youths, to prevent unemployment. | <ol style="list-style-type: none">1. Youths trained by the Ministry at Pertak, Dusun Tua.2. On the job training.3. Participants in Entrepreneurial Development Pro- grammes.4. Other Youth trained at State levels. | Loans obtained from the Ministry itself, or other sources including Banks and MARA. |
|--|--|--|--|

(Source: ICU: Prime Minister's Department, Malaysia; personal communication, translated into English by the author)

Appendix 2

Promotion of Bumiputra Entrepreneurship: Business Counselling

| <u>Agency</u> | <u>Objective</u> | <u>Target Group</u> | <u>Activity</u> |
|------------------------------------|--|---|---|
| MARA | To develop bumiputra entrepreneurs. | Bumiputras especially in: 1. manufacturing 2. processing industries 3. light-engineering 4. technical and mechanical services | 1. Counselling and Guidance 2. Research and feasibility studies, 3. Development and encouragement of small businesses and industries. 4. Development of new entrepreneurs. |
| | | <u>Sources</u> 1. MARA trainees. 2. Ex-Youth trainees 3. Graduates in various disciplines. | |
| NPC (National Productivity Centre) | To provide a climate for entrepreneurship with assistance from MARA, RISDA, Ministry of Youths, Culture and Sports, Ministry of Defence. | Existing and new bumiputra entrepreneurs. | 1. Identification and selection of participants. 2. One-day seminars. 3. Follow-ups via letters. 4. Follow-ups via visits. |

Appendix 2 (Cont'd)

Promotion of Bumiputra Entrepreneurship: Business Counselling

| | | | |
|--|--|---|---|
| Development Bank | To develop and increase the number of bumiputra entrepreneurs in industries and tourism. | Existing and new entrepreneurs sources: 1. School leavers. 2. Ex-govt. servants. Priority given to clients of Banks. | 1. Guidance and counselling, leaflets. 2. Guidance and counselling before and after launching of projects. 3. Mainly medium sized groups exceeding \$M50,000. |
| PERNAS (National Trading Corporation) | To develop and maintain the level of entrepreneurial pursuits among bumiputras. | Existing and new entrepreneurs in retail business. | Visits, business promotion, seminars handbooks and leaflets. |
| Ministry of Youths. Culture and Sports. | To prevent unemployment among youths of all races. | Youths and members of various associations. | Visits, follow-ups, via letters educational visits. |
| MIDF | To develop and promote bumiputra entrepreneurs. | Trainers and entrepreneurs. | Meetings, seminar information dissemination visits. |

(Source: ICU , Prime Minister's Department, Malaysia; personal communication, translated into English by the author)

Appendix 3

Promotion of Bumiputra Entrepreneurship: Business Training

| <u>Agency</u> | <u>Objective</u> | <u>Activity/Facilities</u> | <u>Target Group</u> |
|---|---|---|--------------------------|
| ICU | To coordinate between institutions which provide counselling and guidance for small scale enterprises. | Courses | Small scale enterprises. |
| Ministry of Youths | To encourage entrepreneurial pursuits in order to prevent unemployment among youths. | Courses. | Youths |
| NPC in conjunction with MARA, RISDA, Ministry of Youths, Ministry of Defence. | To train bumiputra into business and industry, - joint council at state levels. | Entrepreneurial Development Courses since June 1976. | Bumiputra Enterprises. |
| ITM (MARA Institute of Technology) | <ol style="list-style-type: none">1. Provides training for potential bumiputra entrepreneurs.2. Provide facilities and research.3. Provide follow-up studies. | <ol style="list-style-type: none">1. Entrepreneurial Development Training2. Programme for executive development. | Bumiputra Entrepreneurs. |

Appendix 3 (Cont'd)

Promotion of Bumiputra Entrepreneurship: Business Training

Public Works
Department (PWD/JKR).

Familiarization Training on Bumiputra Contractors
Construction Works.

(Source : ICU , Prime Minister's Department, Malaysia; personal communication, translated into English by the author)

Appendix 4

Promotion of Bumiputra Entrepreneurship: Miscellaneous Services

Agencies

MARA

Institute of Technology

Bank Negara

(Central Bank)

via Commercial Banks.

Ministry of Education.

Activities/Facilities

Staff training
programmes aimed at
trainers.

Ministry of Education is mainly involved
with undergraduate education at the school
and university levels.

MARA

UDA

SEDCS

business premises.

Ministry of Housing and local government.

Ministry of Trade and Industry.

Ministry of Transport.

Ministry of Finance.

Licensing

Appendix 4 (Cont'd)

Promotion of Bumiputra Entrepreneurship: Miscellaneous Services

FIDA

MARA

UDA

MARDI (Malaysian Agricultural Research
Development Institute).

MIDFIC (Malaysian Industrial Development
Finance) Corporation).

} Project identification.

(Source: ICU: Prime Minister's Department, Malaysia; personal communication, translated into English by the author)

Appendix 5

Malay Participation in the Manufacturing Sector - 1973

| Ownership | No. of Establishment | Value of Fixed Assets \$Mil. | Gross Value of Production | | Value Added | |
|---|-------------------------|------------------------------------|---------------------------|------|-------------|------|
| | | | \$'000 | % | \$'000 | % |
| Malay | 1,108 | 49.3 | 107,485 | 1.4 | 44,616 | 1.9 |
| Chinese | 8,747 | 653.5 | 3,166,004 | 40.6 | 828,707 | 35.5 |
| Indian | 325 | 19.2 | 49,093 | 0.6 | 22,425 | 1.0 |
| Others | 149 | 489.2 | 445,292 | 5.7 | 166,957 | 7.1 |
| Government | 53 | - | 182,137 | 2.3 | 40,303 | 1.7 |
| Non Malaysian | 614 | 1041.5 | 3,676,272 | 47.2 | 1,183,342 | 50.8 |
| Malaysian and Non-Malaysian Joint Ownership | 76 | 51.7 | 168,732 | 2.2 | 46,972 | 2.0 |
| Total | 11,072 | 2304.4 | 7,795,015 | 100 | 2,333,412 | 100 |

(Source: Principal Statistics on Ownership and Participation in Commerce and Industry, Peninsular Malaysia, 1973/74, from SERGITI, 1975: 39)

Appendix 6

Malay Participation in the Construction Sector, 1971 - 1973

| Ownership | Number of Establishments | | | Fixed Assets (1) | | | | | |
|--------------------|--------------------------|--------------|--------------|------------------|--------------|---------------|-------------|---------------|--------------|
| | 1971 | 1972 | 1973 | 1971 | | 1972 | | 1973 | |
| | | | | \$ Million | % | \$ Million | % | \$ Million | % |
| Malay | 34 | 56 | 76 | 1.6 | 2.5 | 1.8 | 2.4 | 4.1 | 3.7 |
| Chinese | 913 | 1,033 | 1,128 | 58.1 | 90.6 | 65.8 | 85.5 | 83.5 | 74.3 |
| Indian | 16 | 19 | 32 | 0.5 | 0.8 | 1.0 | 1.4 | 1.3 | 1.2 |
| Others | 3 | 9 | 3 | 0.6 | 0.9 | 3.0 | 3.9 | 0.8 | 0.7 |
| Non-Malaysian | 44 | 47 | 60 | 3.3 | 5.2 | 5.2 | 6.8 | 22.6 | 20.1 |
| N.E.C. & Stateless | - | - | - | - | - | - | - | - | - |
| TOTAL | 1,000 | 1,164 | 1,299 | 64.1 | 100.0 | | 76.8 | 112.4 | 100.0 |

(1) As at end of the year.

(Source: Survey on Construction Industries by Department of Statistics, Malaysia, from *COMSTAT*, 1975: 47)

Appendix 7 (Cont'd)

Number of Bumiputras in Business and Industry in
Kelantan Classified According to Types and Districts

June 1975

| Types of business and Industry | | | | | | | | | | Total |
|---|------------|-----------|---------|--------|-------------|--------------|-------------|--------|----|-----------------|
| | Kota Bharu | Pasir Mas | Machang | Tumpat | Pasir Puteh | Ulu Kelantan | Tanah Merah | Bachok | | |
| <u>Business types:</u> | | | | | | | | | | |
| 10. Dah Yang Steel Mfg ¹⁰ | 1 | - | - | - | - | - | - | - | - | 1 |
| 11. Paint distributor ¹⁰ | 1 | - | - | - | - | - | - | - | - | 1 |
| 12. Flour distributor | 12 | 3 | - | - | - | - | - | - | - | 15 |
| 13. Cigarettes | 1 | | | | | | | | | 1 |
| 14. Sugar ¹⁰ | 6 | - | - | - | - | - | - | - | - | 6 |
| 15. Shellane gas ¹⁰ | 7 | - | - | - | - | - | - | - | - | 7 |
| 16. Yamaha ¹⁰ | 3 | - | - | - | - | - | - | - | - | 3 |
| 17. Kawasaki ¹⁰ | 3 | - | - | - | - | - | - | - | - | 3 |
| 18. Suzuki ¹⁰ | 1 | - | - | - | - | - | - | - | - | 1 |
| 19. Honda ¹⁰ | 2 | - | - | - | - | - | - | - | - | 2 |
| 20. Shell ¹⁰ | 1 | - | - | - | - | - | - | - | - | 1 |
| 21. Esso ¹⁰ | 5 | - | - | - | - | - | - | - | - | 5 |
| 22. Hawkers [*] | 159 | - | - | - | - | - | - | - | - | 159* |
| Total | 159 | 1533 | 344 | 93 | 78 | 69 | 60 | 66 | 77 | 2485 |
| <u>Manufacturing:</u> | | | | | | | | | | |
| 23. Malay Sawmills ⁴ | 10 | 4 | 2 | 2 | 1 | 4 | 5 | 1 | | 29 ⁺ |
| 24. Logging firms/ holding of logging permits | 42 | 4 | 1 | 1 | 7 | 10 | 1 | - | | 66 |

Appendix 7 (Cont'd)

Number of Bumiputras in Business and Industry in
Kelantan Classified According to Types and Districts

June 1975

| Types of Business and Industry | | | | | | | | | Total | |
|--|------------|-----------|---------|--------|-------------|--------------|-------------|--------|-------|-----|
| | Kota Bharu | Pasir Mas | Machang | Tumpat | Pasir Puteh | Ulu Kelantan | Tanah Merah | Rachok | | |
| 25. Furniture, housing, offices, planning windows, doors, carpentry, manufacturing ⁺⁺ | 19 | 5 | 3 | 5 | 3 | 1 | 1 | 1 | 38 | |
| 26. <u>Miscellaneous Industries</u> | | | | | | | | | | |
| a) ice-cream | 1 | - | - | - | - | - | - | - | 1 | |
| b) ice | 2 | - | - | - | - | - | - | - | 3 | |
| c) tanning | 2 | - | - | - | - | - | - | - | 2 | |
| d) tyre retreads | 1 | - | - | - | - | - | - | - | 1 | |
| e) acid | 1 | - | - | - | - | - | - | - | 1 | |
| f) art studios | 1 | - | - | - | - | - | - | - | 1 | |
| g) art advertising | 1 | - | - | - | - | - | - | - | 1 | |
| h) manure | 1 | - | - | - | - | - | - | - | 1 | |
| i) matches | 1 | - | - | - | - | - | - | - | 1 | |
| j) welding and motor workshops | 7 | - | - | - | 1 | 1 | 1 | - | 10 | |
| 27. Gold and silversmiths | | | | | | | | | | |
| 28. Printing/ stationary ⁶ | 10 | - | - | - | - | - | - | - | 10 | |
| 29. Batik factory ⁷ | 170 | - | - | - | - | - | - | - | 170 | |
| 30. Weaving factory ⁶ | 28 | - | - | 4 | - | - | - | - | 32 | |
| 31. Brick factory ¹ | 7 | 3 | - | 1 | 2 | - | - | 1 | 14 | |
| 32. Rice and padi ^{5,2} | 30 | 15 | 2 | 11 | 13 | - | 1 | 9 | 81 | |
| 33. Tobacco leaves drying* | 128* | - | - | - | - | - | - | - | 128 | |
| Total | 128* | 351 | 31 | 8 | 25 | 29 | 16 | 10 | 13 | 611 |

Appendix 7 (Cont'd)

Number of Bumiputras in Business and Industry in
Kelantan Classified According to Types and Districts

June 1975

| Types of business and Industry | Kota Bharu | Pasir Mas | Machang | Tumpat | Pasir Puteh | Ulu Kelantan | Tanah Merah | Bachok | Total | |
|--|------------|-----------|---------|--------|-------------|--------------|-------------|--------|-------|-----|
| <u>Services:</u> | | | | | | | | | | |
| 34. Restaurant/eating stalls and drinks | 373 | 94 | - | 48 | - | - | - | - | 515 | |
| 35. Barristers and solicitors ⁶ | 7 | - | - | - | - | - | - | - | 7 | |
| 36. Medical clinics ⁶ | 5 | 2 | 1 | - | 1 | - | 1 | - | 10 | |
| 37. Private educ. instn. | 4 | 2 | 2 | 1 | 1 | - | - | - | 10 | |
| 38. Barbers/hair saloons | 39 | 16 | 3 | 9 | 7 | 1 | 7 | 3 | 85 | |
| 39. Dhobi/clothes cleaning | 10 | 6 | 1 | - | - | - | 2 | - | 19 | |
| 40. Photography | 15 | 10 | 3 | 9 | 7 | 1 | 7 | 3 | 55 | |
| 41. Hotel/boarding houses ⁶ | 4 | - | - | - | - | - | - | - | 4 | |
| 42. TV repairs ⁶ | 3 | 1 | - | 1 | - | - | - | - | 5 | |
| 43. Electrical shops | 1 | - | - | - | - | - | - | - | 1 | |
| 44. Transportation (A licence) | 21* | - | - | - | - | - | - | - | 21 | |
| 45. Transportation (B licence) | 32* | - | - | - | - | - | - | - | 32 | |
| 46. Service station ^{6*} | 9 | - | - | - | - | - | - | - | 9 | |
| 47. Tailoring* | 200 | - | - | - | - | - | - | - | 200 | |
| Total | 261 | 461 | 131 | 10 | 68 | 16 | 2 | 17 | 6 | 973 |

Appendix 7 (Cont'd)

Number of Bumiputra in Business and Industry in
Kelantan Classified According to Types and Districts

June 1975

| Types of Business and Industry | Kota Bharu | Pasir Mas | Machang | Tumpat | Pasir Puteh | Ulu Kelantan | Tanah Merah | Bachok | Total | |
|-------------------------------------|------------|-----------|---------|--------|-------------|--------------|-------------|--------|-------|------|
| 48. <u>Contractors:</u> | | | | | | | | | | |
| Class A ⁹ | - | - | - | - | - | - | - | - | - | |
| Class B ⁹ | - | - | - | - | - | - | - | - | - | |
| Class BX ⁹ | - | 3 | - | - | - | - | - | - | 3 | |
| Class C ⁹ | - | 12 | 1 | - | 1 | - | - | 1 | 14 | |
| Class D ⁹ | 51 | 5 | - | - | 1 | - | 1 | 1 | 60 | |
| Class E ⁹ | 32 | 7 | 1 | 4 | 1 | 1 | 1 | 1 | 48 | |
| Class EX ⁹ | 22 | 1 | 2 | - | 1 | 1 | 1 | - | 30 | |
| Class F ⁹ | 133 | 55 | 36 | 21 | 13 | 12 | 16 | 17 | 303 | |
| General contractors ⁹ | 100 | 10 | 2 | - | 1 | 1 | 2 | 3 | 120 | |
| Total | 353 | 79 | 41 | 28 | 19 | 15 | 21 | 22 | 578 | |
| Grand Total: | 549 | 2698 | 585 | 152 | 199 | 133 | 99 | 114 | 118 | 4647 |

Appendix 7 (Cont'd)

Number of Bumiputras in Business and Industry in
Kelantan Classified According to Types and Districts

June 1975

Note:

- * Distribution according to districts was unknown.
- + These figures were based on the Forestry Department before distribution according to districts was made.
- ++ The figures 38 were inaccurate because these were furniture factories using electrical machinery - a substantial number of those factors were run using manual machines. Actual figures would be around 180.
- 1 Information based on Department of Statistics - July 1972.
- 2 According to National Padi and Rice Board (LPN) 1975.
- 3 According to the Ministry of Trade and Industry, Kota Bharu, the number for the whole state was 44.
- 4 Information based on the Forestry Department.
- 5 Department of Factories and Machinery.
- 6 MCDS, Survey.
- 7 Batik Manufacturers' Association - actual figures were unknown.
- 8 Information from MARA.
- 9 Registration according to Public Services Department (JKR).
- 10 Bumiputra participation Unit, Ministry of Trade and Industry.

(Source: MCDS, 1976: Appendix 1, translated into English by the author)

Appendix 8

Bumiputra Entrepreneur Research Questionnaire- One (BERQ-ONE)

Sulit (Confidential)

Universiti Kebangsaan Malaysia
Massey University
MARA, Entrepreneurial Development Division

Soal Selidik Usahawan Bumiputra Satu (SSUB-1)

Bumiputra Entrepreneurial Research Questionnaire One (BERQ-ONE)

Bahagian I. Butir-Butir Peribadi
(Part I). (Personal Particulars)

Dalam bahagian ini bolihkah encik/puan beritahu saya sedikit sebanyak dari latar belakang encik/puan.
(In this section, could you please tell me some of your personal background.)

1. Nama _____
(Name)

2. Alamat berhubung _____
(Correspondence address)

3. Jantina _____
(Sex)

4. Umur _____
(Age)

5. Apakah kelulusan tertinggi encik/puan?
(What was your highest educational achievements?)

a) ijazah universiti
(University degree)

b) diploma maktab
(College diploma)

c) tamat sekolah menengah atas
(completed upper secondary
education)

d) tamat sekolah menengah rendah
(completed lower secondary
school)

....(Cont'd)

- e) tamat sekolah rendah
(completed primary school)
- f) lain-lain
(others)
- g) tidak bersekolah
(did not attend school)

6. Dengan siapakah pernah encik/puan bekerja sebelum encik/puan menceburkan diri dalam dunia perniagaan?
(Where did you work before you went into business?)

- a) kerajaan
(government service)
- b) tentera
(armed forces)
- c) swasta
(private firm)
- d) kerja sendiri
(self employed)
- e) lain-lain, sebutkan....
(others, please specify
Jenis kerja _____
(Actual work)

7. Apakah tujuan encik/puan menceburkan diri didalam dunia perniagaan?
(What was your main reason for being in business?)

- a) pendapatan yang lumayan
(better income)
- b) pencapaian diri
(personal achievement)
- c) kebebasan untuk berdikari
(personal freedom and independence)
- d) tradisi keluarga
(family tradition)
- e) peluang bekerja
(job opportunity)
- f) lain-lain, sebutkan....
(others, please specify) _____

8. Bilakah encik/puan mula memikirkan hal perniagaan?
(When did you first think about business ventures?)

- a) semasa dibangku sekolah
(When I was at school)
- b) semasa di Universiti/Kolej
(When I was at the University/College)
- c) setelah saya bekerja
(Since I started work)

9. Apakah sumber pendapatan utama ayah encik/puan?
(What was the main source of your father's income?)
- | | |
|---------------------------------------|--|
| a) berniaga sendiri (own business) | c) bekerja kampung (village work) |
| b) makan gaji (on salary) | d) lain-lain, sila sebutkan (others, please specify). |
-
10. Apakah sumber pendapatan utama emak encik/puan?
(What was the main source of your mother's income?)
- | | |
|---------------------------------------|---|
| a) berniaga sendiri (own business) | c) bekerja kampung (village work) |
| b) makan gaji (on salary) | d) lain-lain, sila sebutkan (others, please specify) |
-
11. Adakah encik/puan atau ibu bapa encik/puan berasal dari tempat ini?
(Were you or your parents from this place?)
- | | |
|----------------|------------------|
| a) Ya (Yes) | b) tidak (no) |
|----------------|------------------|
12. Adakah encik/puan mempunyai saudara-mara yang dekat tinggal diluar dari negeri Kelantan?
(Do you have near relatives who live outside Kelantan?)
- | | |
|----------------|--------------------|
| a) Ya (Yes) | b) tiada (none) |
|----------------|--------------------|

Bahagian 2. Latar Belakang Perniagaan
(Part 2). Business Background

13. Apakah jenis perniagaan sabenar encik/puan?
(What is the exact nature of your business?)
- | | |
|------------------------|---------------------------------|
| a) runcit (retail) | c) binaan (construction) |
| b) servis (service) | d) pembuatan (manufacturing) |
- sebutkan
(please specify) _____

14. Apakah jenis milik perniagaan encik/puan?
(What is the nature of your business ownership?)
- a) persendirian
(sole proprietorship)
 - b) lain-lain, sebutkan _____
(others, please specify)
15. Bagaimanakah asal usul perniagaan encik/puan?
(What was the origin of your business?)
- a) mula sendiri
(self started)
 - b) mewarisi
(inherited)
 - c) membeli perniagaan yang telah wujud
(bought existing business)
 - d) lain-lain, sila sebutkan _____
(others, please specify)
16. Pada tahun berapakah encik/puan memulakan perniagaan ini?
(What was the year you started this business?)
- a) sebelum Merdeka pada tahun 1957
(before Independence, 1957)
 - b) antara tahun 1957-1969
(between 1957-1969)
 - c) selepas tahun 1969
(after 1969)
- sebutkan tahun sebenar _____
(please state exact year)
17. Adakah encik/puan menjadi ahli apa-apa pertubuhan perniagaan?
(Are you a member of any business association?)
- a) Ya
(Yes)
 - b) Tidak
(No)
18. Apakah punca-punca modal permulaan encik/puan?
(What were your initial sources of capital?)
- a) sendiri
(personal sources)
 - b) kawan-kawan
(friends)
 - c) agensi kerajaan
(government agency)
 - d) bank
(banks)
 - e) lain-lain, sila sebutkan _____
(others, please specify)

19. Berapa peratuskah dari punca-punca modal permulaan encik/puan

datangnya dari sumber-sumber sendiri?

(How many percent of the initial capital came from your personal sources?)

- a) 100%
- b) 75%
- c) 50%
- d) 25%
- e) < 25%
- f) 0%

20. Berapakah modal permulaan encik/puan?

(How much was your initial capital?)

- a) hingga \$1000
(up to \$1000)
- b) \$1001 - \$ 5000
- c) \$5001 - \$10,000
- d) \$10,000 - \$30,000
- e) lebih dari \$30,000, sila
sebutkan _____
(more than \$30,000, please
specify)

21. Berapakah jumlah modal encik/puan sekarang?

(What is the total value of your present capital?)

Sila sebutkan anggarannya \$ _____

(Please give your estimate)

22. Apakah punca modal encik/puan seterusnya?

(What are the sources of your subsequent capital?)

- a) sendiri
(personal sources)
- b) kawan-kawan
(friends)
- c) agensi kerajaan
(government agencies)
- d) bank
(banks)
- e) lain-lain sila sebutkan _____
(other, please specify)

23. Berapakah jumlah pekerja encik/puan yang bergaji pada permulaan perniagaan?

(How many paid employees did you have at the start of this business?)

- a) Sila sebutkan jumlah _____
- b) Tiada
(None)

24. Berapakah jumlah pekerja encik/puan yang bergaji pada masa ini?
(How many paid employees do you have now?)
- a) Sila sebutkan jumlah _____
(Please specify)
 - b) Tiada
(None)
25. Adakah ini pertama kali encik/puan menceburkan diri dalam dunia perniagaan?
(Is this your first attempt at business?)
- a) Ya, inilah kali pertama
(Yes, this is my first attempt)
 - b) Ini adalah kali kedua
(This is my second attempt)
 - c) Ini adalah kali ketiga
(This is my third attempt)
 - d) Lebih dari tiga kali, sila sebutkan _____
(More than three times, please specify)
26. Apakah jenis kursus perniagaan yang pernah encik/puan ikuti sebelum memulakan perniagaan?
(What business courses did you have before you went into a business of your own?)
- a) mempunyai sijil perniagaan, melalui persekolahan
(obtained business certificate through formal education)
 - b) menghadiri kursus yang diberikan oleh agensi kerajaan, sila sebutkan nama agensi _____
(attended courses held by government agencies, please state the name of the agency.)
 - c) lain-lain, sila sebutkan _____
(others, please specify)
 - d) tiada
(none)
27. Apakah jenis kursus perniagaan yang pernah encik/puan ikuti setelah memulakan perniagaan?
(What business courses have you attended since starting business?)
- a) menghadiri kursus yang di berikan oleh agensi kerajaan, sila sebutkan nama agensi _____
 - b) lain-lain, sila sebutkan _____
(others, please specify)
 - c) tiada
(none)

28. Apakah punca-punca khidmat nasihat urusniaga yang encik/puan dapati?

(What are your sources of business advice?)

- | | |
|------------------------------|---|
| a) akauntant (accountant) | d) kawan-kawan dalam perniagaan (friends in business) |
| b) peguam (lawyer) | e) agensi-agensi kerajaan..... (government agencies.....) |
| c) pegawai bank (bankers) | f) lain-lain, sila sebutkan..... (others, please specify.....) |

Bahagian 3. Amalan Perniagaan

(Part 3). (Business Practice)

Bolihkan encik/puan beritahu saya sejauh mana encik/puan mengamalkan

perkara-perkara berikut.

(Could you please tell me the extent to which you practise the following)

29. Mencatat rekod jualan
(keep sales records)

- | | |
|---|-------------------------------|
| a) senantiasa (always) | d) kadang kala (sometimes) |
| b) hampir kesemua (almost all) | e) tidak pernah (never) |
| c) lebih kurang separuh dari nya (about half the time) | |

30. Mencatat rekod belanjawan
(Keep expenditure records)

- | | |
|--|-------------------------------|
| a) senantiasa (always) | d) Kadang kala (sometimes) |
| b) hampir kesemuanya (almost all) | e) tidak pernah (never) |
| c) lebih kurang separuh darinya (about half the time) | |

31. Mencatat rekod hutang piutang
(Record all debts)

- | | |
|--|-------------------------------|
| a) senantiasa (always) | d) kadang-kala (sometimes) |
| b) hampir kesemuanya (almost all) | e) tidak pernah (never) |
| c) lebih kurang separuh darinya (about half the time) | |

32. Mencatat rekod belanja perjalanan
(Record travel expenses)
- a) senantiasia (always)
 - b) hampir kesemuanya (almost all)
 - c) lebih kurang separuh darinya (about half the time)
 - d) kadang kala (sometimes)
 - e) tidak pernah (never)
33. Membuat perbandingan antara pendapatan dari jualan dengan belanja untuk belian.
(Compare between sales and expenditures.)
- a) bulanan (monthly)
 - b) suku tahun (quarterly)
 - c) sa-tengah tahun (half-yearly)
 - d) tahunan (yearly)
 - e) tidak pernah
34. Menggunakan rekod bertulis bagi mengawal stok.
(Use written records to control stock)
- a) senantiasia (always)
 - b) hampir kesemuanya (almost all)
 - c) lebih kurang separuh darinya (half the time)
 - d) kadang kala (sometimes)
 - e) tidak pernah (never)
35. Berusaha mengikuti harga barangan peniaga-peniaga lain.
(Survey the prices of similar goods and services.)
- a) bulanan (monthly)
 - b) suku tahun (quarterly)
 - c) satengah tahun (half yearly)
 - d) tahunan (yearly)
 - e) tidak pernah (never)

36. Mengiklan jualan
(Advertise)

- | | |
|------------------------------------|----------------------------|
| a) bulanan (monthly) | d) tahunan (yearly) |
| b) suku tahun (quarterly) | e) tidak pernah (never) |
| c) satengah tahun (half yearly) | |

37. Menyediakan akaun untung rugi
(Prepare profit and loss accounts)

- | | |
|------------------------------------|----------------------------|
| a) bulanan (monthly) | d) tahunan (yearly) |
| b) suku tahun (quarterly) | e) tidak pernah (never) |
| c) satengah tahun (half-yearly) | |

38. Menyediakan timbangan kira-kira
(Prepare balance sheet)

- | | |
|------------------------------------|----------------------------|
| a) bulanan (monthly) | d) tahunan (yearly) |
| b) suku tahun (quarterly) | e) tidak pernah (never) |
| c) satengah tahun (half yearly) | |

39. Menyediakan ramalan pengaliran wang tunai.
(Prepare cash flows)

- | | |
|------------------------------------|----------------------------|
| a) bulanan (monthly) | d) tahunan (yearly) |
| b) sukutahun (quarterly) | e) tidak pernah (never) |
| c) satengah tahun (half yearly) | |

40. Memberi diskaun/membuat jualan murah.
(Given discounts/held sales)

- | | |
|------------------------------------|----------------------------|
| a) bulanan (monthly) | d) tahunan (yearly) |
| b) suku tahun (quarterly) | e) tidak pernah (never) |
| c) satengah tahun (half yearly) | |

41. Memberi ganjaran untuk pekerja
(Provide worker incentives)

- | | |
|------------------------------------|----------------------------|
| a) bulanan (monthly) | d) tahunan (yearly) |
| b) suku tahun (quarterly) | e) tidak pernah (never) |
| c) satengah tahun (half yearly) | |

42. Menyediakan rancangan kerja.
(Prepare work plan.)

- | | |
|------------------------------------|----------------------------|
| a) bulanan (monthly) | d) tahunan (yearly) |
| b) suku talun (quarterly) | e) tidak pernah (never) |
| c) satengah tahun (half-yearly) | |

Bahagian 4. Kursus Perniagaan
(Part 4). (Business Courses)

Dalam bahagian ini bolihkah encik/puan memberi tahu saya sekiranya encik/puan perlukan kursus perniagaan yang disebutkan di bawah.
(In this part, could you indicate whether you require the business courses listed below.)

43. Penjualan
(sales)

- | | |
|----------------------------------|--------------------------------|
| a) sangat perlu (most needed) | c) tidak perlu (not needed) |
| b) perlu (needed) | |

44. Iklan
(Advertising)

- | | |
|----------------------------------|--------------------------------|
| a) sangat perlu (most needed) | c) tidak perlu (not needed) |
| b) perlu (needed) | |

45. Pembelian
(Purchasing)

- | | |
|----------------------------------|--------------------------------|
| a) Sangat perlu (most needed) | c) tidak perlu (not needed) |
| b) perlu (needed) | |

46. Akaun dan simpan kira-kira
(Accounting and bookkeeping)

- | | |
|----------------------------------|--------------------------------|
| a) sangat perlu (most needed) | c) tidak perlu (not needed) |
| b) perlu (needed) | |

47. Pengurusan pinjaman wang
(Loan application management.)

- | | |
|----------------------------------|--------------------------------|
| a) sangat perlu (most needed) | c) tidak perlu (not needed) |
| b) perlu (needed) | |

48. Pengurusan modal pusingan
(Management of working capital.)

- | | |
|----------------------------------|--------------------------------|
| a) sangat perlu (most needed) | c) tidak perlu (not needed) |
| b) perlu (needed) | |

49. Pengurusan hutang piutang
(Credit and debts management)

- | | |
|----------------------------------|--------------------------------|
| a) sangat perlu (most needed) | c) tidak perlu (not needed) |
| b) perlu (needed) | |

50. Pengurusan kakitangan
(Personnel management)
- a) sangat perlu
(most needed)
- b) perlu
(needed)
- c) tidak perlu
(not needed)
51. Pengurusan Stok
(Stock management)
- a) sangat perlu
(most needed)
- b) perlu
(needed)
- c) tidak perlu
(not needed)
52. Memahami peraturan jabatan kerajaan.
(Understanding government rules and regulations.)
- a) sangat perlu
(most needed)
- b) perlu
(needed)
- c) tidak perlu
(not needed)
53. Pengurusan cukai pendapatan
(Income tax management.)
- a) sangat perlu
(most needed)
- b) perlu
(needed)
- c) tidak perlu
(not needed)
54. Undang-undang komersial
(Commercial laws)
- a) sangat perlu
(most needed)
- b) perlu
(needed)
- c) tidak perlu
(not needed)
55. Membuat perancangan untuk masa depan perniagaan.
(Planning for the business future.)
- a) sangat perlu
(most needed)
- b) perlu
(needed)
- c) tidak perlu
(not needed)

Bahagian 5. Masalah Perniagaan)
(Part 5) (Business Problems)

Dalam bahagian ini bolehkah encik/puan memberi tahu saya sejauh mana

hal berikut menjadi masalah perniagaan encik/puan?

(In this part could you let me know the extent to which the following are the business problems you face.)

56. Government rules and regulations

- | | |
|--|--------------------------------------|
| a) masalah besar (big problem) | c) masalah kecil (small problem) |
| b) masalah sederhana (moderate problem) | d) tidak ada masalah (no problem) |

57. Kelambatan bertindak dari jabatan kerajaan
(bureaucratic delays.)

- | | |
|--|--------------------------------------|
| a) masalah besar (big problem) | c) masalah kecil (small problem) |
| b) masalah sederhana (moderate problem) | d) tidak ada masalah (no problem) |

58. Masalah penawaran barangan dan khidmat.
(Supply Problems.)

- | | |
|--|--------------------------------------|
| a) masalah besar (big problem) | c) masalah kecil (small problem) |
| b) masalah sederhana (moderate problem) | d) tidak ada masalah (no problem) |

59. Persaingan hasil dari monopoli
(Competition arising from monopoly.)

- | | |
|--|--------------------------------------|
| a) masalah besar (big problem) | c) masalah kecil (small problem) |
| b) masalah sederhana (moderate problem) | d) tidak ada masalah (no problem) |

60. Persaingan dengan agensi kerajaan.
(Competition from government agencies.)

- | | |
|--|--------------------------------------|
| a) masalah besar (big problem) | c) masalah kecil (small problem) |
| b) masalah sederhana (moderate problem) | d) tidak ada masalah (no problem) |

61. Mendapat pinjaman modal.
(Availability of loans to be used as capital)
- | | |
|--|--------------------------------------|
| a) masalah besar (big problem) | c) masalah kecil (small problem) |
| b) masalah sederhana (moderate problem) | d) tidak ada masalah (no problem) |
62. Mendapat pinjaman jangka panjang.
(Availability of long term loans.)
- | | |
|--|--------------------------------------|
| a) masalah besar (big problem) | c) masalah kecil (small problem) |
| b) masalah sederhana (moderate problem) | d) tidak ada masalah (no problem) |
63. Gangguan Politik
(Political Interference.)
- | | |
|--|--------------------------------------|
| a) masalah besar (big problem) | c) masalah kecil (small problem) |
| b) masalah sederhana (moderate problem) | d) tidak ada masalah (no problem) |
64. Kekurangan tenaga terlatih
(Availability of skilled labour.)
- | | |
|--|--------------------------------------|
| a) masalah besar (big problem) | c) masalah kecil (small problem) |
| b) masalah sederhana (moderate problem) | d) tidak ada masalah (no problem) |
65. Tempat berunding masalah perniagaan.
(Availability of business consultants)
- | | |
|--|--------------------------------------|
| a) masalah besar (big problem) | c) masalah kecil (small problem) |
| b) masalah sederhana (moderate problem) | d) tidak ada masalah (no problem) |
66. Pra-sangka tentang kebolehan bumiputra dalam perniagaan.
(Prejudice towards bumiputra ability in business)
- | | |
|--|--------------------------------------|
| a) masalah besar (big problem) | c) masalah kecil (small problem) |
| b) masalah sederhana (moderate problem) | d) tidak ada masalah (no problem) |

67. Rasuah
(Corruption)

- | | |
|--|--------------------------------------|
| a) masalah besar (big problem) | c) masalah kecil (small problem) |
| b) masalah sederhana (moderate problem) | d) tidak ada masalah (no problem) |

68. Adakah encik/puan mempunyai apa-apa cadangan bagi membantu bumi-putra dalam bidang perniagaan dan industry? Sila sebutkan.
(Have you got any suggestions to assist the bumiputras in business and industry? Please state them.)

69. Sekiranya di adakan kursus peiniagaan, waktu mana kah yang lebih sesuai bagi encik/puan?
(If a business course is held, what would be the most convenient time for you to attend?)

- | | |
|--------------------------------|--------------------------------------|
| a) Petang (evening) | c) Cuti sekolah (school holidays) |
| b) hujung minggu (weekends) | d) bila-bila masa saja (anytime) |

70. Akhir sekali, apakah jarak perjalanan yang paling sesuai bagi encik/puan mengikuti kursus perniagaan.
(Finally, what is the most convenient distance for you to attend a business course?)

- | |
|---|
| a) tidak melebihi 5 batu (not exceeding 5 miles) |
| b) tidak melebihi 10 batu (not exceeding 10 miles) |
| c) tidak melebihi 20 batu (not exceeding 20 miles) |
| d) lain-lain, sila sebutkan (others, please specify) |
-

Terima kasih di atas kesudian encik/puan mengambil bahagian dalam kajiselidik ini.
(Thank you for taking part in this research.)

Appendix 9

Sulit
(Confidential)

Soal Selidik Usahawan Bumiputra Dua (SSUB2)

(Bumiputra Entrepreneur Research Questionnaire Two (BERQ.2))

(Untuk Kegunaan temu ramah dengan pegawai-pegawai)

(For Use to Interview Officials)

Bahagian I Latar Belakang Pegawai
(Part I) (Background of Officials)

1. Apakah nama jawatan yang anda pegang sekarang?
(What is your present position?)

2. Apakah nama jabatan yang anda bertugas sekarang?
(What is the name of the department you are now working for?)

3. Di daerah dan negeri manakah tempat anda bertugas sekarang?
(In which district or state are you now working?)

4. Berapa lamakah anda telah bertugas termasuk jawatan sekarang?
(How long have you been working, including your present post?)

5. Apakah jenis usahawan yang mempunyai hubungan dengan anda?
(What types of entrepreneurs are you involved with?)
 - a) peruncit (retailers)
 - b) pembuatan (manufacturers)
 - c) binaan (construction)
 - d) servis (services)
 - e) lain-lain, sila sebutkan _____
(others, please specify)
6. Apakah jenis hubungan yang anda terlibat dengan usahawan bumiputra ?
(What is the nature of your contact with the bumiputra entrepreneurs?)
 - a) sebagai penasihat (advisory capacity)
 - b) sebagai pegawai pinjaman wang (loan application officer)
 - c) pelatih (trainer)
 - d) lain-lain, sila sebutkan _____
(others, please specify)

Bahagian 2. Kecekapan Urusniaga Bumiputra
(Part 2) (Bumiputra Business Ability)

Berdasarkan pengalaman dan pemerhatian anda, dapatkah anda membeli sedikit gambaran tentang kecekapan urusniaga bumiputra dalam bidang-bidang tersebut dibawah. Kecekapan ini adalah ditujukan kepada pengusaha kecil bumiputra.

(Based on your personal experience and observation, please give an indication regarding bumiputra business ability in respect of the following. These ability ratings are aimed particularly at the smaller bumiputra business persons.)

7. Pentadbiran pejabat
(Office administration)

- | | |
|-----------------------------|-------------------------------|
| a) cemerlang (excellent) | d) lemah (weak) |
| b) baik (good) | e) tidak tahu (don't know) |
| c) sederhana (moderate) | |

8. Pentadbiran kakitangan
(Personnel administration)

- | | |
|-----------------------------|-------------------------------|
| a) cemerlang (excellent) | d) lemah (weak) |
| b) baik (good) | e) tidak tahu (don't know) |
| c) sederhana (moderate) | |

9. Perhubungan awam
(Public relations)

- | | |
|-----------------------------|-------------------------------|
| a) cemerlang (excellent) | d) lemah (weak) |
| b) baik (good) | e) tidak tahu (don't know) |
| c) sederhana (moderate) | |

10. Pentadbiran kewangan
(Financial administration)

- | | |
|-----------------------------|-------------------------------|
| a) cemerlang (excellent) | d) lemah (weak) |
| b) baik (good) | e) tidak tahu (don't know) |
| c) sederhana (moderate) | |

11. Pentadbiran jualan dan pasaran
(Sales and Marketing Administration)

- | | |
|-----------------------------|-------------------------------|
| a) cemerlang (excellent) | d) lemah (weak) |
| b) baik (good) | e) tidak tahu (don't know) |
| c) sederhana (moderate) | |

Bahagian 3. Masalah Perniagaan Usahawan Bumiputra
(Part 3) (Bumiputra Business Problems)

Juga berdasarkan pengalaman dan pemerhatian anda bolehkah anda memberi pendapat anda tentang sejauh mana hal berikut menjadi masalah kepada usahawan bumiputra.
(Also based on your experience and observation, could you please tell me the extent to which the following are problems faced by the bumiputra entrepreneurs.)

12. Undang-undang dan peraturan kerajaan.
(Government rules and regulations)

- | | |
|--|--------------------------------------|
| a) masalah besar (big problem) | d) tidak ada masalah (no problem) |
| b) masalah sederhana (moderate problem) | e) tidak tahu (don't know) |
| c) masalah kecil (small problem) | |

13. Kelambatan bertindak dari dalam jabatan-jabatan kerajaan.
(Delays arising from government bureaucracy)
- | | |
|--|--------------------------------------|
| a) masalah besar (big problem) | d) tidak ada masalah (no problem) |
| b) masalah sederhana (moderate problem) | e) tidak tahu (don't know) |
| c) masalah kecil (small problem) | |
14. Kekurangan bahan perniagaan seperti simin, besi, alat ganti dan lain lain.
(Shortage of goods and construction materials such as cement, corrugated iron, spare parts etc,)
- | | |
|---|--------------------------------------|
| a) masalah besar (big problem) | d) tidak ada masalah (no problem) |
| b) masalah sederhana (moderate problems) | e) tidak tahu (don't know) |
| c) masalah kecil (small problem) | |
15. Monopoli dan persaingan oleh firma-firma besar.
(Monopoly and competition from larger firms)
- | | |
|--|--------------------------------------|
| a) masalah besar (big problem) | d) tidak ada masalah (no problem) |
| b) masalah sederhana (moderate problem) | e) tidak tahu (don't know) |
| c) masalah kecil (small problem) | |
16. Gangguan politik
(Political interference)
- | | |
|--|--------------------------------------|
| a) masalah besar (big problem) | d) tidak ada masalah (no problem) |
| b) masalah sederhana (moderate problem) | e) tidak tahu (don't know) |
| c) masalah kecil (small problem) | |

17. Kekurangan modal pusingan
(Lack of working capital)

- | | |
|--|--------------------------------------|
| a) masalah besar (big problem) | d) tidak ada masalah (no problem) |
| b) masalah sederhana (moderate problem) | e) tidak tahu (don't know) |
| c) masalah kecil (small problem) | |

18. Kurang pengalaman
(Lack of experience)

- | | |
|--|--------------------------------------|
| a) masalah besar (big problem) | d) tidak ada masalah (no problem) |
| b) masalah sederhana (moderate problem) | e) tidak tahu (don't know) |
| c) masalah kecil (small problem) | |

19. Kurang tempat berunding masalah perniagaan.
(Lack of facilities for business consultation.)

- | | |
|--|--------------------------------------|
| a) masalah besar (big problem) | d) tidak ada masalah (no problem) |
| b) masalah sederhana (moderate problem) | e) tidak tahu (don't know) |
| c) masalah kecil (small problem) | |

20. Buruk sangka terhadap keupayaan bumiputra berniaga.
(Prejudice toward bumiputra ability in business.)

- | | |
|--|--------------------------------------|
| a) masalah besar (big problem) | d) tidak ada masalah (no problem) |
| b) masalah sederhana (moderate problem) | e) tidak tahu (don't know) |
| c) masalah kecil (small problem) | |

21. Rasuah
(Corruption)
- | | |
|--|--------------------------------------|
| a) masalah besar (big problem) | d) tidak ada masalah (no problem) |
| b) masalah sederhana (moderate problem) | e) tidak tahu (don't know) |
| c) masalah kecil (small problem) | |
22. Akhir sekali, bolihkah anda senaraikan apakah bentuk pertolongan yang masih perlu bagi membangun usahawan bumiputra.
(Finally, please list whatever assistance you think is still required to develop bumiputra entrepreneurship.)
-

(Terima kasih diatas kerja sama anda.
(Thank you for your time and cooperation.)

Mohamed Amir Sharifudin bin Hashim.
Pensyarah, Universiti Kebangsaan Malaysia.
(Lecturer the National University of Malaysia)
(Ph.D Candidate, Massey University, New Zealand.)

Author's Letter to Government Departments
and Agencies (Malay Version)

Dean's Office, Faculty of Business

Massey University

PALMERSTON NORTH, NEW ZEALAND

TELEPHONES, 69-099, 69-089.

In reply please quote:

12/8/80

Tuan, Usahawan Bumiputra

Dengan hormat nya saya memohon bantuan tuan mengenai perkara di atas khusus nya perkara perkara berikut:

- i) adakah pihak tuan terlibat di dalam apa apa rancangan latihan dan pendidikan bumiputra seperti program eksekutif dll. Kalau ada dapatkah hantarkan butir butir kurikulum dan jenis peserta.
- ii) adakah tuan membuat apa apa kajian mengenai masalah usahawan bumiputra seperti masalah pengurusan, kewangan atau pemasaran.
- iii) apakah pendapat tuan mengenai masalah utama pengusaha bumiputra masa kini yang harus tidak sedap di dengar tetapi benar.

Untuk makluman tuan butir butir di atas adalah diperlukan untuk kajian saya mengenai 'Strateji latihan dan pendidikan untuk usahawan bumiputra' bagi ijazah Ph.D. di New Zealand.

Sekian, terlebih dahulu du ucapkan ribuan terima kasih. Kerjasama tuan itu akan di rekodkan di dalam buku saya nanti.

'Berkhidmat Untuk Negara'

Yang Ikhlas,

Mohd Amir Sharifuddin bin Hashim
Pensyarah Universiti Kebangsaan

Appendix 10

TRANSLATED COPY OF AUTHOR'S LETTER
TO GOVERNMENT DEPARTMENTS AND AGENCIES

12 / 8 / 80

Dear Sir,

Bumiputra Entrepreneurship

I would be very grateful if you can assist me with regard to the above, and the following in particular.

- i) Is your department involved in the training of bumiputra entrepreneurs. If you are, could you please give me details regarding the curriculum used and the participants.
- ii) Are you engaged in any research on problems concerning bumiputra entrepreneurship, especially those related to management, finance, and marketing.
- iii) In your opinion, what are the current problems faced by the bumiputra entrepreneurs - those that are not so nice to be heard but are nevertheless true.

For your information, I need those information to prepare me for a Ph.D thesis, tentatively on 'The Training and Educational Strategies to Develop Bumiputra Entrepreneurship'.

I am sure your cooperation will be recorded in my thesis.

Thank you,

Yours sincerely,

Mohd. Amir Sharifudin bin Hashim
Lecturer, the National University of Malaysia

APPENDIX 11

Content of a letter from one General Manager, SEDC listing problems on Bumiputra Entrepreneurship - in Malay

USAHAWAN BUMIPUTRA

1. PENDAHULUAN

Kertas ini disediakan bagi membincangkan masalah-masalah utama Bumiputra. Perbincangan kami ini digolongkan ke dalam 2 bahagian:-

- i) Masalah-masalah Usahawan Bumiputra secara menyeluruh.
- ii) Kesulitan-kesulitan yang dihadapi oleh Pemborong-pemborong Bumiputra. Kami berpendapat penumpuan terhadap persoalan ini adalah penting memandangkan kepada aktiviti-aktiviti Perbadanan sendiri yang banyak melibatkan pemborong-pemborong Bumiputra.

2. MASALAH-MASALAH BUMIPUTRA SECARA MENYELURUH

Masalah yang dihadapi oleh pengusaha-pengusaha Bumiputra diantaranya ialah:-

- a) Modal
- b) Urusan bimbingan kepada pengusaha-pengusaha Bumiputra.
- c) Latihan
- d) Penglibatan Politik dan Undang-Undang oleh Kerajaan.

A. MODAL

Satu daripada masalah yang dihadapi oleh para pengusaha Bumiputra ialah kurang modal dan kesukaran untuk mendapat:-

- i) Pinjaman yang mencukupi bagi membiayai projek-projek daripada Bank-Bank Perdagangan dan juga institusi-institusi kewangan. Oleh sebab pinjaman yang diperolehi biasanya tidak mencukupi untuk membiayai perusahaan secara berpanjangan,

maka pinjaman yang diperolehi itu hanya cukup untuk membeli bahan-bahan binaan diperingkat permulaan sahaja.

- ii) Pihak-pihak Bank Perdagangan masih memerlukan cagaran-cagaran daripada pengusaha-pengusaha binaan Bumiputra walau pun telah dibuktikan bahawa mereka telah diberi kontrek oleh pihak kerajaan atau Ajensi-Ajensi Kerajaan. Masalah yang dihadapi oleh mereka ialah untuk memberi cagaran-cagaran yang diperlukan oleh Bank-Bank tersebut.

B. BIMBINGAN

- i) Masalah kurangnya bimbingan-bimbingan yang pakar daripada ajensi-ajensi kerajaan kepada pengusaha-pengusaha Bumiputra yang kecil. Bidang-bidang bimbingan yang diperlukan ialah kajian kemungkinan, penyediaan aliran tunai, kertas-kertas cadangan perniagaan dan lain-lain.
- ii) Kurangnya maklumat-maklumat mengenai peluang-peluang bidang perniagaan yang disebarkan kepada pengusaha-pengusaha Bumiputra.
- iii) Tiadanya urusetia yang khusus sebagai tempat mengadu hal tentang masalah-masalah yang ujud dan untuk menolong menyelesaikan masalah-masalah tersebut.

C. LATIHAN

- i) Kurangnya kemahiran yang khusus dikalangan pengusaha-pengusaha Bumiputra terutama sekali di dalam bidang pembinaan.
- ii) Kurangnya sambutan daripada pengusaha-pengusaha sekarang bagi melatih apprentice-apprentice Bumiputra.

D. PENGLIBATAN POLITIK DAN UNDANG-UNDANG

- i) Kurangnya penglibatan kerajaan dalam usaha-usaha bagi mengawal sumber-sumber bahan binaan yang penting.

- ii) Masalah pengambilan balik tanah-tanah kepunyaan orang melayu yang terletak di kawasan-kawasan bandar untuk dimajukan oleh Ajensi-Ajensi yang ditubuhkan oleh Kerajaan Negeri untuk dijual kepada orang ramai dengan harga yang terlalu tinggi.
- iii) Masalah-masalah yang berkaitan dengan dokumen-dokumen pemborong seperti letter of acceptance, borang-borang perjanjian, format-format dan sebagainya yang telah terbukti ketinggalan zaman. Borang-borang ini masih lagi tertulis dalam Bahasa Inggeris yang tidak atau sukar difahami oleh kebanyakan pemborong pengusaha Bumiputra. Kelewatan menandatangani perjanjian oleh pihak-pihak yang memberi kerja kepada pemborong pembina mengakibatkan kelewatan bayaran kemajuan dibuat.
- iv) Masalah lesen-lesen yang dikeluarkan telah diberikan kepada orang-orang yang tidak menjalankan perusahaan-perusahaan itu secara persendirian. sebaliknya mereka menyewakan lesen-lesen tersebut kepada orang lain.
- v) Masalah ajensi-ajensi yang ditubuhkan oleh Kerajaan yang menjalankan usaha-usaha atau kegiatan-kegiatan yang boleh dilaksanakan oleh pengusaha-pengusaha Bumiputra.

3. KESULITAN-KESULITAN PEMBORONG-PEMBORONG BUMIPUTRA

Seperti diketahui umum kesulitan-kesulitan yang dihadapi oleh pemborong-pemborong Bumiputra yang menjejaskan bukan sahaja pelaksanaan dan kesiapan projek-projek pembangunan tetapi juga pencapaian salah satu daripada matlamat D.E.B. Kerajaan yang terpenting iaitu orang Melayu dan Bumiputra lain akan dapat memiliki dan menguruskan sekurang-kurangnya 30% daripada semua jenis dan peringkat kegiatan dalam sektor perdagangan dan perindustrian menjelang tahun 1990.

MASALAH-MASALAH UTAMA PEMBORONG-PEMBORONG BUMIPUTRA

A. BIMBANG DITINDAS

- i) Kebanyakan pemborong Bumiputra adalah terdiri daripada

mereka yang baharu mencebur diri dalam pemborongan. Disamping itu mereka tidak atau kurang bergaul dengan pegawai-pegawai kerajaan mungkin kerana kompleks. Kalau pun mereka bergaul, hanyalah dengan kakitangan-kakitangan peringkat bawahan dan tidak dengan pegawai-pegawai yang lebih tinggi. Oleh kerana itu masalah-mesalah yang dihadapi oleh mereka di dalam melaksanakan satu-satu projek jarang sekali dikemukakan kepada dan diketahui oleh pegawai-pegawai atas yang mungkin lebih bersimpati dengan mereka dan menolong mereka mengatasi kesulitan-kesulitan mereka.

- ii) Perasaan takut menjumpai pegawai-pegawai yang lebih tinggi ini juga mungkin berakibat dari perasaan takut ditindas oleh kakitangan peringkat bawahan. Adalah menjadi satu kenyataan bahawa kerja-kerja routine satu-satu jabatan atau agensi dilaksanakan oleh kakitangan bawahan dan sekiranya pemborong-pemborong mengengkari mereka, ada kemungkinan kakitangan-kakitangan bawahan tidak akan memberi kerjasama di dalam menjalankan sesuatu perkara yang diperlukan oleh pemborong.

B. MODAL

- i) Kebanyakan daripada pemborong-pemborong terdiri daripada pemborong-pemborong bumiputra kelas F. Ternyata bahawa Bumiputra adalah sebahagian besarnya daripada golongan 'have not'. Mereka tidak punyai atau kurang modal. Untuk memulakan satu-satu projek yang kecil mereka terpaksa mendapatkan pinjaman. Mereka terpaksa bergantung kepada pinjaman samada dari MARA atau bank.
- ii) Kebiasaannya pemerosesan pinjaman akan mengambil masa yang agak lama diantara satu hingga 3 bulan. Ini bererti bahawa projek yang diberikan kepada pemborong-pemborong ini kebanyakan lewat dimulakan. Setelah pinjaman diluluskan baharulah pemborong ini akan mendapatkan bahan-bahan dan barang-barang. Sekiranya bahan-bahan dan barang-barang tidak ada dipasaran, projek itu akan tergendala.

C. BEKALAN BAHAN-BAHAN DAN BARANG-BARANG

- i) Mendapatkan bahan-bahan dan barang-barang kadang-kadangnya merupakan satu kesukaran. Besi untuk bangunan adalah yang paling sukar didapati. Sekiranya pemborong ada wang untuk membelinya kadangnya tidak ada. Terdapat kendaan dimana pemborong-pemborong terpaksa membeli barang secara beruncit dan menyimpan sehingga cukup baharulah memulakan pembinaan.
- ii) Pemborong-pemborong juga mengalami kesukaran mendapatkan kayu dan papan untuk menjalankan projek-projek mereka. Pengusaha-pengusaha kilang papan lebih mementingkan eksport kerana eksport memberi keuntungan yang berlipat ganda.
- iii) Simen dan batu bata merupakan bahan-bahan yang juga sukar didapati. Simen bukan sahaja sukar didapati, tetapi kalau didapati harganya lebih daripada yang sepatutnya dan pembelian mestilah secara tunai. Masalah batu bata ialah pengeluaran yang tidak mencukupi sehingga pemborong yang bayar dahulu pun terpaksa menunggu bekalan sehingga satu atau 3 bulan untuk mendapatkannya.

D. KELEWATAN BAYARAN KERAJAAN

- i) Adalah menjadi satu kenyataan bahawa bayaran kemajuan oleh pihak-pihak berkenaan kepada pemborong-pemborong adalah sentiasa lewat. Kelewatan itu adalah akibat sistem yang diamalkan berhubung dengan bayaran. Tiap-tiap projek, untuk mendapatkan bayaran kemajuan dikehendaki diperiksa dan diteliti kemajuannya oleh juruteknik. Bilangan juruteknik ini adalah kecil berbanding dengan bilangan projek yang harus diperiksa. Setengah projek adalah ditempat terpencil. Perjalanan ketempat ini mengambil masa 2 atau 3 hari.
- ii) Kerumitan penyediaan baucer pembayaran. Ini mungkin mengambil masa diantara satu minggu hingga satu bulan atau lebih. Setelah baucer

disediakan dan dihantar ke Akauntan Negara/Perbendaharaan Negeri, mungkin akan mengambil masa diantara 3 hingga 10 hari untuk mengeluarkan cek. Proses dari masa projek diperiksa oleh juruteknik sehingga cek dikeluarkan oleh Akauntan Negara/Perbendaharaan akan mengambil masa diantara 6 hingga 10 minggu. Tempoh ini diambil sekira tidak ada kesilapan dilakukan terhadap dokumen-dokumen berkenaan. Kelewatan menerima bayaran kemajuan tidak dapat tidak akan melemahkan kedudukan kewangan pemborong-pemborong terutama yang mempunyai pusingan modal yang kecil dan pemborong-pemborong yang mempunyai projek yang agak banyak berjalan serentak.

E. KESUKARAN PENGANGKUTAN

- i) Setengah daripada projek adalah ditempat yang terpencil yang mana pengangkutan bahan-bahan dan barang-barang amat sukar. Bukan sahaja perbelanjaan membawa barang-barang itu tinggi tetapi kesukaran mendapatkan masa yang sesuai bagi membawa barang-barang menjejaskan tempoh kemajuan projek. Kadang kala projek-projek itu mengakibatkan kerugian kepada pemborong. Ada projek-projek dirancangkan dilokasi yang tidak dapat dimasuki barang-barang melalui sungai atau jalan. Ada dilokasi yang jalan-jalan tanah merah hanya dapat dimasuki pada musim kering. Kesulitan ini akan menjejaskan pelaksanaan dan ke-siapan projek-projek ditempat berkenaan.

F. POTONGAN BAYARAN BALIK PINJAMAN

Bayaran kemajuan kepada pemborong yang meminjam dari MARA/Bank adalah dibuat melalui MARA atau bank berkenaan. Lazimnya potongan bagi bayaran balik pinjaman adalah bermula daripada bayaran kemajuan pertama diterima. Dengan keadaan ini modal pusingan pemborong menjadi semakin kecil dan diperingkat akhir perlaksanaan, pemborong mungkin mempunyai modal yang terlalu kecil atau tiada modal langsung untuk meneruskan projek.

G. KETIADAAN KEMAHIRAN PENGURUSAN

Kebanyakan pemborong tidak mempunyai kemahiran pengurusan dan teknik. Ketiadaan kemahiran pengurusan dan teknik menimbulkan kesulitan-kesulitan:-

- i) Menilai kos sesuatu projek bagi maksud tender.
- ii) Mentafsir dan memahami spesifikasi pelan-pelan dan sebagainya.
- iii) Mengurus dan mengawal operasi kerja.
- iv) Menyediakan rancangan kerja dan urusan kewangan.
- v) Memahami syarat-syarat, peraturan-peraturan dalam kontrak.

Keadaan ini mengakibatkan kerugian dan kegagalan pemborong.

H. KEKURANGAN TENAGA KERJA MAHIR

Kebanyakan pemborong Bumiputra tidak mempunyai pekerja-pekerja yang mempunyai kemahiran tertentu. Ini mengakibatkan kerja-kerja yang tidak sempurna. Kadang kala mereka dikehendaki membuat kerja semula dan ini mengakibatkan kerugian dan kegagalan mereka.

I. PERSAINGAN

Persaingan dikalangan pemborong-pemborong Bumiputra terutamanya kelas F amat hebat. Untuk mendapatkan kerja mereka menyebut harga yang rendah, memberi 'profit margin' yang tipis. Kadang kala mereka mengalami kerugian dan kerugian bagi pemborong-pemborong kecil adalah belunggu yang sukar mereka lepaskan.

J. TEKANAN

Berlakunya penekanan terhadap mereka oleh pihak-pihak yang menyedia atau meneliti pekerjaan mereka. Tekanan-tekanan yang dilakukan itu, mengakibatkan mereka terpaksa memberi perhatian yang lebih, mengeluarkan modal yang lebih untuk membuat semula sesuatu kerja yang tidak memberi puas hati kepada pihak yang menyedia/menjaga projek-projek berkenaan. Ini mengakibatkan kerja-kerja tergendala, bayaran

kemajuan lewat dibuat dan akhirnya mengakibatkan projek itu tidak menguntungkan dan merugikan.

Appendix 11

Translated Content Of A Letter From One
General Manager, State Economic Development Corporation in
Malaysia

(Translated into English by the author)

Bumiputra Entrepreneurship

1. Introduction

This paper discusses the main problems regarding the Bumiputra.

The discussion comprises 2 parts:-

i) The overall problems regarding bumiputra
entrepreneurship

ii) Problems concerning bumiputra contractors.

We feel that this is important as most of the
activities of the State Economic Development
Corporation (SEDC) involve bumiputra contractors.

2. Overall Problems of the Bumiputras

The problems faced by the bumiputras are as follows:

- a) capital
- b) guidance and counselling
- c) training
- d) involvement in politics and laws by the government

A. Capital

The lack of capital is one of the problems faced by the bumiputra
entrepreneurs. The entrepreneurs found difficulty getting:

- i) Loans from commercial banks and other financial institutions to pay for projects. The loans available were insufficient to finance projects undertaken on a long term basis; such loans enable the entrepreneurs to purchase construction materials during the initial stages only.
- ii) the commercial banks still require collateral as security even though the entrepreneurs were guaranteed contracts by government departments or agencies. The entrepreneurs had difficulty finding collateral.

B. Guidance

- i) There is little expert guidance given by government agencies to the small bumiputra enterprises. Guidance in feasibility studies, cash flow analysis, business plans etc. are needed.
- ii) There is little information given to bumiputra entrepreneurs regarding business opportunities.
- iii) There is no special department to deal directly with bumiputra business problems.

C. Training

- i) The bumiputra entrepreneurs lack experience, particularly in the construction industry.
- ii) There is little response from existing industries to train bumiputra apprentices.

D. Laws and Political Involvement

- i) The government has not been much involved in any attempt to ensure the supply of essential building materials.
- ii) A problem arises from the resale of Malay lands which had been developed and sold at a very high price.
- iii) Problems also arise from documentations relating to contract works - including letters of acceptance, agreement forms and the like, which have been proven to be out of date. These forms are still written in English, and, are not easily understood by the entrepreneurs. The sponsors are also late in signing the forms, and this has resulted in late progress payments.
- iv) Some licenses have been issued to people without the necessary know-how, who in turn sub-let them.
- v) Some government agencies are competing in projects the bumiputra entrepreneurs can handle themselves.

3. Problems Faced by Bumiputra Contractors

As is publicly known, the problems faced by bumiputra contractors not only affect the implementation and completion of the various development projects, but will also affect the target of 30% bumiputra participation in business and industry by 1990.

The Main Problems Faced by Bumiputra Contractors

A. Fear of Victimization

- i) Most bumiputra contractors are new in the business.
In addition to that they failed to mix with government officials, probably due to their own complex. Even if they do mix, this was confined to officers of lower ranks. As a result, their problems failed to reach high ranking officers who may be able to solve any problems that emerge.
- ii) The bumiputra contractors fear high ranking officers, probably due to the belief that they will in turn be victimised by the junior officers. It is a fact that the routine part of government administration is in the hands of junior officers and lower ranks, and if challenged, they will be in the way of the contractors.

B. Capital

- i) Most contractors comprise those with Class F licenses. It is clear that the majority of bumiputra contractors belong to the 'have-nots' who either do not have, or simply lack capital. They had to borrow even to work on small projects.
- ii) Loan processing takes a long time - one to three months. This means that the projects allocated to the bumiputra contractors could not begin on time. The contractors had to wait for the loan to be approved before they could order the building and related materials, and

may end up with no supplies at all.

C. Supply of Goods and Construction Materials

- i) It is often difficult to purchase needed materials, especially corrugated iron. Even when the contractors have the means, the building materials were not available. It has happened that the contractors had to buy building materials in smaller lots before proceeding with given projects.
- ii) The contractors also face problems regarding wood products. The sawmills prefer to export their timber which gives them greater profits.
- iii) Cements and bricks are hard to come by. Cements, for example, are not only difficult to obtain, but when they are available, the prices are high and must be paid in cash. There is a shortage of bricks. In fact, the waiting list is 3 - 4 months even among those who had paid for the bricks.

D. Late Payments from the Government

- i) It is a fact that progress payments paid to bumiputra contractors have always been late. The late payments are due to the system of payments currently in practice. The progress of each project must be inspected closely by a technician. The number of technicians is small compared to the number of projects to be inspected. Some of the projects are in remote areas, where it takes 2 - 3 days of travel time.

- ii) Problems also arise from voucher payments. It can take anything from one week to one month or more. When vouchers are sent to the National Accountant/ State Treasury, it takes another 3 to 10 days before a cheque is issued. The time taken to inspect a project and to issue a cheque for progress payments takes between 6 - 10 weeks. The length is longer when there are mistakes in documentation. However, late progress payments will no doubt affect the financial position of the smaller bumiputera contractors, and those who have more projects running concurrently.

E. Transport problems

Some of the projects are in remote places making it difficult to transport work materials. It is not only very costly but also difficult to obtain a convenient time to deliver goods and services which at times have affected work progress. Such difficulties have led to losses on the part of the contractors. Some projects are located at places inaccessible by roads or rivers, or at places where the roads are accessible only during the dry seasons. Such difficulties have been known to affect the completion dates of certain projects.

F. Repayment of Loans

Most progress payments to contractors are made through the banks/ MARA, where the loans for the projects were taken. Normally, loan repayments become effective and are deducted from the first progress payment. This way, the contractors will end up with little or no working capital to proceed with the projects.

G. Absence of Managerial Know-How

Most contractors do not have any managerial or technical know-how.

The absence of managerial or technical know-how gives rise to problems in the following areas:

- i) Estimation of costs for submitting tenders.
- ii) Interpretation and understanding specifications in plans and the like.
- iii) Managing and controlling production operations.
- iv) Preparation of work plan and managing finance.
- v) Understanding the conditions stipulated in contracts.

H. Lack of Skilled Labour

Most of the bumiputra contractors do not have skilled employees.

These have led to work of poor quality. Sometimes they are required to make reparations, causing losses and subsequently, business failures.

I. Competition

Competition between contractors of Class F is stiff such that the tenders quoted are too low, thus providing a lower profit margin. Sometimes the contractors face losses which are hard to recover, especially among the smaller business ventures.

J. Pressures

Those who gave contracts or supervise the work of contractors also initiated pressures of various kinds. The contractors will have to make extra effort, or use more capital to please the authorities. Often this has led to delays in work completion, late progress payments, and finally resulted in a non-profitable venture or losses.

Appendix 12

Definition of Additional Variables

1. Definition of Additional Variables in BERQ-ONE.

a) Members of association - non-members

Those entrepreneurs who were members of any business association or organisation were classified as members, and the rest were classified as non-members.

b) Government occupation - private

Those entrepreneurs whose previous occupation were in government service or in the armed forces were classified as being in government occupation, the rest were classified as being in private employment.

c) Advice - No advice

Those entrepreneurs who mentioned they received advice were classified as 'Advice', and those who make no such mention were classified as 'No Advice'.

2. Definition of Additional Variables in BERQ-TWO

Trainers - Non Trainers

Those officials who were involved in the training of entrepreneurs were classified as trainers, the others were classified as non-trainers.

Appendix 13

Letter of introduction from supervisors



Massey University

PALMERSTON NORTH, NEW ZEALAND

TELEPHONES, 69-099, 69-089.

In reply please quote:

TO WHOM IT MAY CONCERN

This is to advise that AMIR SHARIFUDDIN BIN HASHIM is a post-graduate student at Massey University studying for a PhD degree.

As part of his study programme he is undertaking field research in the area of small business and entrepreneurship in Malaysia. It would be appreciated if you would assist him with his research as we believe it will provide valuable information which will eventually prove to be of benefit to Malaysia.

A handwritten signature in black ink, appearing to read 'G.H. Hines'.

G.H. HINES

Professor of Business Studies
Dean of Faculty of Business Studies

A handwritten signature in black ink, appearing to read 'Dr. R.N. Love'.

DR. R.N. LOVE

PhD Supervisor

* Letter of introduction from the Prime Minister's Dept.

Talipon: K.L. 203722 Samb. 206
K.L. 87912 Terus



PEJABAT PERDANA MENTERI,
JALAN DATUK ONN,
KUALA LUMPUR 11-01
MALAYSIA

SETIAUSAHA POLITIK KEPADA PERDANA MENTERI MALAYSIA

SPA/SUPOL/01/Jld.7/(40)

18hb. Ogos, 1981

Tuan Pengarah,
Bahagian Penyertaan Bumiputra,
Kementerian Perdagangan,
Jalan Duta,
KUALA LUMPUR

Encik Samsuddin Marsop,
Pengarah,
Bahagian Perdagangan Dalam Negeri,
Kementerian Perdagangan & Perindustrian,
Jalan Duta,
KUALA LUMPUR

Encik Borhan Abdullah,
Pengarah,
Bahagian Perindustrian,
Kementerian Perdagangan & Perindustrian,
Jalan Duta,
KUALA LUMPUR

Encik Sabaruddin Chik,
Pengurus Besar Pemas,
Ibu Pejabat Pemas,
KUALA LUMPUR

Tuan,

Encik Mohd Amir Sharifuddin
Pencarah UKM Dan Penuntut Peringkat PHD
Di Universiti Massey, New Zealand
Dalam Bidang Pendidikan Usahawan

Saya diarah oleh YAB. Perdana Menteri untuk memberi sokongan kepada penuntut ini dalam menjalankan penyelidikan beliau dalam bidang tersebut di atas.

Dengan itu saya berharap pihak tuan sudi untuk memberi pertolongan dan kerjasama pada beliau.

Terimakasih.

'BERKHIDMAT UNTUK NEGARA'

(MEGAT JUNID BIN MEGAT (YOB AMP))

*untranslated, basically this letter from the political secretary to the Prime Minister introduces the author as a researcher and a PhD student.

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