

## SMALL AND MEDIUM ENTERPRISES AND RESTRUCTURING THE SOCIETY IN PENANG, MALAYSIA: LOCAL WISDOM PERSPECTIVES

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**Summary:** Business and industry play a crucial role in developing economic elements of the political system. Balanced participation and ownership for all ethnic groups is one of the prerequisites for socio-economic stability. Unfortunately, in Malaysia particularly Penang, these sectors have been monopolised by the non-Bumiputera. Thus, the program to develop a viable Bumiputera Commercial and Industrial Community (BCIC) is essential to tackle the underlying ethnic problem in line with the objective of restructuring the society. The act to rectify Bumiputera (or Malay) participation in this sector was seen as a priority under the government blueprint development policy. Therefore, this paper will discuss two important sectors firstly, balanced participation in small and medium business sector, and secondly, balancing all ethnic groups participation in small and medium scale industries. Within the framework of a local Wisdom, all of these action plans in the management of inter-ethnic relations were a product of consultations, negotiations and compromises between the communal elites. In spite of the fact that the goals of restructuring the society have not yet been reached, when the general features of ethnic comparisons are made, there has been much progress made towards reducing socio-economic unevenness. As a result, the government with cooperation from various parties particularly the local communities has succeeded in maintaining social stability since the 1970s until today.

**Keywords:** Small and Medium Enterprises, Restructuring the Society, New Economic Policy, compromises and social stability

### 1. Introduction

Small and medium scale business consists of hawkers and stallholders. This sector is important since it is the basic foundation of the Bumiputera commercial and industrial community. Unfortunately, statistics show that Malay participation in the area of small and medium scale business is not encouraging. The task force committee which is established to study the problems of the Bumiputera participation in this sector has identified five factors: (i) lack of interest due to insufficient exposure to the opportunities available in this sector; (ii) capital problem, particularly venture capital; (iii) no strategic location and business sites affordable by the Malay entrepreneur; (iv) lacking in skill and experience to manage the business; and (v) low profile of education. (Jamelah Bakar, 1994). A report by the task force committee states that in 1974, out of 5,004 hawker licences authorised by the local council, only 373 or 7.5 percent are owned by Malays. Meanwhile, in term of stall ownership, Malay only owned 9.7 percent or 444 stalls out of 4,642 stalls operating actively in Penang (Arshad Hashim, 1994). This statistics show an imbalance in this sector. The act to rectify Malay participation in this sector was seen as a priority under the NEP.

Thus, various efforts have been taken to encourage and to increase Malay participation in this sector. Several government agencies such as Majlis Amanah Rakyat (MARA), Penang Regional Development Authority (PERDA), District Office, Urban Development Authority (UDA), Penang City Council and Seberang Perai City Council together with the Penang

Bumiputera Steering Committee have provided the necessary facilities such as business sites, capital loan, and courses and training in business management skill in order to overcome the problems and obstacles that have been identified by the task force committee. These agencies are responsible to provide business sites, capital loan facilities, courses and training in business management skills and increase the allocation of business licences to the Malays. Consequently, from this integrated approach in 1985, the number of stalls built and allocated for Malay were increased to 944 or 26.3 percent out of 3,586 stalls in Penang. Table 1 (a), 1(b) and 1(c) shows detail on the business facilities provided by the respective government agencies

**Table 1 (a): Business Premises provided by Urban Development Authority (UDA) Penang, (until June 1993).**

No.	Location	Type of Premise	Unit	Allocation	
				Malay	Non-Malay
1	Tanjong Tokong				
	Phase I	Shop	10	10	-
	Phase II	Stall	10	9	1
	Phase III	Shop	9	-	9
2	Lebuh Macallum	Shop Houses	1	1	-
3	Jalan Perak	Shop Houses	6	6	-
4	Jalan Riang	Shop Houses	2	2	-
5	Taman Selat	Shop	8	8	-
6	Jln.Kampung Gajah	Shop Houses	3	3	-
7	Taman Koperasi Jelutong	Shop Houses	3	1	2
8	Jalan Padang Lalang	Shop Houses	3	2	1
9	Taman Bunga Raya	Shop Houses	4	4	-
10	Jalan Gelugor	Shop Houses	2	2	-
Total			61	48	13

Source: Urban Development Authority, Northern District.

**Table 1 (b): Business Premises provided by Penang Bumiputera Participation Steering Committee (until June 1993).**

	Project	Type of Premise	Unit	Allocation		Vacant
				Malay	non-Malay	
1	Bagan Butterworth Complex	Four Storey Business Complex	128	73	29	26
2	Bukit Mertajam Complex	Three Storey Complex	70	24	5	41
3	Balik Pulau Complex	Three Storey Complex	46	45	1	0
4	Sungai Bakap Complex	Stall	13	0	0	13
5	Kepala Batas Complex	Three Storey Business Complex	26	0	0	26*
6	Tasek Gelugor Complex	Bazaar/Business Complex	49	0	0	49*
7	Batu Feringgi Complex	Business Complex/ 3.5-Storey Accommodation	32	0	0	32*
Total			364	142	35	187

Source: Bumiputera Participation and Coordinating Section, Implementation and Coordinating Unit, Prime Minister Department. Note: \*no tender yet.

**Table 1 (c): Business Premis provided by other Government Agencies in Penang (until June 1993).**

	Agency	Type of Business area.	Total Unit	Allocation		Vacant
				Malay	Non-Malay	
1	Seberang Perai North District Office	Stall	70	67	3	-
2	Seberang Perai Middle District Office	Stall	87	83	1	3
3	Seberang Perai South District Office	Stall	98	88	3	7
4	North east District Office	Stall	9	8	1	-
5	Southwest District Office	Stall	129	106	-	23
6	Penang MARA	Complex/ Arcade	63	63	-	-
		Shop Houses	33	33	-	-
		Shopping Complex	13	13	-	-
		Bazaar	34	34	-	-
7	Seberang Perai Municipal Council	Public Market	606	97	461	48
		Stall	345	96	146	103
		Hawker Lot	1,412	253	909	250
8	Penang Municipal Council	Market	2,661	279	1,837	545
		Temporary Hawker Stall	2,429	252	1,703	474
		Stall Complex	1,261	345	563	353
		Mobile Hawkers	4,199	609	3,590	-
		On the Road Stall	156	1	155	-
		Cacklane/Roadside Stall	85	3	82	-
		Private land stall	414	45	369	-
9	State Development Office (PKN)	Stall Complex	547	364	157	26
10	Housing Development Section State Penang State Secretary Office	Stall and Hawker Complex	173 (5*)	35	128	5
11	Penang Regional Development Authority	Stall	100	100	-	-
Total			14,924	2,974	10,108	1,837

Source: Seberang Perai North District Office; Seberang Perai Middle District Office; Seberang Perai South District Office; Northeast District Office; Southwest District Office; Seberang Perai Municipal Council; Penang Municipal Council; Penang State Secretary Office and Penang Regional Development Authority. Note: \* Surgery and Post Office.

## 2. Restructuring of ethnic composition participation in Small and Medium Scale Industries (SMI)

The industrial sector is the heart of Penang economy. It has developed rapidly since the 1970s. The Penang state government has given priority to the export-oriented manufacturing industry as their economic activities. Parallel to this policy, the state government has established free trade zones and tax free policies as incentives to encourage local and foreign investors to invest in Penang. Apart from bring in some foreign capital and technology this policy created job opportunities for the local people as well. According to Datuk Mokhtar Haniff, General Manager of Penang Development Corporation (PDC) the incentive and facilities provided has succeeded to attract foreign and local investments into Penang. For instance, in 1970 there were only 31 firms in the PDC industrial zone which offer 2,784 job

opportunities. In 1993, the number of investors has increased to 637 with 162,703 job opportunities (Mokhtar Haniff, 1994).

However, the Malay participation in this sector was very poor. For instance, in 1970, there was no Malay participation at all. Therefore, in order to encourage the Malays to participate in this sector the Penang Development Corporation (PDC) has provided special program for Malays to venture in SMI. According to Datuk Noor Ahmad Mokhtar Haniff, the PDC General Manager, the PDC has actively implemented the SMI program since 1971 by providing 62.81 acres site (to the Malay entrepreneurs), which consists of 6.64 acres of industrial zone in Bayan Lepas, 8.45 acres of Mak Mandin industrial zone and 47.72 acres of industrial zone in Perai (Noor Ahmad Mokhtar Haniff, 1994). Besides that the PDC has also provided various other facilities such as factory building for Malay entrepreneurs, and the PDC has organised entrepreneurship development programs such as “Vendor Development Program and Venture Capital Fund” with the cooperation of Malaysian Technology Development Corporation (MTDC).

Impact of the program: As a result, the encouragement programmes in the small and medium scale business sector as discussed above have succeeded in increasing Malay participation in this sector. For instance, in 1970, Malay represents 8 percent hawkers and 13 percent of the stallholders. The Malay participation had improved by 1993 when the record showed that the number of the registered Malays in small and medium scale business sectors with the Penang City Council and Seberang Perai City Council, was 14.6 percent and 21.81 percent respectively (Bumiputera’s Economic Convention, 1994). Meanwhile, for the impact of the SM-Industry programmes, the PDC report stated that there were 134 firms in 1993 that possessed Bumiputera equity of RM 345.98 million or 8.7 percent out of RM 3.9 billions paid-up capital of the firms in the PDC area. Four of those firms were 100 percent Bumiputera with paid-up capital of RM 15.14 million. Meanwhile, 17 firms were joint ventures among Malays and non-Malay with Malay equity exceeding 50 percent. The other 113 factories were also joint ventures between Malays and non-Malays with the former equity less than 50 percent. The achievement for both programmes however, is still far behind the target as outlined in the NEP. Thus, in order to consolidate the achievement towards restructuring the society, the Penang state government has launched a scheme called a Penang Venture Promotion Corporation (PVPC) as part of the plan to create cooperation and close relationships:- firstly, among local entrepreneurs and multinational corporations; secondly, the Bumiputera and non-Bumiputera, and thirdly, successful Bumiputera entrepreneurs and new entrepreneurs towards the creation of a BCIC. The PVPC, which will be accessible to all sectors and categories of entrepreneurs, are aimed to:

- a) Provide venture capital to existing or aspiring Bumiputera entrepreneurs on a meritcum-need basis;
- b) Promote professional consultation, feasibility studies, management expertise and training to new businesses and boost the capability and capacity of the new entrepreneur; and
- c) Open up avenues for the Bumiputera and non-Bumiputera to cooperate and pool resources in terms of capital, labour, entrepreneurship and business knowledge. (Penang Into the 21st Century, 1992).

### **3. Conclusion**

Based on the discussion above the New Economic Policy is making dramatic changes in Malay society in Penang. In spite of the fact that the NEP’s goals have not yet been reached, when the general features of ethnic comparisons are made, there has been much progress made towards reducing socio-economic unevenness. However, this conflict management

measure has been criticised because it is based on the belief that greater interethnic equality has been achieved by creating greater economic and class differences within ethnic groups. For instance, Jomo noted that income disparities within the Malay community are higher than among other ethnic groups (Jomo K.S, 1994). Likewise, Means argues that although the NEP was designed to resolve some of the problems created by ethnicity, it also reinforces ethnicity by defining more and more issues in ethnic terms. He stressed that

“The quotas may be the subject of interethnic political bargaining, but they also intensify ethnic identities and ethnic conflicts. On the other hand, the system has also helped to break down ethnic compartmentalization, and schools, the workplace, and the neighbourhood have been made much more ethnically balanced. The result has not been integration or loss of ethnic identity but a more pluralized form of interaction in many more aspects of the economy and the society”(Means, Gordon, P, 1986).

The government is particularly sensitive to this line of criticism and, according to Means, public policy is being formulated to divert additional resources to assist the poor regardless of ethnic background. This is particularly to avoid confiscatory measures against non-Malay.

“It was particularly fortuitous that offshore oil production reached significant levels in 1971. Oil has been a major factor sustaining Malaysia’s steady economic growth; it provided an increasing amount of revenue for the government. By 1982, 24.7 percent of total federal revenues were derived from oil. These revenues provided the funds for most of the government’s development programs. A shrinking economy would have severely strained domestic harmony and probably forced the abandonment of the goals and strategies of the NEP”.

Thus, the government is still convinced that the NEP is the vehicle for improving inter-ethnic relationships. As had been discussed above, it is evidential that the NEP has served as an effective mechanism to reduce socio-economic gap between ethnic groups and help to maintain social and political stability.

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