

# **Entrepreneurship Development Policy in Malaysia**

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## **Introduction**

Entrepreneurship is one of the main drivers of economic growth in which it creates wealth, innovation and technology deployment and reduces poverty. It is also one of the economic strategies to perpetuate the country's competitiveness in dealing with the increasing trend of globalization (Venkatachalam and Waqif, 2005). Countries that are more focused on entrepreneurship, and self-employment have witnessed higher economic growth (Soete and Stephen, 2004). The Malaysian government has continuously encouraged the involvement of its people, especially the Bumiputera or the Malays in entrepreneurship. This is evidenced by the number and diversity of programs and policies that have been formulated to enhance the development of entrepreneurs. Among the programs include entrepreneurship funds, physical infrastructure and business advisory support. Based on a statistical report from the Malaysia Labor Force Survey in 2014, the number of entrepreneurs has shown a marginal increase between 1982 and 2012. During these period, the number of entrepreneurs increased from 1.3 million to 2.6 million, respectively. The purpose of this paper is to describe the entrepreneurship policy formulated by the government of Malaysia in its efforts to facilitate and enhance the development of entrepreneurship in the country.

## **Policies on entrepreneurs**

At the time of British colonialist era, economic activities in Malaysia were isolated by ethnic groups. The Malays (Bumiputera) dominated the agricultural and bureaucracy sectors, while the Chinese got themselves involved with the modern sectors such as tin mines and trade. The Indian community, on the other hand, worked in rubber plantation and technical service sectors. The economical and racial segregation have resulted in major differences in income distribution and has led to economic inequalities between races in Malaysia. Hence, many policies as well as institutional establishments related to entrepreneurs have been implemented by the government to revive the economic inequality, eradicate poverty and create more equitable societies. For example, the Rural Industrial Development Authority or RIDA which was established in 1951, was strengthened and renamed as the Council of Trust for the Indigenous People or MARA in 1966 to encourage and develop Bumiputera entrepreneurship in all sectors (Fong, 1990).

Moreover, the government introduced the New Economic Policy (NEP) in 1970 aimed at creating a balance between racial economies. Under the NEP, the emphasis was given to the equal opportunity for the creation of business and enterprises' community, especially to encourage the Bumiputera involvement in business venture. This policy was revised and improved in every five-year Malaysian plan. For example, in the third Malaysia plan (1976-1980), the development of policies and programs were to enhance Bumiputera commercial and industrialization abilities through the Bumiputera Commercial and Industrial Community (BCIC) program. In order to strengthen the BCIC, the Development Bank of Malaysia and MARA provided financial assistance, while the National Productivity Centre (NPC) organized special programs to provide training, consultation, and guidance. Another policy

implemented by the government was the Privatization Master Plan whereby this policy has stimulated Malaysian economic growth and provided greater opportunities to private sector entrepreneurs. The government recognized the importance of entrepreneurship development, and hence, established a Ministry of Entrepreneurship and Cooperative Development (MECD) in 2004. However, the MECD was dissolved on 9<sup>th</sup> April 2009, and its functions were inducted into several relevant ministries, including the Ministry of International Trade and Industry (MITI). The MITI, through its Entrepreneurs Development Unit has implemented the *Satu Daerah Satu Industri* program (SDSI), literally translated to one district one industry in 2013 to increase income of rural communities.

In transforming Malaysia into an Entrepreneurial Nation and in addressing the unemployment issue, the Malaysian Government has continuously encouraged the involvement of women and youths in entrepreneurship. Hence, the government provides micro-credit facilities through TEKUN Nasional and Amanah Ikhtiar Malaysia (AIM) – government's institutions entrusted to manage the micro-credit funds. This facility is provided together with entrepreneurship training to build their ability in the areas of finance, business plan preparation, marketing and promotion. For youth entrepreneurs development, the government has instituted the Malaysian Global Innovation and Creativity Centre (MaGIC), 1Malaysia Entrepreneurs (1MeT) and *Tabung Usahawan Siswazah* (TUS), literally translated to Graduate Entrepreneurship Fund. The Ministry of Youth and Sports (MOYS) through the National Youth and Sports Department has implemented Youth Entrepreneurship Program (Business and Agriculture Business). This program offers courses, such as basic entrepreneurship in labeling and packaging technology, Smart Partnership (Youth entrepreneur), Smart Financial Manager, and Technical Agriculture programs (National SME Development Council, 2013). These programs aim to develop 1,000 entrepreneurs by 2020. Special programs for women were also introduced, such as skills training in micro enterprises through the program of Women Entrepreneurship Incubator (I-KeuNITA). This program provides intensive skills training and entrepreneurship assistance for low-income women in the field of sewing, beauty therapy, commercial cooking, crafts, childcare, and tour services. At the same time, the Ministry of Women, Family and Community Development through the Department of Women Development organizes the incubator Skills Training for Single Mothers (I-KIT) to generate income for single mothers.

In achieving high-income economy in 2020, small and medium enterprises (SMEs) should be more competitive, efficient, and effective. In addressing this challenge, the government introduced the Economic Transformation Program (ETP) in 2010 in which several projects for upgrading retailers and automotive workshops were introduced (National SME Development Council, 2013). For example, the Small Retailer Transformation Program (TUKAR) was launched in 2013 and is expected to contribute about the RM5.58 billion to the country's gross national income (GNI) and generates 51,540 job opportunities by 2020. Another project called the Automotive Workshop Modernization or ATOM is aimed to contribute RM1.1 billion to the Malaysian GNI and transforms 500 workshops nationwide.

## **Conclusion**

Malaysia is on the right track in promoting entrepreneurship as one of its transformation agenda to become a high-income nation by 2020. As entrepreneurship has the great potential to develop economic growth, various policies and programs have been established to encourage more Malaysians who are engaged in this sector. The Malaysian government has given special attention to entrepreneurship as a way to assist and upgrade the industrial structure in order to create industries for future generations. Most of these programs

ultimately lead to an increase in productivity for entrepreneurs and indirectly generate entrepreneurs with higher-income.

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Date submitted: June 5, 2015

Reviewed, edited and uploaded: June 8, 2015