

Thesis

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*Under-representation of indigenous peoples in business in Sarawak,
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ABSTRACT

The year 1990 not only marks the twenty-seventh year of Sarawak securing her independence within Malaysia, but also signals the ending of the twenty long years of the implementation of an affirmative action called the New Economic Policy. The policy was primarily conceived to provide the indigenous people with a wider opportunity to participate in trade and industry. So far, however, the available statistics do not convince the author that the policy has achieved the desired objective, at least in Sarawak.

Scholars are divided on the importance of the influence of culture and structure on the entrepreneurial success or failure of a particular group, and therefore on the varying policy implications produced therefrom. This study explored the problems and entrepreneurial nature of the indigenous businesses in Sarawak, and has shown that their economic backwardness is attributed more to the structural factors than to the cultural ones.

This thesis defines its scope through the historical analysis and empirical investigation of the persistent under-achievement of the indigenous business as compared to those of other ethnic groups in Sarawak. The study has not only unveiled the problems of *Bumiputra* small businesses in Sarawak, but has

also outlined some policy recommendations. The most important suggestion is broadly the elimination of present inequalities in opportunities and the advancement of preferential measures for the indigenous business. So far, to the best of the author's knowledge, there has been a notable absence of a study of this kind in Sarawak, and this work appears to be the first of its kind. Because of its importance, it is therefore hoped that it will spur further academic interest in the area.

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GLOSSARY

Bumiputra: literally 'son of the soil' (Malay) or the indigenous people.

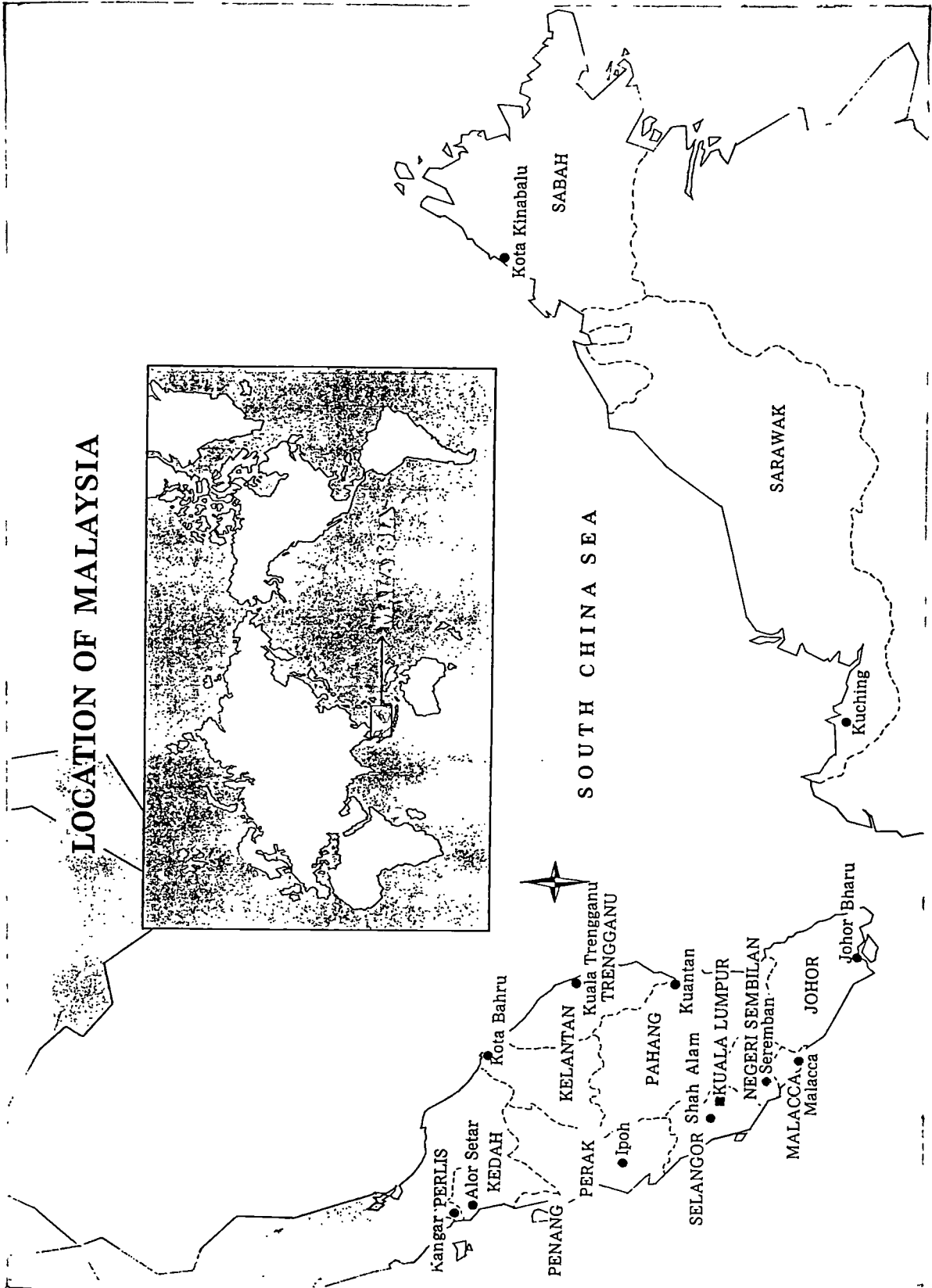
Merdeka day: the Independence day.

Nakhoda: Indigenous merchants.

ABBREVIATIONS

BBMB	Bank Bumiputra Malaysia Berhad
BPM	Bank <i>Pembangunan</i> Malaysia (Development Bank of Malaysia)
CGC	Credit Guarantee Corporation
DSE	Division of Small Enterprise, Ministry of Trade and Industry
DUBS	<i>Dewan Usahawan Bumiputra Sarawak</i> (Chamber of Bumiputra Entrepreneurs Sarawak)
EDD	Entrepreneurial Development Division of MARA
FAO	Food and Agricultural Organisation of the United Nations
GDP	Gross Domestic Product
GGG	General Guarantee Schemes
GNP	Gross National Product
HPT	Hawkers and Petty Traders Loan Scheme
ILO	International Labour Organisation
LFHPT	Loan Fund for Hawkets and Petty Traders
LNG	Liquified Natural Gas
MARA	<i>Majlis Amanah Rakyat</i> (Council of Trust for Indigenous Degree)
MIDA	Malaysian Industrial Development Authority
MIDFIC	MIDF Industrial Consultant Limited of MIDF Berhad
MIDF	Malaysian Industrial Development Finance
MIEL	Malaysian Industrial Estates Limited of the MIDF Berhad
NEP	New Economic Policy
NISIR	National Institute of Scientific and Industrial Research

NPC	National Productivity Centre
PARBUMIS	<i>Persatuan Pemborong Bumiputra Sarawak</i> (Association of Bumiputra Contractors Sarawak)
PERNAS	National Trading Corporation
PGS	Principal Guarantee Scheme
RBS	Rural Banking Scheme
RIDA	Rural Industries Development Authority
SALCRA	Sarawak Land Consolidation and Rehabilitation Authority
SEDC	Sarawak Economic Development Corporation
SIM	Standards Institution of Malaysia
SIRIM	Standards and Industrial Research Institute of Malaysia
SLDB	Sarawak Land Development Board
SLS	Special Loan Schemes
SOP	Sarawak Oil Palm
UDA	Urban Development Authority
UKB	<i>Unit Khas Bumiputra</i>



CHAPTER ONE
INTRODUCTION

1.1 BACKGROUND

In many countries the extent to which business enterprise is concentrated in particular ethnic groups is a major source of racial conflict. Such concentration existed in the Middle East, where Greeks, Armenians, and Jews predominated in trade, rather than Turks or Egyptians; in Southeast Asia, where Chinese were prominent in trade; in East Africa, where it was the Indians; in Nigeria, the Lebanese and the Ibos - to name the best-known cases. As a result, many programmes for entrepreneurial development have been created as one of the means to reduce such conflicts in these countries (Lewis, 1985; Horowitz, 1985). Malaysia¹ is one of those countries which happens to have such an acute problem. It has undergone a serious racial riot and is in the process of restructuring its economy.

¹Malaysia is a federation of thirteen states formed in 1963; eleven in the Malaya Peninsula (gained earlier independence in 1957) and two in the northern part of the island of Borneo.

Malaysia is a multiracial country in which the *Bumiputra*² or the indigenous group form 56.6 per cent of the total population, Chinese 32.8 per cent and Indians 10.1 per cent (Malaysia, 1986:129). Apart from this racial diversity, there is the added fact that the *Bumiputra* tend to live in the rural areas whereas the immigrant groups tend to live in the urban areas. For example, of the rural population of the whole country, *Bumiputra* form 67.1 per cent, Chinese 22.7 per cent and Indian 9.7 per cent. In the urban areas, *Bumiputra* make up 41.3 per cent of the population, Chinese 47.2 per cent and Indian 10.7 per cent (Malaysia, 1986:134-135).

From 1957 to 1969, the general trend in Malaysia is one of increasing economic inequality, in the overall distribution of personal income, in distribution among and within ethnic groups, and in both urban and rural areas. On average the non-*Bumiputra* households continued to earn more than twice the income of *Bumiputra* households (Snodgrass, 1980). The situation was very much worse in 1968/69, where the average income of a Malay household was only M\$63³ as compared to the Chinese M\$349 and Indian M\$260, for the Peninsular Malaysia (Mah Hui Lim,

²*Bumiputra* literally means 'son of the soil' or the indigenous group. It includes Malays and the other natives. In this study, the terms '*Bumiputra*' and 'Malay' will be used interchangeably.

³One Malaysian dollar (M\$) is roughly equivalent to twenty British Pence.

1985:271). The representation of *Bumiputra* in most economic sectors including managerial, professional, and supervisory occupations was poor. There was also an imbalance in the ownership of assets. *Bumiputra* agricultural landholdings outside traditional agriculture were negligible. Chinese landholdings were on the average twice the size of *Bumiputra* landholdings. In the corporate sector, the proportion of share capital of limited companies held by *Bumiputra* was only 2 per cent. The Chinese community held about a third of share capital, foreigners most of the remainder. This wide gap of economic disparity between these major ethnic groups has contributed to the 13 May 1969 racial riot in Kuala Lumpur where hundreds of Malaysians were killed (Mah Hui Lim, 1985:262).

However, after the May 1969 racial riot, there was a dramatic change in the intensity and scope of governmental provisions to help the *Bumiputra*. It sets out a target 'that within a period of twenty years, the *Bumiputra* will manage at least 30 percent of the total commercial and industrial activities in all categories and scales of operations' (Malaysia, 1971:41-42).

On the surface, the Government, through its New Economic Policy (NEP) has succeeded in its objectives and has held the different ethnic groups together. Given the post-1969 political

reality, it was on balance the best policy possible. However, in terms of its performance on the restructuring of society, the non-*Bumiputra* have benefited the most. Their share of the ownership and control of the corporate sector has increased to 56.7 per cent in 1985 from 34 per cent in 1971. The size of this share has far exceeded the targeted figure of 40 per cent for them set under the NEP, whereas the achievement for the indigenous group was only 17.8 per cent (including trust agencies) in the same year (Malaysia, 1986: 9, 107). In 1984 the average annual income (in current prices) of the *Bumiputra* individual was M\$854 as against M\$1,502 in the Chinese community and M\$1,094 in the Indian (Malaysia, 1986:99). From these figures it could not be more evident that the *Bumiputra* are still lagged behind the immigrant communities in respect of economic development.

However, the situation appears to be even more critical in the East Malaysian state of Sarawak. The wide disparities of income between *Bumiputra* and Chinese are still persistent (Table 1-1). The Iban⁴ *Bumiputra* of Sarawak has the highest incidence of poverty of 52 percent compared to only 9 percent of the Chinese in 1984, though the former rate has been reduced from about 78 percent in 1979 (Table 1-2).

⁴As one of the indigenous peoples, Iban form about 30 percent of the total population of Sarawak in 1987.

Table 1-1

Gross monthly income by ethnic group and strata, Sarawak, 1979 and 1984

Ethnic group	Mean(M\$)			Median(M\$)		
	1979	1984	Ave. Ann. Growth(%)	1979	1984	Ave. Ann. Growth(%)
Malay	625	963	10.8	469	722	10.8
Iban	311	592	18.1	216	416	18.5
Bidayuh	331	643	18.8	222	524	27.2
Melanau	N.A.	819	N.A.	N.A.	545	N.A.
Other Bumi	403	753	17.4	289	595	21.2
Chinese	903	1651	16.5	606	1158	18.2
Others	3199	6032	17.7	1528	2808	16.8
Total	582	1032	15.5	365	661	16.2
Urban	1045	1871	15.8	665	1160	14.9
Rural	453	843	17.3	298	580	18.9

Source: State Planning Unit, Sarawak.

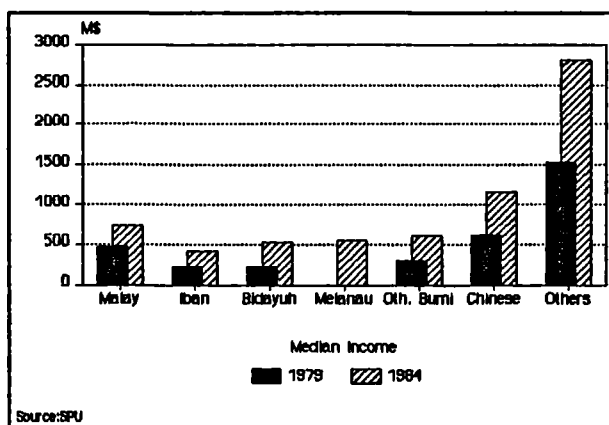


Figure 1-1: Monthly mean income, ethnic group, Sarawak

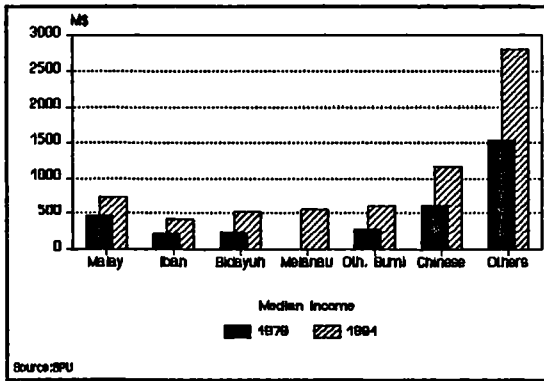


Figure 1-2: Monthly median income, ethnic group, Sarawak

Table 1-2

Incidence of poverty by ethnic group, 1979 and 1984, and strata, 1984, Sarawak.

Ethnic group	Incidence of poverty (%)			
	1979	1984		
			Urban	Rural
Malay	42	27	5	30
Iban	78	52	25	54
Bidayuh	76	42	12	44
Melanau	N.A.	41	19	45
Other Bumiputra	66	33	N.A.	34
Chinese	29	9	5	12
Total	48	32	8	37

Source: State Planning Unit, Sarawak.

The same phenomenon can be said about the status of Bumiputra in business. Table 1-3 shows that Bumiputra individuals

in Sarawak owned only about 11 percent of the corporate sector in 1983 while their proportion in the total population according to 1980 census was around 69 percent (Department of Statistics, Sarawak). This situation demonstrates a severe under-representation of the *Bumiputra* in the corporate sector. As for the total number of approximately 16,000 unincorporated businesses in Kuching⁵ in 1986 (as imperfect measure of small-firm ownership), only about 3,400⁶ businesses (about 21 percent) belonged to the *Bumiputra*.

⁵The capital city of Sarawak.

⁶The figure was obtained from Dr Joseph Ko, a senior statistician in the Department of Statistics, Sarawak.

Table 1-3

Percentage ownership group by corporate sector, all industries, Sarawak, 1983

Group	Percent
Malay*	8.9
Iban	1.6
Bidayuh	0.4
Trust agencies**	2.9
Chinese	58.0
Other Malaysians***	1.8
Locally-controlled co's.	12.8
Nominee co's.	0.5
Non-residents	13.1
Total	100.0

Source: Registrar of Companies, Sarawak.

Notes:

* Includes Melanau.

** These are Amanah Saham Mara Bhd, Lembaga Urusan Tabung Haji, Syarikat Permodalan Kebangsaan, MARA and MARA agencies, UDA, all SEDC's, Bank Bumiputra Malaysia Bhd, and Bank Pembangunan Malaysia Bhd.

*** Includes Indians, Kedazan, Bajaus and others.

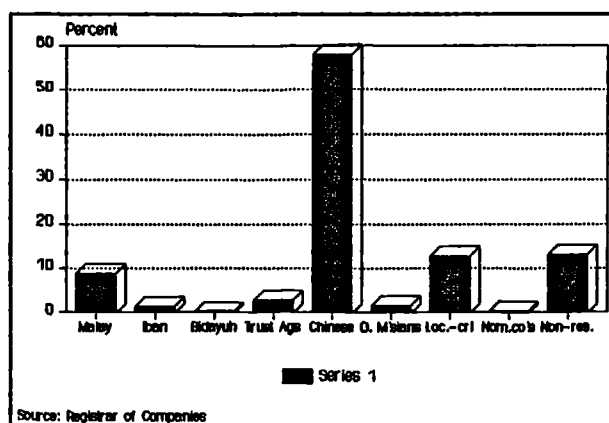


Figure 1-3 Percentage ownership of group by corporate sector

By and large, the above phenomenon is still persistent despite the Government's tremendous effort in rectifying it. Enormous resources have been consumed in the promotion of *Bumiputra* enterprise since 1970. Various agencies have been set up solely to give financial assistance, advisory services, training programmes, infrastructural and other support activities to the *Bumiputra* business community.

1.2 THE PROBLEM

Many people have attributed the above condition to the failure of the New Economic Policy *per se* and many others criticized the implementation of the policy. However, scholars are basically divided between the cultural and the structural schools of thought in seeking the real explanation for the economic inequality in Malaysia. On one hand, culturalists maintain that something in *Bumiputra* culture makes them immobile, irresponsive to economic opportunity, penniless and therefore poor, while something in Chinese culture makes the Chinese mobile, competent at seizing economic ventures, frugal and therefore relatively prosperous. Structuralists, on the other hand, argued that in the differences in opportunities lay the major cause of inequality. In the context of Sarawak, however, very few even know the true position of the *Bumiputra* business *vis-a-vis* other groups'. Yet the real question remains - what is the fundamental problem that caused the under-representation of

Bumiputra in business?

In this study, it is hypothesized that the fundamental problem that caused the business inequality between the indigenous and the non-indigenous groups is more structurally-related than culturally-related.

In general, Sarawak has lagged very considerably behind the Peninsular states in its economic development. Its ethnic or racial composition is more complex than anywhere else in the country. Furthermore, it has a totally different historical background from the rest of the country and thus obtained its independence later than those states in the Peninsular Malaysia.

There has been little, if any, research done on the economic activities of the indigenous peoples of Sarawak. Much less on their business activities. Therefore, there is a dearth of data available to understand the extent of their business involvement, their business attitudes and their background. It is most important to find out what their barriers and constraints are in order to help them out in their business endeavour.

1.3 OBJECTIVES

Against the above background and problem, the main purpose of this study is hence to investigate the fundamental problems

that hinder the entry of *Bumiputra* into business and constrain the growth of their enterprise in Sarawak, at the same time to make appropriate policy recommendations in fulfilling the needs of these firms.

1.4 SIGNIFICANCE OF RESEARCH

The implicit value in examining ethnic group economic behaviour and developing accurate theories of minority lies in the development of policies and programs capable of assisting groups that have not been successful in an economic system (Rosentraub, M.S. and Taebel, D., 1980).

A. It was estimated that in 1980 about a third of the population had income that were insufficient to provide minimum requirements of food, shelter, clothings and other basic needs, despite the significant progress that has been made in achieving an impressive economic growth with substantial improvement in the quality of life. More significantly, the incidence of poverty among *Bumiputra* is disproportionately high. Their per capita income are only half those of the Chinese and two-thirds of the national average. The major strategy in reducing and eventually eradicating poverty in order to correct such imbalance is thus the development of indigenou entrepreneurs. This study is therefore necessary in view of the said Government strategy.

B. While there is a plentiful supply of non-*Bumiputra* entrepreneurs in the country, the Government feels that there is

a serious shortage of indigenous entrepreneurs. This has been a major concern in view of its desire to ensure greater *Bumiputra* participation in the industrial life of the country. To overcome this, the Government has spent more than US\$100 million since 1975 on various types of entrepreneurial development programmes in an urgent attempt to create a large number of new *Bumiputra* entrepreneurs so as to achieve the estimated target of creating at least 20,000 new entrepreneurs by the year 1990, the targeted year for achieving the New Economic Policy's objectives (Malaysia, 1976).

C. There is a danger that the present wide income disparity that exists within the *Bumiputra* community might create a massive class division among them. To correct this income disparity, resources have to be directed towards promoting indigenous business. More studies and emphases directed upon this area are thus timely and highly appropriate.

D. As mentioned earlier, Sarawak being in the most economically backward region, and the *Bumiputra* group, being the majority in numbers but minority in commerce, there is an urgency to evaluate carefully their economic performance in general and their commercial activities in particular. Because of the importance of government's decision-making in exerting influences on the general economic conditions and development policy that

strongly impact the behaviour of the small business, the study of *Bumiputra* business is therefore important to the understanding of its framework so that these influences can be directed effectively towards the improvement of their environment.

E. Since there is a lack of data on indigenous business activities, this study thus becomes necessary and to a certain extent exploratory in nature.

1.5 SCOPE AND METHODOLOGY

Over the years, the problem of high or low economic achievement has drawn many scholars of diverse disciplines into the study of it. Each of them adopts their own distinctive methodological frameworks in approaching the problem. Some scholars aimed on the high economic propensity of particular groups as the phenomenon to be explained, while others focused on the low economic achievers. In this study, the latter approach is to be preferred and pursued, since it is the study of the low economic achievers, in this case, the indigenous peoples whom the Government is more interested in. At the same time, there appears to be so much work done on the Chinese as high economic achievers all over the world, while so little is known about the *Bumiputra*, especially in Sarawak.

A. The empirical part of the study is rather exploratory. The unit of analysis to be surveyed is the individual *Bumiputra* small businessman. It concerns with the micro problems of their business in an attempt to analyse their operational problems. In addition, this will be supplemented by secondary information in the forms of literature on their historical origin and business development. Relevant literature on other ethnic enterprise development in the advanced world will also be usefully consulted.

B. Some of the results of this study will be compared with findings of some other previous research done in other parts of the country.

C. The empirical research is confined to *Bumiputra* businesses in the capital city of Kuching of Sarawak.

1.6 FRAMEWORK OF THE STUDY

This thesis will be divided into eight chapters. The next chapter will extensively review relevant literature on economic inequality, entrepreneurship and ethnic business, in both developed and underdeveloped countries, and an appropriate conceptual framework will be developed therefrom for the formulation of a hypothesis. Chapter three will describe the general setting of political, economic, and social environment

in Sarawak. Chapter four attempts to relate the background and position of *Bumiputra* enterprise and its development in Sarawak. It will examine their overall economic, sociocultural, historical, and organisational environment. It will also highlight the types of government interventions, specifically programmes and policies in the support and promotion of small business. In chapter five, a formal presentation of the research objectives, hypothesis, and research methodology used will be forwarded. Chapter six reports the research findings and analysis. Chapter seven will attempt to interpret the research findings of their implications and subsequently to recommend appropriate policy actions. Finally, the last chapter will present the conclusions.

CHAPTER TWO

LITERATURE REVIEW

2.1 INTRODUCTION

This chapter attempts to review and examine some of the literature and discussions on economic inequality in Malaysia. It will also review some of the general theories concerning high or low economic achievement of certain groups and theories on ethnic enterprise which are deemed relevant. This would help the author in the formulation of an appropriate conceptual framework in the later section of this chapter.

2.2 MALAYSIAN LITERATURE

The type of economic inequalities observed in the Malaysian case (between the indigenous group and the immigrants) cannot be fully explained by the conventional economic theory (Snodgrass, 1980). It is as complex as the question of why one country develops rapidly while another does not. The most often suggested explanations in the social science analysis are the structural thesis (or discrimination explanation) and the cultural thesis (Snodgrass, 1980:111; Hirschman, 1975:52).

1. Structural factors, i.e. the *opportunities* open to the groups differ (or at least differed in the past) as a result of discrimination. Discrimination can occur in a variety of

environments, such as schools, the job market, or economic institutions, and teachers and employers may give preferential treatment to certain ethnic groups and not to others.

2. Cultural factors, i.e. the *responsiveness* of the groups to economic opportunities is (or has been) different as a result in tastes or abilities.

Snodgrass defined 'taste' as the key values which could differ systematically among groups such as relative preference for work versus leisure, present consumption versus future consumption and surer gains versus larger but riskier ones. He defined 'abilities' as the capacities of different groups to respond given identical tastes and opportunities.

While disagreeing with Shibuti and Kwan (1965, quoted in Snodgrass, 1980:111) that 'the group whose culture is best suited for the exploitation of a given environment tends to become dominant', Snodgrass argued that the performance of a particular group is bound to be influenced by the activities of another group in the opportunity structure. In other words, there is a foreclosure of opportunities for the weaker groups through the activities of the stronger groups as in the case of the more entrepreneurial Chinese may have forestalled the opportunities of the Indian immigrants (who have achieved economic dominance elsewhere) in Peninsular Malaysia.

In a study of the determinants of ethnic inequality on income and occupations in Peninsular Malaysia, Hirschman (1975) interpreted the findings on the unequal patterns of income among the ethnic groups basically as a result of the inheritance of poverty, or of rural agrarian origin, rather than any strong effect of ethnicity. However, there seemed to be evidence of discrimination or some other 'structural block', as he put it, that prevented Malays from entering a few occupations particularly sales, craft and production. This finding was consistent with his earlier conclusion that there was little trend towards proportionate ethnic representation in those occupations.

As elsewhere in Europe and North America, each of the above hypotheses has its supporters among Malaysians and foreign scholars on Malaysia. Although they usually do not resolve exclusively cultural or structural but present a combination of both for their explanation, there is often a considerable variation in the importance they assign to one or the other (Boissevain, et al, 1986).

2.2.1 The Culturalists

An economist, Brien Parkinson (1967; 1968) wrote a controversial article using non-economic arguments in an attempt to explain the economic retardation of the Malays. It is probably the most explicit and systematic effort to present the cultural

explanation for the backwardness of the Malays which has been made in recent years (Snodgrass, 1980). Parkinson asserted that it was 'their attitude toward economic development' that caused the economic retardation of the rural Malays. The substance of this attitude, according to Parkinson, is a resistance to economic change which is a part of the tendency to resist change in general. Included are two main features namely first, they 'are reluctant to give up the past, and secondly, they fear or dislike the unfamiliar'. He was also careful to say that he thought the Malays 'have not been receptive to change in the past' and that they 'are more receptive today than they were in the past, there are still some signs of resistance'. According to him, although 'these characteristics are far more typical of the previous generations of Malays than of the present', 'it was in these previous generations that the seeds of the present retardation were sown and, to a large extent, flowered'.

It is also interesting to note what Parkinson said about the meaning of 'success' to a Malay. He said:

'...[B]ut to the Malay success means something different from what it does, for example, to the Malaysian Chinese. The Chinese seem to regard success as being the improvement of their economic position even if this requires some fundamental change or innovation. The Malays seem to regard success as doing what their forebears have approved and practised, but doing it as well as they can. Wealth and economic advancement are desired by the Malays, but not at the expense of renouncing utterly the traditions and traditional occupations of their forefathers to which they have grown accustomed, and which offer them a level of satisfaction greater than that offered by the mere pursuit of economic advancement and wealth.'

...The Chinese and the Malays, because they possess different cultures, attitudes, values and motivations, maximize different things. Neither one is necessarily superior to the other, it is simply that the maximizing postulates of the Chinese are more likely to lead to economic development in the Western sense than the maximizing postulates of the Malays (Parkinson, 1967:42-43).

However, Parkinson did not disprove the existence of structural influence; he simply argued that the present retardation of the Malays could not be attributed entirely to the force of environment. Since both the Malays and the Chinese were originally faced with the same unfavourable economic condition even though the Chinese were more advantageously placed in the urban area, there must be another explanation than the rural neglect and exploitation that contributed to the large difference in economic performance.

Parkinson was heavily criticized by an anthropologist, William Wilder (1968), that his arguments were loose and not proven. For a better analysis of the effects of variations in values and abilities on the relative achievement of the ethnic groups, Wilder demanded that one must get down to specifics.

2.2.2 The Structuralists

Ungku Abdul Aziz (1961) and E.K. Fisk (1964) are the two scholars among others who attributed structural influence as the most important explanation for economic inequality in Malaysia.

While rejecting strongly the cultural reason for the weak economic performance of the Malays, Ungku Aziz propounded that the poverty of the rural Malays was due to their own low productivity, official neglect and exploitation by predominantly non-indigenous middlemen who acted as merchants, moneylenders, landlords and employers. He listed four forms of rural exploitation which he thought critical:

1. 'merchants who charge excessive margins for their services';

2. 'high rates of interest charged by moneylenders and shopkeepers who supply the farmers with credit in kind or loans in cash';

3. 'high rents on land and insecurity of tenure';

4. 'wage exploitation...practised on farmers who are so poor that they have to offer their labour for hire' (Abdul Aziz, Ungku, 1957, quoted in Snodgrass, 1980:125).

On the official neglect, he wrote:

[T]here is the non-existence of a functioning Welfare state - there are no price supports, no parity price schemes, no subsidies, no import restrictions protecting agriculture.

...[H]ealth and educational facilities are inadequate. Quasi-starvation and debilitating diseases are routine... (Abdul Aziz, 1961:5).

He blamed the colonialists for the imposition of western

land tenure system on native system so much so that it led to tremendous loss of indigenous land ownership to foreigners; 'the abrupt imposition of money-economy on a peasant society that produces largely for subsistence and trades by barter'.

Because they could not enslave the natives, the immigrants were brought in to become plantation labourers. It just so happened that '[t]hese migrants may come from societies where money has been in use for centuries and where the cash price market system is normal'.

Fisk wrote about the 'vicious circles' he identified as the major cause of a totally stagnant rural economy (vast majority of Malays live in rural area) between 1950 and 1958 in Peninsular Malaysia. Those self-perpetuating factors are levels of income, geographical distribution of population, availability of capital and entrepreneurship, and certain institutional factors (1964:95).

The lower income level of the rural Malays compared to the mainly urban Chinese makes it impossible for them to compete successfully in business since low income leads to low savings thus low capital accumulation. Furthermore it makes them less mobile and less able to pay for their education, thus sustaining continued poverty. While the Chinese whose mainstay is in the urban living amass all the wealth and benefits that the modern

and prosperous urbanized livelihood has to offer.

2.3 GENERAL THEORIES

Many scholars, following Max Weber (1930), asserted that influences of cultural factor are the most important element in the explanation of why certain groups are more successful than the others in business. While others argued that social structural factors are the most important variables explaining entrepreneurial dynamism.

In his seminal study on *The Protestant Ethic and the Spirit of Capitalism* (1904), Weber attributed the rise of capitalism in Western Europe to Protestantism and its doctrine of salvation for God's chosen few, who could be identified by their frugal, industrious behaviour on earth. According to Weber, modern capitalism emerged as the cumulative result of social, political, economic and religious forces with their roots deep in European history. Beginning from the time of the Reformation up to approximately the eighteenth century, the influence of religion had been very positive. Protestantism, particularly Calvinism, generated a certain ethic which blended with capitalism, giving rise to what Weber called the spirit of modern capitalism. It was this spirit that released the enormous energy depicting modern capitalism. The major factor noted by Weber is the doctrine of the calling, wherein the acquisition of wealth is considered as a possible sign of salvation.

The above argument was later taken up by the Harvard psychologist, David McClelland (1961) and his followers who maintained that social change and development was brought about by people driven by the desire to excel; as he put it, they need achievement. McClelland proposed achievement as a psychological need and observed that certain societies produce a large number of people with a high level of desire to improve themselves in order to get ahead financially or to be recognized as the best at some endeavour. Such societies would produce large number of entrepreneurs and hence would develop. Normally, a need for achievement originates in child-rearing practices, but individuals can be trained to have a higher need for achievement, according to the theory (McClelland and Winter, 1969).

Similar to that of McClelland is Everett Hagen (1962) of MIT, who proposed that entrepreneurs come disproportionately from 'blocked minorities'. His theory of relative social blockage assumes that certain individuals in a traditional society are prevented from rising to the more conventional sources of prestige, power, and wealth, such as high government office. The reason they are prevented from rising up through the traditional hierarchy may be that they are members of a religious minority subjected to discrimination or because they are immigrants from abroad. If these minorities had previously enjoyed a high status, they (at least their later generations) have a particularly keen desire to reestablish themselves to a position of wealth and

prestige. Since they cannot join the army or the civil service, the one avenue open to them is to become wealthy through entrepreneurship. This theme is well illustrated by Clifford Geertz (1963) in his study of social change and economic modernization in two Indonesian towns of Modjokuto and Tabanan. In Modjokuto, the leading figures of the traders (*wong dagang*) were mainly pious Muslim migrants from Java's north coast, for centuries the centre of Javanese commercial life and Islamic learning. Although they did not belong to the group of the highest status as the gentry (*prijaji*), they were the ones who had transformed the town with the atmosphere of the bazaar with their thrift, industry and moralistic piety. In Tabanan, however, the economic leadership was in the hands of the successors of the Hindu caste aristocrats of the traditional state. In a situation where aristocratic prominence had come under attack, trade and industry became their only attractive means of maintaining their threatened status, wealth and power. They therefore became the sole force behind Tabanan's economic expansion.

Alex Inkeles (in Brode, 1969:vi, quoted in Snodgrass, 1980) led a group of sociologists to propound what is called a 'modernization theory' in emphasizing attitudinal change as an essential condition to economic development. He stated that:

Sustained development seems to depend on the wide diffusion throughout the population of certain attitudes, values, dispositions to act, and habits of doing things, which, in combination, characterize the 'industrial man' and differentiate

him from the man of tradition who makes up the bulk of the population in most underdeveloped countries.

With David H. Smith, they (1974, also quoted in Snodgrass, 1980) attempted to define 'modern' or 'industrial' man and measure his prevalence in six low-income countries. Accordingly, modern man was defined to be politically more 'active, interested, informed'. Additionally,

Beyond politics, the modern man showed himself to perform differently from traditional man in many realms of action having practical bearing on the process of societal modernization. The more modern man is quicker to adopt technical innovation, and more ready to implement birth-control measures; he urges his son to go as far as he can in school, and, if it pays better, encourages him to accept industrial work rather than follow the more traditional penchant for office jobs; he informs himself about the goods produced in the more modern sector of the economy, and makes an effort to acquire them; he permits his wife and daughter to leave the home for more active participation in economic life...(Inkeles and Smith, 1974:313).

The most important sources of individual modernization according to Inkeles and Smith are education, mass communications and new forms of work experience, particularly in the factory.

Bert Hoselitz (1960) was among those who thought that the climate for entrepreneurship can be influenced by social environments. Borrowing Redlich's terminology of the manager type and the entrepreneur type, Hoselitz argued that these two types of entrepreneurs will predominate depending on political decision and the sources of capital for investment in the

underdeveloped countries. According to him, there existed basically two sources of capital in underdeveloped countries, namely the government funds and the funds provided by local merchants and landowners. He said:

It is granted that an individual's character orientation is determined in large part by biological needs and the early stages of socialization during infancy and childhood. But the objective, external conditions, the social structure and political framework of a society within which concrete, overt action takes.

[I]f social planning in underdeveloped countries is directed toward stimulating the evolution of free industrial entrepreneurship, it must provide for the establishment of external, objective conditions which will make such entrepreneurial activity an attractive or even strongly approved alternative of social behavior...(Hoselitz, 1960:154-5).

2.4 DEVELOPMENT OF ETHNIC MINORITY ENTERPRISE

The debate about whether cultural or structural factor constitutes the most important variable in the explanation of entrepreneurial success continued, however, in a slightly different form by scholars who studied the development and integration of immigrant groups in North America and Europe.

2.4.1 Background

An entrepreneurial approach that assumes entrepreneurship reflects the decisions of isolated individuals to enter small business fails to account for why members of particular ethnic groups in the United States - Eastern European Jews, Japanese, Chinese, Koreans and Cubans - have contributed high proportions

of their members to small business ownership, while other ethnic groups have been under-represented (Auster, E. et al, 1984).

In 1900, 13.7 per cent of the immigrant Chinese, Japanese and Indians in Chicago were retail merchants and dealers compared to only 3.7 per cent of the native white population. In Los Angeles in 1920, 12.2 per cent of the immigrant Chinese, Japanese and Indians were retail merchants and dealers, compared to 7.7 per cent of foreign-born whites, 4.4 per cent of native whites and 1.5 per cent of the black population (Light, 1972:13). Japanese continued to be over-represented in the 1960s, as 51 per cent of second-generation Japanese on the Pacific coast were employed in the small business (Bonacich and Modell 1980:176). Koreans are the most recent Asian immigrants to the United States to gain a foothold in self-employment (Light, 1980). Lovell-Troy's work in Connecticut on Greeks in small business indicates that 'up to 80 per cent of the Greek immigrant families in the Greek communities in that state are self-employed in small businesses, with as many as 76 per cent of them in the pizza business' (Lovell-Troy, 1980:61).

In contrast, blacks in the United States have historically been underrepresented in small business ownership (Light, 1972). Glazer and Moynihan pointed out that the black migrants to New York had not developed a substantial small business sector such as those developed among preceding immigrant groups - Jews,

Italians and others (Glazer and Moynihan, 1963). With over one million black inhabitants in the city of New York, it has been estimated that, while 1 in 40 white residents own their own business, the equivalent figure among black residents is 1 in 1,000. A study of business in the inner city areas of Buffalo in New York State found that, whereas 90 per cent of the population of the area was black, over 80 per cent of sales revenue in the area went to white businesses (Bonney, N., 1975). Blacks now form roughly 11.6 per cent of the US population and receive 7.5 per cent of personal income, but they own only 1 per cent of all income-producing wealth (Auster, E., et al 1984).

In Britain, a similar pattern of development can be seen among various ethnic minorities. The Asian community (includes Indian, Pakistani and Bangladeshi) has been more successful in establishing small businesses. Blacks or the West Indians are less seen to be involved in this sector. Recent Department of Employment statistics bear out the disparity between Asians and blacks in self-employment. Among Asian men, about 22 per cent are self-employed compared to 8.5 per cent of blacks. Among women the contrast was even greater: nearly 10 per cent of Asian women were self-employed compared to only 0.9 per cent of blacks (Foster, A., 1987).

Wilson (1983;1984) also reported a survey finding that, for Greater London, Asian representation in business far outweighs

that of the Afro-Caribbean group in all London boroughs. In certain boroughs the proportion of Asian self-employed even exceeds their share of population. Again his evidence in Brent shows that Afro-Caribbean firms are more severely disadvantaged than are Asian firms and that they lack the diversity of activities found in the Asian small firm population.

The shortage of labour in the industrial societies after the World War II saw an influx of foreign immigrants to the west. These immigrants were employed mostly as unskilled workers in the economy. It was difficult for most of them to climb from their entry-level positions as labourers to much higher positions in the labour market because of prejudice which led to job discrimination by the host employers, poor language facility and their lack of proper skills needed on the job.

More recently, the employment positions of these immigrant workers have been affected most heavily by economic trends, because they are concentrated in those industries which are affected most by economic stagnation, declining product demand, stiff world competition and large scale substitution of technology for labour (Waldinger, et al, 1985). Moreover, the operation of discriminatory practice in employment is likely to be encouraged by the overall shortage of jobs (Ward, 1983). The emergence of ethnic enterprise was therefore in a large part a direct consequence of such wider economic changes.

In the British context, 'business development among members of minority communities has been seen as a response to constraints experienced in obtaining employment in the labour market' (Ward, 1983:3). It occurred as a direct consequence of the practice of racial discrimination as well as a result of an overall shortage of jobs in the economy.

Light (1979;1980;1984) called it the 'disadvantage theory' when he attributed the general overrepresentation of the ethnic minorities' involvement in small business to their disadvantaged position in the general labour market by poor English, inferior educational credentials, unemployment, discrimination, and so on. However, he contended that this theory cannot be the whole explanation of the phenomenon since it fails to account for the disparity in self-employment among the various ethnic groups. For example, why should some immigrant groups have higher rates of business enterprise than others, and why should the foreign born in general have much higher rate of business proprietorship than Mexicans and especially Blacks, the most disadvantaged of all?

2.4.2 Cultural Approach

This approach is based on the view that certain cultural predispositions are a resource in economic activity, and that entrepreneurial success is culturally bound. Waldinger, et al (1985) mentioned that 'Cultural explanations of ethnic business

often suggest that marginalised immigrant groups import traits and behaviour patterns that gear an "elective affinity" with the quality required for a small business success' (pp. 588). They give examples of the argument made by Nathan Glazer that 'the historical experience of being a "stranger" combined with the traditions of "Jewish Puritanism" to give Jewish immigrants to the United States a crucial entrepreneurial bent', and that the entrepreneurial success of American Korean Immigrants is attributable to the 'state centralism in both pre-industrial and contemporary Korea, which bred marginality and individualism within a class of first generation urbanites; and the value structure common to Confucianism and Protestantism, both of which emphasise self-abnegation and self-control and thereby reinforce the drive for small business gain' (pp. 588-589). This approach suggests that high self-employment rates are largely a function of the skills acquired prior to migration and of previous exposure to an advanced market economy.

Ivan Light (1972) was one of the first who examined the problem. He attributed the over-representation of Japanese and Chinese entrepreneurs against black entrepreneurs in a Los Angeles black neighbourhood to their differences in cultural arrangements. Light showed that Japanese and Chinese were able to finance their businesses with ease because they have the so-called rotating credit associations which American blacks do not have. Among Japanese and Chinese there were also strong

organizations that united businessmen who provided each other with support, protection and capital.

According to Light (1979), the cultural theory of entrepreneurship was derived from Max Weber's prototype Protestant sectarians who inherited the 'values of diligence in calling, thrift, profit, and individualism' and thus the attendant motivations that caused adult sectarians to prosper in business. '[T]his model of entrepreneurship has claimed that individuals introject cultural values in the course of primary socialization. When a group's values and motivations encourage business enterprise, cultural minorities produce socialized adults who prosper in business...' (pp.199)

Light argued that this cultural theory explains the business over-representation and success in terms of intact, unchanged cultural heritages of the Jews, Chinese, Japanese, Greeks, Macedonians, West Indians, Dominicans, Gypsies, Iraqi Christians, Lebanese, Koreans, and Arabs, in America. An example he gives is about the Gypsies, before arrival in New York City, they already knew how to tell fortunes, and that was their cultural baggage which included skills like crystal balls, palmistry etc. which other groups simply lacked.

Light (1980) called the above cultural explanation an 'orthodox' version of the cultural theory of entrepreneurship

which according to him 'cannot encompass situational pressures which mould alien groups' (pp. 34). Other than the orthodox meaning of the cultural theory, he expounded what he called the 'reactive' interpretation of the theory of cultural entrepreneurship.

The reactive version is explained, according to Light (1980), whereby the alien status of the ethnic groups releases 'latent facilitators' which promote entrepreneurship. The facilitators emerge from the minority situation rather than the cultural baggage of a particular group. An example is where minority status enhances ethnic solidarity, solidarity in turn encourages entrepreneurship. According to Light, in such a case where a situation has brought out a collective response, is not cultural in the orthodox sense.

Light (1984) further divides the facilitators into relative satisfaction, reactive solidarity and sojourning.

Relative satisfaction is derived from psychological satisfaction arising from immigration to a high-wage country from a low-wage country. Because of a relatively low living standard in their countries of origin, even adverse conditions look good to the immigrants. This has prompted them to accept low returns, long labour hours and other short-term sacrifices in order to maintain business self-employment.

Reactive solidarity is the enhanced social solidarity of an ethnic group that is derived from cultural minority status. Those ethnic communities who possess social networks create resources upon which co-ethnic can draw for business purpose. This form of enhanced social solidarity through social networks however does not exist in the country of origin as it does abroad. Light uses the example of the Japanese of Los Angeles who formed a solidaristic subgroup consisting all the brothers hailed from Hiroshima. But the contemporaneous residents of Hiroshima did not share the sense of local solidarity as the immigrants did abroad.

Sojourning arises when the ethnic minorities have the idea of repatriation and as a result they become determined to earn and save as much money and as quickly as possible. Sojourning thus implies entrepreneurial motivations which give the minorities an added advantage in business competition over non-sojourners.

The cultural argument was supported by a study by Wong (1977). Wong found that Chinese were more successful in business than black in a black neighbourhood of Los Angeles because they were more businesslike, made more use of family labour, and more often combined their business and household budgets so that they could economize on household spending to benefit the business. But Wong also found one structural factor that partly contributed to their success; i.e. where as outsiders to a black

neighbourhood, the Chinese shopkeepers were more able than their black competitors to be strict and thus more successful in collecting debts and limiting credit.

In another study of Chinese, Indian and Creoles businessmen in the Seychelles Islands, Benedict (1979) concluded that the success of a family enterprise depended upon the existence of a hierarchical family structure, family loyalty and loyalty to the family enterprise. He also mentioned the cultural differences between Creoles on the one hand and Indians and Chinese on the other regarding saving, consumption and leisure activities. Creoles spent money easily and were not oriented toward the future. They spent what they earned the same day. The attitude of Chinese and Indians were just the opposite since they worked for the future and stressed soberness, cooperation and long term goals. The Creoles separated their daily activities between men and women; the man's territory was the shop, the roadway and the toddy sellers whereas the woman worked in the house and the neighbourhood. In contrast, Indian and Chinese male lived within the family. He spent time in the household with his children and thus parting the ideas of thrift and saving to them.

2.4.3 Structural Approach

Among others who argued for a more explicitly structural approach to the central question is Edna Bonacich (1973;1980). To explain the over-representation of certain ethnic groups in

the field of small businesses, she developed the concept of middleman minority. She attributed the drive of certain groups who became self-employed to their social status. An ethnic group can play many roles in a social structure in its relation to the other ethnic groups. Bonacich defined those minority ethnic groups who occupied the 'middle' positions rather than the bottom-of-the-social-scale position as middleman minorities. These middleman minorities began as sojourners, sacrificing short-term deprivations for the long-term goal of return and choosing portable and easily liquidable livelihoods. This orientation brought forth a hostile reaction from the host society; and that hostile reaction in turn, strengthened the group's sense of solidarity and in-group economic ties and their feelings of ambivalence towards place of residence.

This theory came about as an explanation for the over-representation of certain ethnic minorities in small business around the world. Examples of these people are said to be the Jews in Europe, the Chinese in Southeast Asia, Asians in East Africa, Armenians in Turkey, Syrians in West Africa, Parsis in India, Japanese and Greeks in the United States, and so on.

Although, traditionally middleman minorities have been associated with pre-capitalist and colonialist situations where their role has been ascribed to acting as a buffer to fill the status gap between elites and masses, Bonacich argued that

middleman minority role persists into advanced capitalist and post-colonial societies despite the absence of the original contextual factors like status gap arising from the existence of the elites and so on.

Light (1979) disagreed with the middleman minority theory in its total exclusion of the cultural element in explaining the sojourning minorities. He claimed that 'the evidence for a purely situational explanation of middleman minority is only mixed' and that 'it is unclear whether the sojourner theory can escape cultural priority' (Light, 1979:33).

Another criticism made by Light was that the sojourner theory confronts interpretive difficulties. He argued that the idea of repatriation to their homeland of both the Jews in Europe and the Chinese in America which leads to their situational response is a cultural explanation rather than a situational one.

Finally, the sojourner theory faces empirical problems in that some non-sojourners outperform sojourners in business. Light (1979) compared native-born and foreign-born Americans of foreign stock in 1970 where he found that native-born had higher rates of self-employment than the foreign-born. 'But since one expects a sojourning attitude to predominate among the foreign-born, the observed levels of business activity of the foreign generations hardly support the sojourner theory' (pp. 34).

Aldrich et al. (1981;1982) also criticized the middleman theory. They tested four characteristics of the theory on Asian immigrant businessmen in Britain: (1) superior access to capital, labour and business experience; (2) superior competitive practices (relatively lower labour costs and better services); (3) export orientation (selling to those outside their ethnic group); (4) specialization and creation of jobs for their own group. The middleman minority theory was only partly supported by the first characteristic, family labour. They concluded that the middleman minority theory was not applicable to immigrant Asian shopkeepers in Britain.

Again using a sample of a group of Cuban entrepreneurs and a group of Cuban employees, Cobas (1985) tested two propositions in the middleman minority theory which state that the ethnic entrepreneurs are more likely to be (1) attached to the in-group (2) ambivalent towards the receiving society. The results show that both propositions receive weak support. Instead, the findings assert that employees will adhere more closely to the two propositions' prediction than will owners/entrepreneurs.

Norman Bonney (1975) was the next person who sought explicitly structural argument for his analysis of minority situation. He was not fully convinced by Light's (1972) cultural explanation that the reasons for black American's lower rate of business achievement against the immigrants were due to their

lack of supportive social relations and credit associations. He said that instead 'one must also examine the historical and social environment which shapes the nature of available socio-economic and political opportunities and to which group culture is an adaptive response'(Bonney, 1975;82).

Arthur Lewis (1985) thought that the comparison usually made between the American blacks with the immigrants' business success was not appropriate because since from 1650 until after the Second World War American blacks were compelled to live and work with very restricted opportunities, whereas the immigrant groups had had centuries of trading institutions and traditions behind them.

In her comparative study of West Indians in New York City and London, Nancy Foner (1979) showed that cultural analysis does not adequately account for their differential rate of success both in business and occupational attainments. Drawing on the point made by Light (1972) that the entrepreneurial success of West Indians in the United States against black Americans is attributable to the traditional institution of rotating credit associations¹, Foner argued that similarly rotating credit have also been reported among West Indians in Britain. Yet West

¹ This, according to Light, provided West Indians with important source of capital for business ventures, while lacking these traditional credit associations, blacks were more dependent on banks for credit, which they were frequently denied.

Indians in Britain seemed to have invested less in small businesses than their counterparts in the United States.

Using census data to show that West Indians in the United States were more successful than West Indians in Britain, she forwarded three structural factors to explain this situation: (1) 'the history of West Indian migration to Britain and the United States'; (2) 'the occupational background of the migrants'; and (3) 'the structure of race relations in the two receiving areas' (Foner, 1979;284). Overall, West Indians have been established in the United States much longer, a higher proportion of migrants came from a middle-class background and they have found in the market provided by the black American population more opportunities for business development.

Another definitely structural argument was developed by Ward and Reeves (1980) and Reeves and Ward (1984). They suggested a number of structural explanations as to the under-representation of West Indians immigrants in business compared to Asian immigrants in Britain in 1977. There were many more Asian immigrants than West Indian immigrants. Asians concentrated in the centre of older cities where there were many existing shops and at the same time provided them with a wide network of clients. White shopkeepers confronted with declining property values were happy to sell their shops for good prices to the new shopkeepers. Whereas West Indians lived dispersely in council

housing estates where there were already local shopkeepers. Shops in such neighbourhoods were expensive and hard to come by.

In addition, the West Indians in Britain lacked the skills necessary to run a small business as a result of less education and the absence of a family business tradition. Unlike Asian businessmen, they did not have access to a network of bookkeepers and professional advisers from their own group. Reeves and Ward rejected the cultural arguments that caused the relatively lower business achievement of West Indians to the absence of a strong family organization. They said:

If West Indians migrating to the United States can become successful in business, this points to a structural explanation of the comparative lack of success so far achieved by West Indian business in Britain (in terms of market opportunities) rather than a cultural one (in terms of an alleged 'temperamental' inability to run a business) (Reeves and Ward, 1984;140).

Other structural writers called this the economic opportunity model. In describing the model, Jenkins (1984) said that 'ethnic minority business activity is essentially no different from routine capitalist entrepreneurial activity, depending for its success or failure upon the opportunities present in the market. In this case the opportunity is typically an ethnic niche' (pp. 231).

In explaining the variations in the proportion of the different ethnic groups involved in business, in the profitability of their firms, the sectors they are operating and their entrepreneurial style in Britain, Mars and Ward (1984) argued that 'they reflect the relationship between the resources different groups possess and the business opportunities they encounter' (pp. 10). It is not enough to possess only resources to operate profitably, for example, some minorities have come to Britain from a business background and so have an obvious advantage. According to Mars and Ward, this only forms part of the explanation. Therefore, they suggested that it is the interaction between resources and opportunities that is important in explaining the variations in the development of the minority enterprise.

Another structuralist, Waldinger (1984) objects to the cultural explanation of the minority business involvement as it lacks an analysis of the economic environment in which ethnic entrepreneurs function and the implications of this environment for the organisation of the ethnic firms. Accordingly, 'Group solidarity or a willingness to take risks may be a necessary condition of entrepreneurship, but neither is a sufficient condition for business success. To grow and prosper the immigrant owner needs (i) a niche in which the small firm is viable, (ii) access to ownership opportunities and (iii) the resources needed to exploit them' (pp. 589).

In his study of the Hispanic immigrant enterprise in the New York garment industry in 1982, Waldinger (1984;1985) came to a conclusion that supported a similar framework which he called the 'Interactive Approach'. This framework 'suggests that ethnic businesses proliferate in industries where there is a congruence between the demands of the economic environment and the informal resources of the ethnic population; consequently, ethnic business-owners have a favourable position in competition with native proprietors' (1985:591).

Ward also explained the model as 'a way in which potential minority entrepreneurs may (i) use their own resources (ii) to respond to business opportunities (iii) without being held back by external constraints' (Ward,1983: 3).

By resources he meant human capital, labour and capital. Human capital is skills, business orientation and experience, and cultural dispositions. While ethnic labour becomes more accessible to the business as there is discrimination in the wider labour market, its cost is also cheaper within the ethnic community as employment offers an avenue for training and gaining of experience for the workers so that they may set up on their own in the later years. Ethnic community members can also have access to capital provided by families, friends and relatives. They are a major source of capital for ethnic business. Although one finding concludes that 'variations in the supply of capital

and labour do little to account for variations in business achievements' (Jones, 1982:473).

Opportunities, according to Ward, can be divided into ethnic market and wider market. As the number of ethnic entrepreneurs increases, the opportunities in the ethnic market will become limited. Inevitably, the alternative for them is to penetrate the wider market. Apart from facing severe competition from the native entrepreneurs, they will normally find it difficult to enter the wider market because of other constraints such as discrimination, finance, supplies and premises, etc.

Another structural explanation of the minority business phenomenon is the ecological approach (Aldrich and Reiss, 1976). It 'emphasises the structure of modern economies which sharply constrains the size of the small business class. Openings for ethnic business owners only emerge as vacancies arise in the existing small business population. The crucial factor in this process is the pattern of succession by which one of ethnic group succeeds another, first among a neighbourhood's residents, and then among its small business class' (Waldinger, et al, 1985:590).

In other words, the emergence and growth of ethnic minority small business depends on the growth of their population in the vicinity and that the rise of minority business as an aspect of

the overall process of ecological succession. The work of Aldrich and Reiss on neighbourhood racial succession in the United States found that, where the exit of white residents leads to the closure of white-owned firms, vacancies are taken up by incoming blacks and hispanics.

2.5 DISCUSSION

The culturalists have convincingly argued the importance of considering cultural attributes such as family structure, work ethic, thrift, skill and attitudes towards risk and leisure, and the future orientation, etc in explaining differences in entrepreneurial achievement among groups. However, Giving due emphasis to such cultural attributes should not at the same time undermine the importance of structural or social characteristics such as discrimination, occupation, education, experience, residential pattern, entry to the market and government policy etc. Many of these attributes are interrelated since culture is influenced by socio-economic structural constraints and vice versa. 'The culture of an ethnic group is in large measure an adaptation to existing economic constraints' 'Culture and structure, when viewed historically, are intricately interwoven' (Boissevain et al, 1986).

This relationship is best illustrated by an historical example. Peninsular Malaysia (or Malaya before independence) was known to have abundant resources of tin. During the colonial era,

the Malays lived in villages on the coast, grew rice, fished in surrounding bountiful seas, and showed little interest to go deep into the jungle where most of the tin was located. Chinese migrants who came from extremely poor regions of South China possessed little land in Peninsular Malaysia and wanted desperately to accumulate money to send back to their families in China, where one day they hoped to return themselves. So the Chinese were willing to go into the jungle to mine tin even though the risk of death from malaria was drastically high. A majority of the first miners died of malaria. But at least some of the Chinese who survived these and similar mining camps managed to accumulate funds and started other businesses for which they soon came to dominate those parts of the economy not in the hands of the British. The Malays remained as fishermen and farmers right into the middle of the twentieth century.

Structurally speaking, the Malays had few rational reasons for wanting to mine tin in the nineteenth century since their wants were well met under more favourable conditions in the coast and the risks of going into the jungle were high. By the time the risks had fallen, the Chinese and British were in command of virtually the entire mining and commercial network of the country. There were few openings for the Malays to enter into the business world until the country achieved its independence from the British and firms were forced to open opportunities for Malays. However, it seems that more time is needed before the

Malays can achieve as much as the Chinese had. These values suitable to the new environment of opportunity do not arise overnight, nor do the skills that come only with experience. Certain cultures however are more resistant to change than others.

It is interesting to note and relate what was said about the cultural similarity of the West Indians in the United States and Britain by Foner (1979) and Reeves and Ward (1984) to the Malays in general. While both groups have what Light (1972) calls the traditional institution of rotating credit associations which provide them with an important source of business capital, West Indians in the United States were said to be more successful in business than those in Britain. This therefore points to the structural rather than the cultural explanation for the differential rate of success according to both Foner and Reeves and Wards.

The economic weakness of the Malays was said to be confined to those in Malaysia and is not to be found among their Malay kinsmen in Indonesia. The Korinchi peddlers and the Minangkabau Malays of Sumatra as well as the Malays from Banjarmasin in Borneo, for example, were known to be so successful in trade and business of every kind that the Chinese could not compete with them (Maxwell, 1948).

Drawing on a point made by Ungku Abdul Aziz (1961) referring to the Chinese, as immigrants brought into the country to work in the plantation or mine, who came from societies where money and cash price market system have been in use for centuries, Dwight Perkins (1975) confirmed this and wrote at length about the background of the Chinese before their migration abroad. According to Perkins, compared to precolonial Southeast Asia, China's premodern development created values and traits that made the Chinese people on average effective entrepreneurs, workers, and organization men when given the opportunity. The key features of this premodern development included:

- (1) 'A high degree of commercialization';
 - (2) 'A bimetallic monetary system backed by a nationwide network of premodern banks';
 - (3) 'A number of cities with populations of half to a million supplied by commercial networks and organizations of considerable size and complexity';
 - (4) 'A system of land tenure based on private ownership of land. Sale or rental of land was carried out by means of formal written contracts';
 - (5) 'The use of a complex farm technology';
 - (6) 'A political system in which most of the senior positions were filled by men who had passed a series of written examinations';
 - (7) 'A high value placed on education and literacy by most
-

members of the society' (Perkins, 1975:3-4).

Because of this, no foreign merchants were able to compete successfully with the Chinese in their domestic market. In contrast with the history of Indonesian archipelago, for example, most trade there other than local exchange was largely in the hands of overseas Chinese and Dutch². This differing responses, according to Perkins, attributed to different heritages. The Chinese has vast experience in all kinds of commercial operations and hence could compete with the Europeans. The Indonesians had no comparable experience at the time they had to face the Dutch-Chinese confrontation.

It is this heritage of experience that was used by Perkins to explain, in part, the development successes of China since 1949, such as its capability to cope with the sudden departure of all Soviet technicians in 1960. It appears equally applicable

² While agreeing with the theory of the "heritage of experience", one has to disagree with the reasons for the success of the Dutch merchants over the Indonesian traders. The alternative explanation is that the indigenous traders of the Indonesian Archipelago were progressively eliminated by the Dutch and the Portuguese from the mid-seventeenth century, as the colonial powers made treaties with local rulers prohibiting indigenes (sic) from undertaking international trade, or selling local produce to the Europeans unless they were the appointed agents of the ruler. By the end of eighteenth century, the Dutch had achieved centralized control over the entire Indonesian Archipelago and were able to establish a full monopoly over trade which they retained until the Second World War (Alatas, 1977). In contrast, China did not experience the sort of colonial control that people in Southeast Asia were facing.

to the case of the immigrant Chinese. Just as the immigrant Chinese were competent enough to achieve control of commercial operations overseas, so their domestic counterparts were able to thwart the efforts of European merchants to achieve a similar accomplishment in China itself. In spite of the low position traditionally conferred to the merchants in Chinese society.

Maurice Freedman (1959) associates the commercial skill of the Chinese immigrants to their superior ability to handle money, especially their complex systems of credit. Freedman traces this ability to values prevalent within the community:

Shrewdness in handling money was an important part of the equipment ordinary Chinese took with them when they went overseas in search of a livelihood. Their financial skill 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 dealings between neighbours and even close kinsmen. The Chinese were economically successful in South-East Asia not simply because they were energetic immigrants, but more fundamentally because in their quest for riches they knew how to handle money and organize men in relation to money (Freedman, 1959:65).

It is also interesting and relevant to note that it is common to find among many ethnic groups that their businessmen are usually under heavy social pressure to advance credit to their countrymen, based not on their ability to pay but on their relationships with them (Wong, 1977:453; Benedict, 1979:315; Li, 1989:143-144).

Brian Foster (1974) confirmed this type of phenomenon in his detailed study of the business activities of Mons in Thailand where he suggested that 'merchants seem to be most successful when they operate outside their own social group, where the effectiveness of traditional social sanctions is reduced and where the conflict inherent in trade is reduced...' (pp 444). It was evident in his study that successful Thai and Lao merchants in the Mon villages and that Mons who traded with other people, did not do business among themselves.

2.6 SUMMARY

Many scholars who examined the issue of economic inequality and entrepreneurship have a considerable difference in the importance they attribute to the cultural or structural factors.

In Malaysia, culturalists like Parkinson considered the 'attitude' toward economic development to be the main cause of economic retardation of the rural Malays, while the structuralists like Aziz and Fisk argued that it was their social environment that led to their economic stagnation. This social environment included anything from exploitation by middlemen, official neglect to availability of capital, etc. There was also the foreclosure of opportunities of a group by another more successful one within the environment.

Among those who pioneered the cultural argument, Weber

proposed that the Protestant ethic of work, frugality and self-restraint prepared the way for the capitalist entrepreneurial standards. He was later followed by McClelland and others who argued that only those people with 'achievement motivation' could bring about social change and economic development. Their premise was that a certain frame of mind, a belief, and a specific value orientation were essential for dynamic capitalist entrepreneurship and that this could bring about economic and social change.

Others like Hoselitz and Geertz maintained that social factors are the most important variables explaining entrepreneurial dynamism. Entrepreneurs, they argued, emanated from marginal social groups who see entrepreneurship as a means of abating their marginal existence. These authors set the emphasis on the structural characteristics of the groups from which entrepreneurs emerged.

Those who concerned the development of ethnic minority business in North America and Europe continued the discussion in a slightly different manner. The issue was first examined by Light when he questioned why there were so many more white than black entrepreneurs in a Los Angeles black neighbourhood. Discrimination against the black was not the cause. There was considerable discrimination against Japanese and Chinese immigrant businessmen, yet these were overrepresented in the

United States, just as self-employed Mediterranean migrants were. Light showed that Japanese and Chinese were able without difficulty to finance their businesses. They could do this because of cultural arrangements such as rotating credit associations which American blacks do not have. Among Japanese and Chinese there were also strong organisations, similar to traditional guilds, that united businessmen who provided each other with support, protection and capital. The cultural argument was supported by Wong in his study of Chinese in Los Angeles and Benedict in his study of Chinese, Indian and Creoles businessmen in the Seychelles Islands.

Other authors have argued for a more explicitly structural approach to the issue. Bonacich attributed the drive of certain ethnic minorities who excelled in small business to their social status which she called the 'middleman' position. They were discriminated against and outsiders. This provided the motive to set up on their own, and they saved for an eventual return. They were isolated from the indigenous population but within their own group their group solidarity was strengthened.

Another structural argument was suggested by Ward and Reeves in explaining the marked underrepresentation of West Indian self-employed immigrants compared to Asian immigrants in Britain. A number of structural reasons were advanced for the difference in their access to self-employment. Among others, there were the

difference in the geographical settlement of their population, the difference in skills to run small business as a result of differing education and family tradition, etc.

By and large, a number of cultural and structural characteristics, which established to be important resources and constraints for entrepreneurial development, have emerged from the discussion in the previous sections. Specifically, these resources and constraints include:

1) Business skills and experience, particularly with respect to managerial and organizational skills and practices. Experience and an awareness that not only craftsmanship but also managerial skills are important to the enterprise, are valuable resources. Those born into self-employed families, whether peasant, craftsman or shopkeeper, are brought up with these attributes.

2) Access to family labour. The role of family labour in small business is widely regarded as a source of special advantage. The main benefits to firms using family labour are a low and flexible overhead cost structure, and the opening of branches without the danger that the employees will defraud.

3) A patriarchal family structure. Small enterprises are usually family-run businesses. There must be a clear leader who

has the trust and obedience of the other personnel of the enterprise. This enables rapid decision-making and delegation, thus ensuring flexibility.

4) An orientation and custom that stresses hard-work, thriftiness and saving. Many large enterprises started from a small and humble beginning. The common traits of these owners are that they are willing to work long hours and thrifty. They usually save for future investment.

5) Access to capital and financial institutions. Access to either personal, other private or institutional sources of start-up capital or to extensive trade credit is a necessary (if not sufficient) condition for business development. It is also important to protect the business against unforeseen problems, especially during its first five years.

6) Good credit control and debt collection. A successful entrepreneur must have the ability to control and administer credit. Obviously a fine balance must be achieved, because through credit small businessmen secure their customers, but unreasonable credit can ruin an enterprise.

7) Access to a network of contacts and advisers. Having access to a network of contacts and advisers is important because they can provide specialised advice on such matters as accounting

and law; introductions to wholesalers; information about market fluctuations; warning of government inspection; and recommendations to future clients.

8) Ambition, willingness to take risk, and future orientation. These attributes are closely related to whether one has achievement motivation. They are essential for those who wish to expand their enterprise.

9) Independence and willingness to make decision for oneself. The potential entrepreneur must also wish to be independent and able and willing to take decision himself. This is perhaps the most important characteristic, for it determines whether he will start a venture. The other characteristics influence the success of his enterprise.

10) Economic opportunities. Opportunities determine whether there is adequate market for the products and services for an enterprise to survive in the first place.

11) Discrimination. This is the commonly cited business constraint for an enterprise run by an owner who has a different racial background either from the clients or the distributors. It is called discrimination when the customers decide not to buy from a particular shop because of the shop-owner's colour or race. It could also happen when a supplier charges more for his

product to a retailer because he is obviously from a different ethnic group.

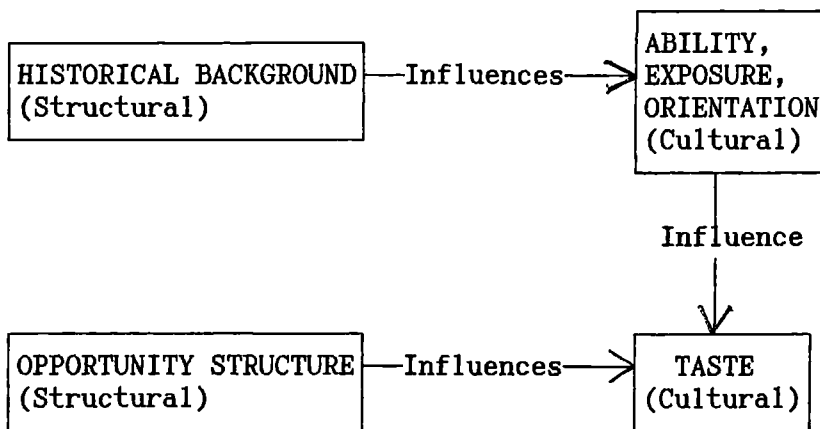
12) Market and competition. A market is the life-line of a firm. A market that is highly competitive is not usually known to be very profitable. For one has to compete with each other by either cutting price and thus reducing profit margin, or spending more for a better-quality product or services.

In the study of the under-achievement of specifically *Bumiputra* in the business world, the following framework will be used as a guide for the building of a major hypothesis.

(1) Structural approach - Historical background (way of life, surrounding environment); opportunity structure and discrimination. These factors are paramount in influencing both taste and ability (Figure 2-1).

(2) Cultural approach - Taste; ability, exposure and orientation. Ability, exposure and orientation in turn influence taste.

Figure 2-1: Summary of Structural Approach



CHAPTER THREE

THE SARAWAK CONTEXT

3.1 INTRODUCTION

This chapter will discuss the short history and background of Sarawak and its environments. Brief account of the economic development of the State during the Brooke regime, colonial period and in Malaysia is presented. It will also elaborate on the Malays as the major component of Bumiputra group and the involvement of Chinese in the trade and industry of Sarawak.

3.2 BRIEF HISTORY

The history of modern Sarawak is closely related to the adventures of an Englishman, James Brooke after his arrival to Sarawak in 1839. Sarawak then was one of Brunei's territories and was ruled by its Governor, Pengiran Mahkota. Politically, the country was unstable with the people constantly in revolt against Brunei's authority. To restore order, the Raja Muda (prince) of Brunei was sent but he could not pacify the rebellion until Brooke returned the following year and offered his assistance. As a reward in restoring peace, Brooke was installed as first Rajah (ruler) of Sarawak in 1841. Thus began the rule of the White Rajahs under the Brooke family which was to last for more than a century.

Foreign protection was sought as early as the reign of the first Rajah, to ensure Sarawak's political and economic survival and independence but it was not until 1888 that Sarawak was accorded British protection. Because of Brooke controlled economic development and his reluctance in allowing large foreign enterprises coming into the state, commerce and industry remained on a small scale and was operated mainly by Chinese businessmen (Grijpstra, 1976).

In 1941, a new constitution was granted by Vyner Brooke, the third and last Rajah which paved the way for self-government for the people. Before enactment could be effected, Sarawak was invaded and occupied by the Japanese. When Sarawak was liberated in 1946, Vyner Brooke declared his intention to cede Sarawak to the United Kingdom, a decision which was strongly opposed by the natives. However, the Legislative Assembly then voted 19 to 16 in favour of cession and Sarawak became a British Crown Colony on 1st July, 1946. Dissatisfaction mounted, resulting in a mass resignation of 338 Malay civil servants and the assassination of the second British Governor of the colony of Sarawak in 1949. In 1963, Sarawak achieved its independence by supporting the formation of Malaysia (Sanib, 1985).

3.3 GOVERNMENT AND ADMINISTRATION

As with other states in Malaysia, Sarawak is regulated by two separate constitutions: the state constitution and the

federal constitution of Malaysia.

The constitutional head of state is the Yang di Pertua Negeri (Governor) who is appointed for a period of four years by the Yang di Pertuan Agong (King), who is the constitutional monarch of Malaysia.

The State Legislative Assembly (Dewan Undangan Negeri) consists of a speaker and forty-eight members who are elected through a state-wide general election every five years. The State Cabinet (Majlis Mesyuarat Kerajaan Negeri) consists of a chief minister and not more than 9 and not less than 5 other ministers appointed in accordance with the constitution of the State of Sarawak from among the members of the State Legislative Assembly.

Executive and legislative powers in matters for which the State is responsible as laid down in the federal and state constitutions are vested in the State Cabinet and the State Legislative Assembly respectively. Amongst the important subjects reserved under the control of the state are land, agriculture, forestry, local government and immigration.

For administrative purposes, Sarawak is divided into seven administrative Divisions, each headed by a Resident. The various Divisions are Kuching, Sri Aman, Sibul, Miri, Limbang, Sarikei and Kapit. Each Division is further divided into Districts made

up of a few sub-Districts.

3.4 GEOGRAPHY

Sarawak lies on the north-western coast of the island of Borneo, covering an area of about 124,000 square kilometres. Inland, the boundary between the State and Kalimantan Borneo is formed by the watershed dividing those rivers flowing in a southerly direction into the Java and Celebes Seas. Sarawak is separated from Peninsular Malaysia to the West by about 600 kilometres of water and directly adjoins the State of Sabah to the northeast where the Sultanate of Brunei also forms a double enclave.

Physiographically, Sarawak can be divided into three broad regions: the coastal lowlands, comprising extensive peat swamp areas fringed by narrow coastal, deltaic, and alluvial plains; an intermediate region of undulating and broken hill country, ranging up to about 300 metres above sea-level; and the mountainous interior which extends to the border with Indonesian Borneo and reaches its highest point at Mount Murud (2,400 metres) in the north-east (Jackson, 1968). These regions are intersected by numerous rivers, most of which rise in the interior mountains and flow through gorges and over numerous rapids before reaching the lowlands, where they slowly bend towards the coast.

3.5 PEOPLE

Sarawak's population of more than 1.3 million (1980 census) is composed of numerous ethnic groups. The major ones are Iban (30.3%), Chinese (29.5%), Malay (19.7%), Bidayuh (8.2%), Melanau (5.7%) and other indigenous¹ (5.3%) while other ethnic groups make up the remaining 1.3% (Table 3-1). The average annual growth rate for the period between 1970 to 1980 was about 2.4%. The average population density is about twelve persons per square kilometre.

According to the 1980 Census, there are a total of 473,831 people in the Kuching Division. They make up of Iban (9.2%), Malay (30.6%), Bidayuh (22%), Chinese (35.5%), Melanau (0.32%), other indigenous (0.32%), and others (2%).

Various religions are practised by the communally varied populace and complete freedom of worship is practised. Islam, the national religion can be identified with the Malays and Kedayans besides being practised by a considerable proportion of the Melanaus. Christianity, another major religion practised in the State is mainly adopted by the Dayaks (Iban and Bidayuh) and Chinese although many of the latter adopt Buddhism.

¹ All of them except the Chinese are the *Bumiputra*.

Table 3-1

Sarawak: Population by Ethnic Group, 1980

Ethnic groups	Population	%
Malay	257,804	19.7
Iban	396,280	30.3
Bidayuh	107,549	8.2
Melanau	75,126	5.7
Other Indigenous	69,065	5.3
Chinese	385,161	29.5
Others	16,597	1.3
Total	1,307,582	100.0

Source: Department of Statistics, (Census, 1980) Sarawak.

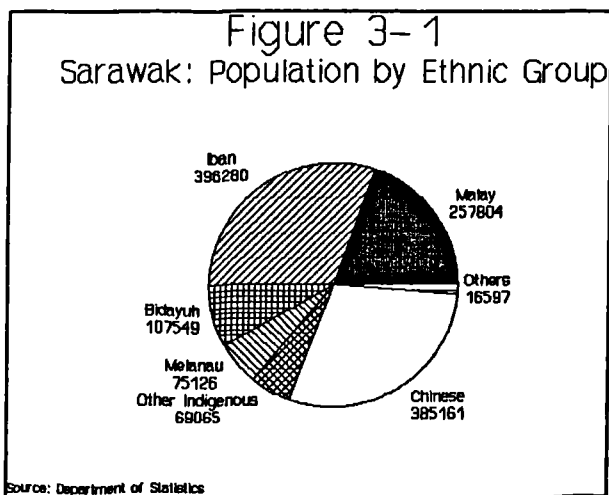


Figure 3-1: Sarawak: Population by Ethnic Group

3.6 ECONOMIC DEVELOPMENT

During one century of the Brooke rule, Sarawak literally had not seen economic development. The Brookes were more interested in the maintenance of peace and order rather than physical and

social development for Sarawak. They preferred to let most of the indigenous people carry on with their traditional ways of life and activities, with little effort in modernizing them. Except for the training of Malay junior bureaucrats to assist them in the administration, very little was done to promote educational and health services throughout the country. In 1938 there were only 33 Malay schools operated by the Government and 144 schools established by the Chinese community, while in 1940 the English medium Mission schools numbered 40 (Grijpstra, 1976). Road communications were lacking, except a few miles within Kuching and a few major towns where the Rajah and his top officials lived. The opening up of land for the development of estates and plantations which was common in other colonies was not permissible. Some mining activities of gold and bauxite were undertaken by the Chinese, and drilling of oil was initiated in 1910 near Miri town.

The situation prior to the colonial rule in 1946 presented several problems for the future. Some Malays who had received some education were accepted in the Government service. Commerce and small scale industries were the nearly exclusive domain of the Chinese. Little had been done for the Dayaks except for the reservation of large areas of land which was almost always inaccessible and there was no knowledge as to how it could be used in a modern and profitable way.

Similarly, during the colonial rule between 1946-1963, little was done to develop Sarawak. The situation of Sarawak after the War was characterized by 'the chief obstacles in the way of formulating and carrying out a balanced and ordered programme of development for Sarawak are the lack of basic information, the lack of staff and the lack of money' (MacFazdean, 1947, quoted in Grijpstra, 1976). Education was not recognised as a priority. The Colonial Government considered education merely as a social service and feared for future unemployment arising from increased trained manpower. This attitude of the Government has indeed hampered the future development of the State. However, much more attention was paid to the development of agriculture. The development of industries was negligible. Exploitation of timber and petroleum was intensified as returns from these resources were more immediate and lucrative.

Within Malaysia, Sarawak has attained a rapid rate of economic growth especially during the decades of the 1960s and 1970s. The State's GDP at factor cost in current price had grown steadily from M\$438 million in 1961 to M\$860 million in 1970 at an estimated average annual growth rate of 7.4 percent. For the period 1971-1980 which coincided with the implementation of the Second and third Malaysia Plans, the GDP at constant 1970 price had grown from M\$909 million to M\$1,668 million at an average annual growth rate of 7 percent. The rapid growth achieved during

the period had been largely attributed to the improved performance of the external trade generated by expansion in output in the various sectors of the economy. Growth performance during 1980-1985 coinciding with implementation of the Fourth Malaysia Plan was somehow curbed as a result of the adverse global economic conditions during 1981-1982. However, with an anticipated recovery in the global economy as well as expansion in the output in the various sectors of the economy, performance of the State is expected to improve during the latter half of the 1980s.

Per capita GNP of the State has also registered a rising growth trend over the period in consonance with the overall growth of the GNP at an average annual rate of 4.7 percent and 3.8 percent for the decades of the 1960s and 1970s respectively. In absolute terms, the State's per capita GNP had grown from M\$575 in 1961 to M\$1,552 in 1985.

3.7 THE *BUMIPUTRA*

The term '*bumiputra*' is a local rendering incorporating Sanskrit loan-words. *Bumi* has the meaning of earth or soil in Malay, while *putra* can be translated as prince, or more commonly can be used as a polite reference term for son.

Although the term *Bumiputra* in Malaysia has emerged as the preferred reference term for this indigenous concept, other words

have also been used and are being used. Malay and *Bumiputra* are commonly used interchangeably with reference to Peninsular Malaysia, where the great majority of *Bumiputra* are Malays. This is in contrast to Sabah and Sarawak, where there are many indigenous ethnic groups to which the term *Bumiputra* can be applied. Sometimes *anak watan* and *pribumi* are used in Malaysia to refer to indigenous status, although they are not as popular as *Bumiputra* (Siddique, et al., 1982).

This label was popularized during the colonial era. After the removal of the British as political forces, the indigenous population of Malaysia was faced with problems of national integration and development. Because of the inequities of ethnic group representation in the economic and political sectors, the term *Bumiputra* was revived as an economic and political label. For instance, Article 153 of the Federal Constitution states that it is the responsibility of the Paramount Ruler to safeguard the special position of the *Bumiputra* as well as the legitimate interests of the other communities (Mohamed Suffian, 1972). It specifically stipulates that the Ruler shall reserve for the *Bumiputra* a reasonable proportion of positions in the public service and educational institutions, scholarships, and trading or business permits or licenses (Malaysia, 1979: 151-2).

3.8 THE MALAYS

Malays are regarded as *Bumiputra* in Malaysia. Whereas they

constitute a majority ethnic group in the Peninsular Malaysia, the Malays represent only 19.7 percent of the total population of Sarawak. Although the Malays in Sarawak are a minority group, they are politically dominant and have been a major force in the political arena of Sarawak.

In different contexts the 'Malay' has many meanings. Taking a wide cultural definition, the term refers not only to those who settled in Malaysia, but also includes those in the larger area of the Malay Archipelago, embracing the Malay Peninsula, Borneo and thousands of islands which today form the Republic of Indonesia and the Philippines. Although they are divided into many sub-groups, and perhaps as many dialects; linguistic and cultural experts always consider them as belonging to the same stock, known as Malays.

Another definition of Malay is rather legal in nature and only applicable in the Malaysian context. According to the Malaysian constitution, a Malay is defined as meaning 'a person who professes the Muslim religion, habitually speaks Malay, conforms to Malay custom and : (a) was born before Merdeka Day (The day Malaysia won its independence), in the Federation or Singapore or born of parents one of whom was born in the Federation or Singapore, or was born on Merdeka Day domiciled in the Federation or Singapore; or (b) is the issue of such a person' (Mohamed Suffian, 1972).

Consistent with the constitution, the Malays are guaranteed a special position which covers recruitment into the civil service, awards of scholarships, opportunities for education and training, and issue of licences and permits.

In Sarawak, Malays had become established in over many centuries before the Brooke rule, mostly through amalgamation of foreign Islamic immigrants from Malaya, Sumatra, and West Borneo, and through conversion and assimilation of indigenous people.

There are about 260,000 Malays in Sarawak which is about 19.7 per cent of the total population. There are more Iban and more Chinese than the Malays. More than half of them live in the Kuching Division at the south-western end of the country and it is in the Limbang Division that they are strongest in proportion to other groups.

The Malays settle essentially in the coastal and semi-coastal area. Their economic endeavour in the past were confined to primary agricultural products, fishing, fruit farming, and supplying palm thatch, firewood and labour in agricultural estates. During the Brooke's rule, some Malays became policemen, customs and government officials and businessmen. Many more moved into the government services, trade and politics in recent years.

3.8.1 The Malay Traders of Sarawak

The Malays of the traditional Sarawak could be divided into four social classes on the basis of socio-economic factors (Sanib Said, 1985). These were the aristocracy, the middle class, peasants, and slaves.

What is of interest here is the middle class of traditional Malay society who, according to Sanib, constituted the international traders who were known as *nakhoda*. They formed the wealthiest and the most educated segment of Malay society at that time. What happened to this Malay traders? According to Sanib, the activities of these Malay traders were 'suppressed' by the Brookes. 'The Brookes considered the commercial activities of the Malays politically unhealthy, regarding them as a form of "oppression", so finally these activities were suppressed altogether' (p.19).

The Malay commercial system in Sarawak relied greatly on the Dayak from the inland areas, who were both producers and consumers. The Dayaks collected the jungle products and exchanged them for items such as cloth, salt and sugar with the Malays who then exported these jungle products. The barter trade relationship between the Malay traders and the Dayak producers was more interdependent in nature than oppressive.

But the Brookes understood the commercial transactions of

the Malays as oppressive to the Dayak and too monopolistic, therefore thought to be damaging to the development of free trade. One of the important steps taken by Brookes was to close the source of production as well as the market to Malay traders. This involved breaking the mutual dependence between the Dayak and the Malay traders by a resettlement policy implemented through the formation of a fort system in every major river settlement. The government itself would nationalize all salt and supply it to the Dayak. As a result, the Dayak need not travel downriver to get it from the Malays and the Malays no longer had the incentive to go upstream. In turn the Malay traders were encouraged to take up subsistence farming around the fort settlement.

The final blow to Malay commerce came with the influx of Chinese immigrants from 1870 onwards. With the removal of the Malays from economic participation in the country, the Brookes found the Chinese to be an alternative to the Malays instead. As incentives to the Chinese, the government provided passage fares, personal allowances for adults and children, three acres of land for each person, free agricultural seedlings, other basic facilities and protection. One dramatic move was the provision of a vast area of land in the lower Rejang River valley to thousands of Foochow settlers. Significantly, the town of Kuching which was once a Malay town had become a Chinatown by 1900 (Lockard, 1971).

3.8.2 Family Structure and Entrepreneurship

In the Malay system of householding, no two individuals have a shared economic interest in expanding their economic resources. Husband and wife may be prepared to undertake a joint economic venture but this tends to be on the basis of an explicitly negotiated partnership, shared profits, and restricted in extent and duration by fear of divorce. Siblings do not automatically inherit from their parents, since transfers to children are made at parental discretion, so their economic incentive to contribute their individual efforts to expanding the resource base of their siblings is absent. Likewise, if children contribute to their parents' accumulation, they have no definite right to expect any return since the gifts they make to their parents are voluntary, and parents make gifts to their children at their own discretion. Parents may be prepared to use their personal resources to establish their children with education, capital and other material assets, but the economic incentive they have for doing so is limited by the conditional nature of the parent-child bond.

As such, the relationship between parents and children is organised to produce a minimum accumulation in parental hands, and this reduces the funds that can be bestowed on the children. If parents accumulate assets to give to their children, they do so by their own efforts and primarily out of their desire to augment the gift that they can bestow. Siblings have no economic interest in helping each other to accumulate assets, though they

may choose to be generous.

The structure of householding relations mentioned above inhibits the ability of the potential entrepreneur to initiate and build up a business enterprise. Malay individuals are not able to draw automatically on the labour or financial resources of household members or other kin, even their own spouse, child, parent, or sibling. Any contribution made by family members has to be negotiated.

However, family members would help an entrepreneur with the gift of their labour in cases of temporary crisis. In return, the entrepreneur will usually show gratitude for their generosity by means of a token payment or counter-gift. If the labour requirement is longer-term, wages are paid. This is most common in a relationship between parent and child. The parent gives a wage in recognition of the child's desire for cash, and knows that without this attraction, the child will choose to work elsewhere where a wage is forthcoming. The freedom to allocate and enjoy his or her own labour power is considered to be the child's right. If the business is small and the wage is low, only children with low education who cannot command a high salary on the open market are attracted to a parent's business.

The employment of a spouse, child, or sibling in a Malay business is made difficult by a general reluctance to exert

direct authority. Parents complain that their children are stubborn and do not obey orders. Few boys are happy under the constant, direct supervision of their fathers and avoidance is preferred. There is no cultural stress on authority between siblings. Though younger siblings should show formal respect for their elders and listen to their advice, they are not under their command or control and strongly resent any attempts to exert such authority. Therefore, these relationships do not provide a good basis for the running of a busy enterprise where commands often need to be abrupt and explicit.

Family members also seldom invest in each other's businesses. They may lend cash to help out temporarily and this generosity is likely to be recognised by a token counter-gift when the sum is repaid. The main disincentive to borrowing larger sums of capital from kin, is fear of a lasting personal obligation or debt. This syndrome is known as *bangkit* or 'bringing up old matters'. Even after the loan is repaid, the recipient feels obliged to recognise the lasting debt by continuing to give token gifts to the individuals who helped him start out.

3.8.3 Entrepreneurship within the Malay Society

One of the principal concepts in Malay society that governs business is *malu*. In terms of social and economic behaviour *malu* can be translated into 'being correct, showing consideration and

concern, anticipating the other, conducting oneself with gentleness and refinement, speaking softly and using the proper words, and above all, being sensitive to the other person' (Swift, 1965:169-170). Among the Malays, business is often conducted on a personalised basis. The Malays are rather unable to differentiate clearly between social and economic behaviour when they are interacting among themselves which are highly social and highly personalised in nature. However, when they interact with the other ethnic groups such as the Chinese for instance, their personalised relationship is weaker.

The risk of strains and tensions when business is conducted between Malays and more so between parties who are neighbours therefore prompts some Malay entrepreneurs to make trading at a social and physical distance their main strategy. Others have to sacrifice a great deal in terms of their cultural and social relationships with other members of the society.

3.9 THE CHINESE AND SARAWAK COMMERCE

The trade and commerce of Sarawak still generally concentrates on the collection of primary products for exports and the local distribution of imported consumer and capital goods. The export of antimony ore to Singapore had begun even before the arrival of James Brooke, and the trade activities were exclusively in the hands of the native *nakhodas* (merchants). Shortly after the gradual disappearance of the native *nakhodas*

and the influx of Chinese immigrants into Sarawak a growing number of Chinese began displacing the natives trading in antimony ore and jungle produce. Today, the basic pattern of trade between Chinese traders in the interior selling to Chinese merchants in Kuching or other major towns who in turn exported Sarawak's produce to Singapore still largely exists. This pattern is said to have had emerged more than a century ago (Jackson, 1968).

If the trade and commerce of Sarawak lay entirely in the hands of a few large European 'Agency Houses' who controlled the wholesale importation of branded consumer goods for which they acted as sole local distributors; and the Chinese merchants who controlled the retail trade two decades ago (Sarawak Annual Report, 1952), today, both wholesale and retail outlets are predominantly in the hands of the Chinese merchants. Virtually the whole of the trade of Sarawak passes through their hands at some stage. A system called trading-cum-credit hierarchy exists between the small scale Chinese traders in the interior settlements of Sarawak extending to the large scale merchants in Singapore.

Basically, internal trade in Sarawak involves a process where the Chinese is dominant at each stage. Agricultural and jungle produce is acquired from the native producers by the rural Chinese trader who passes it to local merchants and agencies in

the larger towns who in turn arrange export, usually to Singapore. Consumer goods are imported by the Chinese merchants and in general pass down the line to the rural Chinese trader, special credit relationships existing at each stage. This system of trading is the direct outcome of the particular economic and environmental circumstances of rural Sarawak where population is sparse and scattered, transportation is difficult and capital is in short supply. In due course, it retards any latent development or growth of the indigenous initiatives towards trade and commerce beyond the rural boundary.

About 1840 (some say 1850, see Tien J.K., 1983), a number of Hakka moved over a land route from what was then Dutch Borneo (now Indonesian Kalimantan) to settle in Bau in the Kuching Division to mine gold and plant pepper and vegetables. This was said to be the first settlement of Chinese in Sarawak.

In 1900, impressed by their industry, the second Rajah Sir Charles ordered to make arrangement for 300 families of Sin-Onn Hakka to come to Sarawak to work as planters in the suburbs of Kuching. Ever since Chinese immigration became an important element of Brooke's policy in the development of Sarawak. The Chinese were greatly encouraged to settle permanently in Sarawak by sponsoring them with the passage and some cash money for their living by the government. Once settled, they were easily given the state land to work on (Lockard, 1971).

The Chinese community as a whole has been actively involved in the trade and industry of Sarawak. One of their strengths perhaps lies in their strong family or clan relationship, and thus developing certain occupational and business specialisation. For instance, it is rare for any except the biggest businessmen to employ in their shops persons who, if not actually related, are not at least of the same dialect group.

Chinese custom has also been said to be an important factor in the promotion of capitalist spirit among the Chinese (Alatas, 1970). Firstly, Chinese burnt a considerable amount of paper money as an act of devotion to their dead ancestors. Thus, it gives a strong incentive to possess money. Secondly, the Chinese believe that in order to honour the dead ancestors in this world, one has to raise one's status by acquiring as much wealth as possible. There are a number of other events and taboos which are closely associated with money and wealth. Therefore, by possessing a strong motivational drive for wealth, honour, status, good health, the ability to express piety and devotion for the family and ancestors, are certainly the decisive cultural factors capable of releasing a vigorous economic action.

In 1980 there was a substantially higher proportion of Chinese who were employers (69 percent) (Table 3-2). In terms of their occupation by industry in 1980, the Chinese were highly dominant in wholesale, retail trade and restaurants (Table 3-3).

They were also numerically more superior in the construction; transport and communication; and finance, insurance and real estate than the *Bumiputra*.

Table 3-2

Employment status by ethnic group (1980) - Sarawak

	<i>Bumiputra</i>	Chinese	Others	Total
Employer	2330 (30)	5473 (69)	95 (1)	7898 (100)
Employee	100791 (58)	69282 (40)	4990 (2)	175063 (100)
Own account worker	86694 (77)	25014 (22)	851 (1)	112559 (100)
Unpaid family worker	139638 (86)	20901 (13)	1133 (1)	161672 (100)
Total	329453 (72)	120670 (26)	7069 (2)	457192 (100)

Source: Department of Statistics, Sarawak.

Table 3-3

Industry by ethnic group (1980) - Sarawak

	<i>Bumiputra</i>	Chinese	Others	Total
Agriculture, forestry, hunting & fishing	240616 (73.0)	34070 (28.2)	2642 (37.4)	277328 (60.7)
Mining & Quarrying	1094 (0.3)	488 (0.4)	146 (2.1)	1728 (0.4)
Manufacturing	13830 (4.2)	13392 (11.1)	500 (7.1)	27722 (6.1)
Construction	5475 (1.7)	9056 (7.5)	1016 (14.4)	15547 (3.4)
Wholesale, retail trade & restaurants	8023 (2.4)	25969 (47.2)	452 (6.4)	34444 (7.5)
Transport & communication	3898 (1.2)	5901 (4.9)	201 (2.8)	10000 (2.2)
Finance, insurance & real estate	1605 (0.5)	2748 (2.3)	94 (1.3)	4447 (1.0)
Community, social & personal service	51521 (15.6)	26563 (22.0)	1851 (26.2)	79935 (17.5)
Activities inadequately described or unknown	2614 (0.8)	1937 (1.6)	133 (1.9)	4684 (1.0)
Total	329453 (100)	120670 (100)	7069 (100)	457192 (100)

Source: Department of Statistics, Sarawak.

The proliferation of Chinese commerce from Kuching to other towns of Sarawak was almost entirely due to Hokkien, Teochew and Foochow enterprise. The Teochews concentrated mainly on the grocery and rubber trades, as middlemen between the rural shops and the export firms in the large ports, whereas the Hokkiens, having a finger in the same pie as the Teochews, gradually gained a strong position in the financial world (Tien J.K., 1983:1). The Foochow mainly engage in forestry, logging and the manufacture

and distribution of wood products. They made the opportunities at all levels of the timber industry - from licensees, to contractors, to machinery suppliers, to timber workers. *Bumiputra* involvement was mainly at the top and bottom levels of the industry.

3.10 SUMMARY AND DISCUSSION

Sarawak is one of the thirteen states of the Federation of Malaysia, occupying the north-western part of the island of Borneo. Originally falling within the kingdom of the Sultan of Brunei, from 1841 to 1941 it was the private colony of an English family, the Brookes. After being occupied by the Japanese during the Pacific war, Sarawak was ceded by Vyner Brooke to Britain in 1946. It was thus a crown colony until 1963 when it became part of Malaysia.

Sarawak is in many respects an underdeveloped country. It is characterized by a small but rapidly growing and largely rural population engaged for the most part in low productivity, semi-subsistence agriculture; by an economy highly dependent on the export of a few primary commodities; by a society with a multiplicity of ethnic, religious and political allegiances; by the problem of growing inequality between rich Chinese and the poor indigenes and between urban and rural sectors.

The Malays as the principal component of the *Bumiputra* group

in this study were earlier on the major trading group of Sarawak before the arrival of the Chinese. Since there is no cultural stress on the patriarchal authority within the family, the relations between parents and children, husbands and wives, and siblings, are arranged to produce the minimum of funds between individuals. The availability of family labour is also limited since they seldom want to get involved with each other in a business enterprise. Because to be involved in an openly calculative business contract with a spouse, child, or siblings seems to threaten the kinship basis of the whole relationship. This is especially so in the smallest businesses where there is no clear separation of the place of business and the household. This is perhaps the most critical cultural constraint for the potential Malay entrepreneurs. Furthermore, within the Malay society itself, there is the difficulty to differentiate between social and economic behaviour among the Malays. The assumed social, moral, and ethnic bond that links all Malays, and that is held to characterise them as Malays makes it impossible for them to conduct pure business transaction within their own community.

In contrast, the Chinese family is more often patriarchally organised. They have a strong sense of family loyalty and a clear hierarchical line within the family authority structure. There is no question of siblings being equal; the father is the head and others take their place in order of seniority. This enables

the Chinese to draw on family labour and the maximum pooling of funds and other resources for business.

According to Professor Zainal Kling (1988), Sarawak's unique ecosystem which divided the region into coastal lowlands, broken hill country, and the mountainous interior mentioned earlier in the chapter has produced the various distinctive groups of people with their own unique set of customary livelihood and occupations which are most suitable to their environments. For example, the coastal swamp land is mainly occupied by the Malay and Melanau whose major livelihood depends on fishing, boat-building and fruits planting; the up-river hill country is where most Ibans and Bidayuh find their settlements with shifting cultivation of dry paddy as their most suitable occupation; and the interior mountainous jungle is inhabited by the Kelabit, Murut and Punan whose occupation is basically paddy cultivation or nomadic and non-cultivating like the Punan. Although there has been significant mobility of the population towards town centres in recent years, this traditional pattern of settlement, however, has been a major influence on the ability of native inhabitants in adapting themselves to an entirely different career in the towns particularly business self-employment.

CHAPTER FOUR

BUMIPUTRA ENTERPRISE IN SARAWAK

4.1 INTRODUCTION

If we are to understand the position of *Bumiputra* concerning the world of business, it is essential to sketch out the general context in which firms are operating, including policies already in operation which are designed to encourage successful entrepreneurial activity. Since the overwhelming proportion of *Bumiputra* business activity at present and in the foreseeable future comes in the category of small firms, the position of this sector in the world of business will be given particular emphasis. This chapter seeks to examine the overall context of small business sector where it is in such a sector that most of the *Bumiputra* enterprises exist. The interventions by government in terms of its policies that affect small business in general and *Bumiputra* business in particular will be studied. The role and policy of financial institutions in the promotion of small business will be discussed. The extent to which the involvement of *Bumiputra* in business will also be explored.

4.2 SARAWAK ECONOMY AND THE SIGNIFICANCE OF SMALL BUSINESS

Sarawak is a part of Malaysia. What happens in Kuala Lumpur affects Sarawak, especially in the economic field. Since Sarawak's general economic policy is determined by the federal

government, its economy therefore has to be seen in the context of the Malaysian economy as a whole. This section reviews Sarawak's economic performance since independence in this light, both in general terms and sector by sector based on available data currently accessible to the researcher¹. The general direction and emphasis of the State's economic policies will be discussed and later the significance of small business in the economy will follow.

4.2.1 An Overview

The Malaysian economy is an open one; international trade accounts for more than half of its GDP. The performance of the Malaysian economy in the 1970s has been highly satisfactory with GDP growing at an average rate of about eight percent per annum. Even with the turbulent developments in the global economy in the 1980s, growth of GDP has continued at a relatively high rate and per capita income has increased from M\$3,719 in 1981 to M\$4,609 in 1985, a growth rate of over four percent per annum.

Sarawak economy follows the general trend of the Malaysian economy very closely. Sarawak attained a rapid rate of economic growth during the 1960s and 1970s. GDP grew steadily from M\$438 million in 1961 to M\$860 million in 1970 (in current prices), an

¹ Compilation of data in the Malaysia Plans do not always provide adequate and separate State by State economic figures that are needed.

average growth rate of over seven percent per annum. For the period 1971-1980 GDP grew from M\$909 million to M\$1,668 (in constant 1970 prices), again representing an annual growth rate of about seven percent. Growth performance during 1981-1985 was somewhat curbed as a result of adverse global economic conditions. The latest available figure is the growth rate for 1987 which is lightly above 2 percent. Per capita income of the state has also registered a rising trend over the period, growing at about five percent in the 1960s and four percent in the 1970s. In absolute terms, the state's per capita GDP grew from M\$575 in 1961 to M\$1,275 in 1980 and was estimated to reach M\$1,552 by 1985. The rapid growth can be largely attributed to the improved performance of the export sector on which the economy largely depends.

4.2.2 Agriculture

Agriculture is an important sector in the economy as the majority of the population depends on the sector for livelihood. A substantial number of the population is engaged in shifting cultivation involving hill paddy planting. The rest are involved in the cultivation of rubber, pepper, coconut, oil palm and cocoa. Growth in this sector measured in terms of value added had generally been on a downward trend. During 1971-1975 for example, the sector only grew at an average growth rate of 2.7 percent per annum in real terms. During 1976-1980, the growth rate was comparatively lower at 1.6 percent per annum. The decline in the

growth of this sector could best be explained by the weak external demand for agricultural commodities which resulted in a decline in prices, thus affecting the production of the agricultural outputs particularly rubber and pepper.

The 1970s also saw the cultivation of new commercial crops such as oil palm and cocoa. There had been an increase in area under oil palm cultivation from 4,546 hectares in 1972 to 22,749 hectares in 1980. Cocoa cultivation has also picked up over the years. The contribution of oil palm and cocoa to the value-added of the sector is expected to be significant in the future with an increase in output resulting from expansion in area under cultivation. Overall, its percentage share of GDP has decreased from 14.8 in 1980 to 9.6 percent in 1987 (Table 4-1).

4.2.3 Forestry

Forestry is another important sector in terms of its share in the GDP. During the 1960s, the sector was second only to agriculture as a leading contributor to the GDP of the State. Its contribution however declined during the early 1970s. In 1967 for instance, forestry's share to the GDP was about 14 percent and by 1971-1972, it dropped to 10 percent. The decline was largely due to falling output as a result of depressed market conditions for the commodity. In part it was also due to the decision of the State Government at the time to reassess its policy pertaining to log production resulting in a freeze in timber licensing,

while awaiting the findings and recommendations by the FAO Inventory Survey during the period. The industry was again severely affected by the recession in 1974-1975. Since then, however, the industry has picked up and by 1978 was back as the second largest contributor to the GDP. There was a slight increase in its percentage share of GDP from 1980 to 1987 to become only the third largest contributor to the GDP at 13.4 percent in 1987 (Table 4-1), though there was a continuous expansion in log production.

4.2.4 Mining

Mining has been an important activity in the State for quite sometime. It has emerged as an even more dynamic sector following the discovery of offshore petroleum in 1968. Prior to the period, mining accounted for only between 1-4 percent of the GDP. With an increased level of production, the relative share of mining to the GDP also increased proportionately. In 1972 for instance, the sector was the leading contributor to the GDP ahead of agriculture and forestry, accounting for about 19.2 percent of the share. It continued to maintain its leading position for much of the 1970s until 1979 when forestry regained its leading role. The sudden downturn in the petroleum industry was largely attributable to a lower volume of production following a conservation policy adopted by the Government which resulted in a restriction on crude oil production. Notwithstanding this development, sectoral performance in the 1980s points to the

mining sector regaining its position as the leading contributor to the GDP. Its percentage of GDP for 1980 was 30.5 and it has increased to 32.3 percent in 1987 (Table 4-1). Apart from a sustained (or the possible increase in) production in petroleum, the production of LNG which started in 1983 has further enhanced the importance of the mining sector.

4.2.5. Secondary Sector

Manufacturing activities had been growing at a relatively slow pace in the 1960s but picked up during the 1970s following increased Government effort to promote industrial development. During 1971-1975, the sector grew at a moderate rate of 5.2 percent per annum. Between 1976-1980, with improvement in the overall performance of the economy, the sector grew at an average rate of 8.6 percent per annum. The emphasis during the 1960s and the early 1970s had been predominantly on import-substitution (eg. cement). There had since then been a shift to manufacturing activities which are export-oriented in line with the need to develop the natural resources of the State with emphasis on the agro- and timber-based industries. In 1987 it has become the second highest contributor to GNP with a share of 14.2 percent from only 6.6 percent in 1980 (Table 4-1).

The construction sector had also been growing at a relatively moderate pace during the 1960s and early 1970s. However, towards the end of the 1970s, the sector was among the

most buoyant in the State. Implementation of the major industrial and development projects which largely involved civil engineering works had boosted the performance of the construction sector. Eventually, the high borrowing rates, tightening in bank liquidity, and high prices of building and construction materials, had slowed down the growth of the construction sector in the early 1980s. Its share of GDP has dropped from 4.7 percent in 1980 to 3.7 percent in 1987 (Table 4-1).

4.2.6 Tertiary Sector

The tertiary sector has been growing in line with the pace of growth of both the primary and secondary sectors and being largely involved with the provision of services. Overall growth for transport and communication, wholesale and retail trade, banking, insurance and other business services had been relatively steady. Wholesale and retail trade particularly had grown actively and accounted for 9.9 percent of GDP by 1981. By 1987 this figure has dropped to 7 percent. Government service has also expanded over the years, it accounted for 8.8 percent of GDP in 1987. Essentially, it reflected an expansion in the output of the public sector as a result of the increased tempo of development in the State. The government has recently begun to emphasise the development of tourism.

Table 4-1

Percentage Share of GDP, 1980 & 1987, Sarawak.

Major Sector	1980	1987
Agriculture & Livestock & Fishing	14.8	9.6
Forestry	13.2	13.4
Mining & Quarrying	30.5	32.3
Manufacturing	6.6	14.2
Construction	4.7	3.7
Electricity, Gas & Water	1.2	1.6
Transport, Storage & Communication	3.4	4.7
Wholesale & Retail	8.3	7.0
Hotel & Restaurants	0.7	0.5
Finance, Insurance, Real Estate & Business Services	2.0	2.6
Government Services	8.5	8.8
Other Services	6.1	1.6
Total	100.0	100.0

Source: Department of Statistics, Sarawak.

4.2.7 The Direction of Sarawak Economy

The government has recognised that heavy reliance on traditional agriculture and forestry, which have been showing declining growth, makes Sarawak's economic position highly unstable, particularly as 80 percent of the population is dependent on these two sectors. The government is interested to

see that Sarawak's future lies with the development of petrochemical industries, agricultural estates, the processing of rubber, oil palm and cocoa, and the development of timber-based industries.

Given the availability of gas and oil, there is potential for the development of petrochemical industries in the state. Studies have been carried out for the development of a M\$2 billion synthetic middle distillate plant for the conversion of gas into liquid oil. There is also great potential for agricultural estate development in Sarawak. An inventory of land resources shows that of the 12.3 million hectares in the state, 2.8 million hectares or 23 percent are suitable or at least marginally suitable for agriculture. At present, the method of land use is far from systematic and progressive because it is largely based on traditional shifting cultivation. The emphasis is therefore to change the present production system to large-scale land development on an estate or plantation basis. A number of State agencies were set up to implement these agricultural schemes. Among them are the Sarawak Land Development Board (SLDB), Sarawak Oil Palm (SOP), and Sarawak Land Consolidation and Rehabilitation Authority (SALCRA).

4.2.8 Significance and Growth of Small Business

Looking again at the Table 4-1 above, there seems to be a particularly brighter prospect for small business in the

manufacturing sector. At a percentage share of 14.2 percent of the GDP in 1987 (an increase of 7.6 percent from 1980), the manufacturing sector has become the second largest contributor of GDP. This is perhaps in line with the policy emphasis made by the state government for the development of agro-based and timber-based industries. However, the fact that these industries are highly capital intensive and requiring experienced and skilled personnels to manage, they do not appear to attract the entry of small entrepreneurs especially the *Bumiputra*. Again experience has shown that these industries have not been the major domain of small businesses in Sarawak.

Overall, the manufacturing sector as a whole is short of *Bumiputra* entrepreneurs. They have not been willing to venture into the manufacturing area, as one Industrial Ministry's official put it, because this area requires large capital with longer gestation period, it requires operational experience and appropriate technology in which they presently lack and thus the risk of failure is higher. However, perhaps the prospect of small business should not be too grim if opportunities could be found in the other manufacturing areas. Again even if there are opportunities, small business venturing into manufacturing is not going to be easy. For one it is very competitive if the products are meant for export market and there is an additional question of technology. In due course, the emphasis ought to be import-substitution. Table 4-2 shows the net import of major items in

Sarawak for the years 1985 and 1988. Although there was only a slight increase in the total net import of these major items from 1985 to 1988 due to a decline in the net import of chemicals and manufactured goods, items like food, drink and tobacco, and machinery and transport equipment have shown some increase. Therefore, there appears to be a plenty of opportunities for small business in the manufacturing of food and drink for instance. To name a few, the principal items in the category of food and drink are meat and meat preparations, dairy products, cereal preparations, sugar preparations, beverages etc. (Department of Statistics, Sarawak).

Table 4-2

Net Import of Major Items - Sarawak, 1985 & 1988 (in M\$ Million)

Item/Year	1985	1988
Food, Drink & Tobacco	365.2	386.7
Chemicals & Manufactured Goods	907.8	830.2
Machinery & Transport Equipment	1142.4	1257.2
Total	2415.4	2474.1

Source: Department of Statistics, Sarawak.

There has been a general decline in the share of GDP in both construction, and wholesale and retail sectors from 1980 to 1987. As has been said in the last section, the slow growth in the construction sector was mainly due to the high borrowing rates, tightening in bank liquidity, and the higher prices of building

and construction materials. The growth in wholesale and retail sector was however effectively influenced by the pace of both the primary and secondary sectors of the economy. It is difficult to see how the state, with a population of only 1.4 million, most of whom have a very low income, could provide sufficient demand to make construction and services leading sectors of the economy.

There has been a steady growth of small businesses² between 1980-1983, based on the number of registered trading establishments in Sarawak (Table 4-3). More significantly, the year 1982-1983 shows a decline in the absolute number of big businesses.

Table 4-3

Number of Licenced Trading Establishments, 1980-1983, Sarawak

Year	1980	1981	1982	1983
Large-Scale Business	213(1)	230(1)	253(1)	246(1)
Small-Scale Business	18767(99)	19719(99)	23722(99)	25392(99)
Total	18980(100)	19949(100)	23975(100)	25638(100)

Source: Department of Statistics, Sarawak.

² The definition of small business here is based on one of the official definitions of small business namely, those who employ less than 50 workers. The other definition says that small business is any business that utilises an initial capital of not more than M\$250,000.

According to the distribution of licenced trading establishments by legal status, more than half of the total establishments are individual proprietorships. The next most popular set-ups are the partnership concerns followed by limited companies. For example, out of 25,638 total establishments in 1983, 54 percent were proprietorships, 27 percent partnerships, 18 percent limited companies and 1 percent other types of concerns.

Based on the types of industry, about 99 percent small businesses registered in 1983 were engaged in construction, wholesale and retailing, transportation, and finance and insurance (Table 4-4). About 97 percent engaged in manufacturing.

Table 4-4

Number of firms by industry (1983) - Sarawak

	Small Business	Medium/Large Business	Total
Agriculture & Forestry	484 (93)	39 (7)	523 (100)
Mining & Quarrying	29 (88)	4 (12)	33 (100)
Manufacturing	2077 (97)	68 (3)	2145 (100)
Electricity, Gas & Water	4 (100)	-	4 (100)
Construction	2467 (99)	20 (1)	2487 (100)
Wholesaling & Retailing	13675 (99)	68 (1)	13743 (100)
Transportation	2310 (99)	25 (1)	2335 (100)
Finance, Insurance, etc.	1869 (99)	21 (1)	1890 (100)
Others	2477 (100)	1	2478 (100)
Total	25392 (77)	246 (1)	25638 (100)

Source: Department of Statistics, Sarawak.

Table 4-5

Number of firms by size of employing unit by industry (1983) - Sarawak

	Number of employees				Total
	1-4	5-9	10-49	50+	
Agriculture & Forestry	239 (46)	120 (23)	125 (24)	39 (7)	523 (100)
Mining & Quarrying	17 (52)	7 (21)	5 (15)	4 (12)	33 (100)
Manufacturing	1415 (66)	355 (17)	307 (14)	68 (3)	2145 (100)
Electricity, Gas & Water	4 (100)				4 (100)
Construction	1805 (73)	424 (17)	238 (9)	20 (1)	2487 (100)
Wholesaling & Retailing	10862 (79)	2043 (15)	770 (5)	68 (1)	13743 (100)
Transportation	1808 (77)	268 (12)	234 (10)	25 (1)	2335 (100)
Finance, Insurance, etc.	1425 (75)	255 (14)	189 (10)	21 (1)	1890 (100)
Others	2129 (86)	264 (11)	84 (3)	1	2478 (100)
Total	19704 (77)	3736 (14)	1952 (8)	246 (1)	25638 (100)

Source: Department of Statistics, Sarawak.

Table 4-5 shows the breakdown in the number of workforce employed for all registered business units by industry in Sarawak. As Table 4-5 indicates, two-thirds of the manufacturing establishments in Sarawak contain no more than 4 employees and three quarters of the firms in construction, wholesaling and retailing and services are in this size band. As many as 99 per

cent of firms contain less than 50 employees.

The significant potential of small business was only first recognised in the light of the objectives of the New Economic Policy in the Second Malaysia Plan 1971-1975, where a number of institutions were established during the plan period to assist the development of the small business. The current five-year plan, the Fifth Malaysia Plan 1986-90, reaffirmed the role and contribution of the small business. 'The contribution of small-scale industries to many existing industries is substantial and their potential to create interindustry linkages is vast' (Malaysia, 1986:357). The government has pledged to continue to undertake several measures to actively encourage small business to expand, upgrade and modernise their activities.

4.3 *BUMIPUTRA* PARTICIPATION IN BUSINESS IN SARAWAK

Comprehensive, up-to-date figures on the proportions of *Bumiputra* in Sarawak in business are not available. However, there are some data sources from which at least a partial picture of the representation of *Bumiputra* in Sarawak can be drawn. Two main sources for this statistical picture of self-employment among *Bumiputra* will be used: first, the Labour Force Survey - 1980, based on the most recent census which enumerates the employment position of the whole population, including ethnic groups; secondly, the data collected from various Local Councils in Sarawak on the number and type of trading licences issued by

ethnic groups.

(i) The Labour Force Survey

Table 4-6 below gives detail of the employment status of the various ethnic groups in Sarawak in 1980.

Table 4-6

Employment status by ethnic group (1980) - Sarawak

	<i>Bumiputra</i>	Chinese	Others	Total
Employer	2330 (30)	5473 (69)	95 (1)	7898 (100)
Employee	100791 (58)	69282 (40)	4990 (2)	175063 (100)
Own account worker	86694 (77)	25014 (22)	851 (1)	112559 (100)
Unpaid family worker	139638 (86)	20901 (13)	1133 (1)	161672 (100)
Total	329453 (72)	120670 (26)	7069 (2)	457192 (100)

Source: Department of Statistics, Sarawak.

It can be seen that the proportions of different ethnic groups in employment status in 1980 were quite varied. Overall the *Bumiputra* only occupied 30 per cent of the employer status as compared to the Chinese's nearly 70 per cent. It is no surprise that the *Bumiputra* consists of the highest proportion in the own account worker category since the majority of them work in the agriculture, forestry, hunting and fishing industry as can be seen later. It is concluded that among *Bumiputra* small numbers were in self-employment in Sarawak in 1980.

To get some idea of the types of business which would be available to them if they were in a position to start up, practising the skills they were currently employed to use, their distribution over occupations and industries are now considered.

Table 4-7

Occupation by ethnic group (1980) - Sarawak

	<i>Bumiputra</i>	Chinese	Others	Total
Professional, technical & related workers	11749 (3.6)	10675 (8.8)	964 (13.6)	23388 (5.1)
Administrative & managerial workers	509 (0.2)	2408 (2.0)	226 (3.2)	3143 (0.7)
Clerical & related workers	10300 (3.1)	12890 (10.7)	335 (4.7)	23525 (5.1)
Sales worker	4700 (1.4)	19338 (16.0)	287 (4.1)	24325 (5.3)
Service worker	24753 (7.5)	8137 (6.7)	909 (12.9)	33799 (7.4)
Agriculture, forestry & fishermen	227850 (69.2)	28214 (23.4)	2471 (35.0)	258535 (56.5)
Production & related workers, labourers	32427 (9.8)	32678 (27.1)	1563 (22.1)	66677 (14.6)
Activities inadequately described or unknown	17165 (5.2)	6321 (5.2)	314 (4.4)	23800 (5.2)
Total	329453 (100)	120670 (100)	7069 (100)	457192 (100)

Source: Department of Statistics, Sarawak.

Again, substantial differences are found between the groups (Table 4-7). There were over-representation of *Bumiputra* working in agriculture, forestry and as fishermen, and less of the

Bumiputra were engaged as production workers or labourers and in non-manual occupations, either clerical or sales or in administrative, managerial, professional or technical work than the other groups. Thus, only about one in six of the *Bumiputra* were in middle-class occupations, compared with one in two of the Chinese and one in three of the other groups. Therefore, there seems to be the greatest scope for small businesses based on the practice of manual skills and the greatest chance of finding opportunists in business among the Chinese and the other groups but not among the *Bumiputra*. To get further insight into this possibility, figures are given in Table 4-8 on the distribution of ethnic groups over industries and Tables 4-9 and 4-10 on the break-downs of manufacturing, and wholesale, retail trade, restaurants respectively in 1980.

Table 4-8

Industry by ethnic group (1980) - Sarawak

	<i>Bumiputra</i>	Chinese	Others	Total
Agriculture, forestry, hunting & fishing	240616 (73.0)	34070 (28.2)	2642 (37.4)	277328 (60.7)
Mining & Quarrying	1094 (0.3)	488 (0.4)	146 (2.1)	1728 (0.4)
Manufacturing	13830 (4.2)	13392 (11.1)	500 (7.1)	27722 (6.1)
Construction	5475 (1.7)	9056 (7.5)	1016 (14.4)	15547 (3.4)
Wholesale, retail trade & restaurants	8023 (2.4)	25969 (47.2)	452 (6.4)	34444 (7.5)
Transport & communication	3898 (1.2)	5901 (4.9)	201 (2.8)	10000 (2.2)
Finance, insurance & real estate	1605 (0.5)	2748 (2.3)	94 (1.3)	4447 (1.0)
Community, social & personal service	51521 (15.6)	26563 (22.0)	1851 (26.2)	79935 (17.5)
Activities inadequately described or unknown	2614 (0.8)	1937 (1.6)	133 (1.9)	4684 (1.0)
Total	329453 (100)	120670 (100)	7069 (100)	457192 (100)

Source: Department of Statistics, Sarawak.

Table 4-8 shows even more evidence of major differences between the work situation of the different ethnic groups in Sarawak. For example, 47 per cent of the Chinese were in wholesale, retail trade and restaurants, compared with 2 per cent of the *Bumiputra*. Especially in terms of absolute numbers, there were three times as many Chinese as the *Bumiputra* working in this sector. This suggests that, other things being equal, there are more opportunities for business for the Chinese in

wholesale, retail trade and restaurants than the other groups. With 73 per cent of the *Bumiputra* working in the agriculture, forestry, hunting and fishing industry, they appear to be left only with their occupational skills but without being exposed to the real world of business.

Table 4-9

Manufacturing industry by ethnic group (1980) - Sarawak

	<i>Bumiputra</i>	Chinese	Others	Total
Food manufacturing	1746(53) (12.6)	1521(46) (11.4)	44(1) (8.8)	3311(100) (11.9)
Manufacture of wood & cork products except furniture	6930(71) (50.1)	2742(28) (20.5)	76(1) (15.2)	9748(100) (35.2)
Petroleum refineries	961(60) (7.0)	444(27) (3.3)	206(13) (41.2)	1611(100) (5.8)
Manufacture of non-metallic mineral products	797(61) (5.8)	487(37) (3.6)	29(2) (5.8)	1313(100) (4.7)
Manufacture of wearing apparel except footwear	238(11) (1.7)	1881(88) (14.0)	8(1) (1.6)	2127(100) (7.7)
Manufacture of fabricated metal product	226(24) (1.6)	705(74) (5.3)	15(2) (3.0)	946(100) (3.4)
Manufacture of transport equipment	639(50) (4.6)	612(48) (4.6)	28(2) (5.6)	1279(100) (4.6)
Manufacture of furniture	361(19) (2.6)	1467(80) (11.0)	5(1) (1.0)	1833(100) (6.6)
Other manufacturing	1932(35) (14.0)	3533(63) (26.4)	89(2) (17.8)	5554(100) (20.0)
Total	13830(50) (100)	13392(48) (100)	500(2) (100)	27722(100) (100)

Source: Department of Statistics, Sarawak.

Table 4-9 gives the detailed break-down of manufacturing activities engaged by the various ethnic groups. Though from the

above table the *Bumiputra* are under-represented in the manufacturing sector, it is still interesting to find out which specific areas they tend to concentrate in this sector.

One in two of the *Bumiputra* who are in manufacturing engaged in the production of wood and cork product except furniture. There were even less numbers of *Bumiputra* engaged in all the other manufacturing activities compared to the Chinese and the other groups.

Table 4-10

Wholesale, retail trade & restaurants industry by ethnic group (1980)

	<i>Bumiputra</i>	Chinese	Others	Total
Industrial, agricultural equipment - wholesale	595(30) (7.4)	1322(68) (5.1)	28(2) (6.2)	1945(100) (5.6)
Food, drinks & tobacco - retail	2144(22) (26.7)	7652(77) (29.5)	84(1) (18.6)	9880(100) (28.7)
Household & personal goods - retail	481(9) (6.0)	4523(89) (17.4)	90(2) (19.9)	5094(100) (14.8)
Motorcycles, motor vehicles, petrol - retail	356(22) (4.4)	1221(76) (4.7)	26(2) (5.8)	1603(100) (4.7)
Miscellaneous retail trade	1793(26) (22.3)	4869(72) (18.7)	84(2) (18.6)	6746(100) (19.6)
Restaurants, cafes	1844(27) (23.0)	4810(71) (18.5)	98(2) (21.7)	6752(100) (19.6)
Hotels & other lodging places	538(52) (6.7)	473(45) (1.8)	28(3) (6.2)	1039(100) (3.0)
Other wholesale	272(20) (3.4)	1099(79) (4.2)	14(1) (3.1)	1385(100) (4.0)
Total	8023(23) (100)	25969(75) (100)	452(2) (100)	34444(100) (100)

Source: Department of Statistics, Sarawak.

Table 4-10 gives a break-down of the wholesale, retail trade and restaurants industry in which the different ethnic groups participated in 1980. Almost three quarters of the *Bumiputra* who were in this particular industry engaged in the retail trade of food, drinks and tobacco, miscellaneous retail trade and restaurants, cafes. Naturally if they are to go into self-employment, this would be the most likely trade that they are going into despite their small number.

(ii) Trends in the Local Councils Main Trading Licences

Table 4-11

Trends in Local Councils main trading licences, 1981 & 1987 - Sarawak

Type of licence	1981		1987	
	Bumi	Non-Bumi	Bumi	Non-Bumi
Village shop	1972 (99)	25 (1)	3630 (99)	49 (1)
Petty trading	28 (65)	15 (35)	26 (55)	21 (45)
Petroleum, Kerosene	57 (42)	78 (58)	111 (47)	126 (53)
Hawker	350 (32)	758 (68)	727 (30)	1684 (70)
Fresh fish stall	36 (14)	220 (86)	114 (28)	299 (72)
Foodstall, Foodshop	93 (26)	268 (74)	192 (18)	894 (82)
Coffeestall, coffeeshop	64 (18)	285 (82)	89 (15)	518 (85)
Vegetables	16 (4)	402 (96)	89 (11)	719 (89)

Source: Local Councils, Sarawak

Table 4-11 shows the development of *Bumiputra* business (hawkers and petty traders) from 1981 to 1987 (ranked by their share in 1987) at the local level in Sarawak. There is a decrease in the proportion of *Bumiputra* running small business as hawkers, in foodstall/foodshop, coffeestall/coffeeshop and in petty trading. There is no change in their position in village shop while there is an increase in the rest of the other types of business in comparison to the non-*Bumiputra* groups. However, in terms of the absolute numbers of the people in business, the non-*Bumiputra* is predominant over the *Bumiputra* with the exception of the petty trade and the village shop.

4.4 NEW ECONOMIC POLICY (NEP)

4.4.1 Brief History

Before 1969, the different ethnic communities in Malaysia were neither contributing equally to its economic growth nor benefiting equally from it. The *Bumiputra* population, although dominant politically, was relatively poor. Most of the *Bumiputra* were in low-productive agricultural occupations such as cultivating rice or producing rubber in small holdings; others were fishermen. The Chinese were a more prosperous group, and some of them were relatively rich. The Chinese had been active in economic sectors since the early days of British colonial rule. As a result, they had become not only the wealthiest but also the most urbanised community. The Indians constitute a smaller portion of the population, and while they are not as

wealthy as the Chinese, they are generally better off than the *Bumiputra*. Most of the Indians were plantation workers. The rest of the population consisted of other races including a small number of Europeans and Japanese. Though a very small minority, they played a major role in the economy by managing most of the larger commercial and industrial concerns.

In the 1969's general election, the opposition parties, championing the interests of non-*Bumiputra*, performed better than expected. The *Bumiputra* regarded this as a strong challenge to *Bumiputra* political supremacy. As a result, riots and reprisals racked the capital of the nation, Kuala Lumpur, and left hundreds of Malaysians dead. The Malaysian Parliament was suspended, and a state of emergency was declared. Civil order was restored by the army and the police, and a national operations council was formed to assume responsibility of governing the nation.

The state of emergency lasted until February 1971. Malaysia's political leaders decided that several of the ground rules for governance needed to be changed. They were pressed by the need to eliminate conditions seen as causes of the communal riots. First, the discussion of sensitive constitutional issues was removed from public debate. When parliamentary government was restored, the constitution was amended to make the public discussion of constitutional provisions for language,

citizenship, the special position of *Bumiputra*, and the status of rulers seditious. The passage of this amendment was among the preconditions for the restoration of parliamentary rule. Second, economic planners adopted new criteria and objectives. The criteria for planning the first two Malayan five-year plans and Malaysia's first plan for 1966-1970 had been largely financial and administrative. Under Malaysia's second plan for 1971-1975, economic planning was to be explicitly based on social criteria as well. Third, the government began to pursue with greater resolve policies for Malay language and education.

The most important measure was, of course, the government-formulated New Economic Policy (NEP) initiated in mid-1970 and incorporated in the Second Malaysia Plan.

4.4.2 Objectives

The summing up of the economic policy discussions came in the Second Malaysia Plan (Malaysia, 1971). It pledged the government to improve racial economic balance measured in terms of employment patterns, relative income, and shares in ownership and control of assets. This was to be accomplished in twenty years, or one generation. In short, the most specific commitment was a promise that within a period of twenty years, Malays and other indigenous people would manage and own at least 30 percent of the total commercial and industrial activities in all categories and scales of operation. At the same time, the Second

Malaysia Plan asserted that the Plan would work 'in an ever-expanding economy in which the growing volume of goods and services is enjoyed by all groups in the Malaysian society' and that 'the Government will ensure that no particular group will experience any loss or feel any sense of deprivation.' The Plan also contained an important inter-communal appeal with its promise to eradicate poverty irrespective of race (Malaysia, 1971).

The more specific provision for the NEP was published in the mid-term review of the Second Malaysia Plan in late 1973. This document stated the 'two-pronged strategy' of the NEP, aimed at the overriding objective of promoting national unity, in the following terms:

(1) Eradicating poverty by raising income levels and increasing employment opportunities for all Malaysians, regardless of race. This is to be achieved by programmes aimed at raising the productivity and income of those in low productivity occupations, the expansion of opportunities for intersectoral movements from low productivity to higher productivity activities and the provision of a wide range of social services especially designed to raise the living standards of the low income groups.

(2) Accelerating the process of restructuring *Bumiputra*

society to correct economic imbalance, so as to reduce and eventually eliminate the identity of race with economic function. Programmes of this purpose include the modernisation of rural life, the rapid and balanced development of urban activities, the establishment of new growth centres and the creation of a *Bumiputra* commercial and industrial community in all categories and all levels of operation. 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 (Malaysia, 1973).

In short, the structure of NEP could be summarised as follows:

The NEP was political in its origins; its launching was prompted by desire to avoid a repetition of the political events of May 1969... The implementation of the NEP, as determined by the government, is heavy with political implications. The unintended consequences of its implementation are less easy to discern, but are equally certain to affect the future shape of politics in Malaysia (R.S. Milne, 1976:261).

4.4.3 Conclusion

The ultimate success in attaining the twin objectives of reducing poverty and increasing the *Bumiputra* participation in the economy will depend not only on social and political management but also on economic management. The Malaysian government realises that national unity is the prerequisite for continuing economic progress. National unity has many aspects and cannot be achieved by economic means alone. It also realises that the formulation of a programme to attain the basic goals of the

NEP is the most important economic challenge. The riots in 1969 highlighted the danger inherent in a multiracial society when ethnic prejudices are exacerbated by economic disparities. The long-term political and communal stability of Malaysia will depend on progress towards correcting these disparities.

4.5 SMALL BUSINESS POLICY

Specific policy of Sarawak state government on small business is lacking since in most part it is the federal government and its agencies who formulate and implement policies in relation to the small business development. The state government's role in this regard is rather supportive and supplementary. The state agency that has a specific function to promote *Bumiputra* small business in Sarawak is the Sarawak Economic Development Corporation (SEDC). In line with the state government's emphasis, the assistance given to small business by SEDC is centred in three areas, namely the creation of business opportunities, the training and development of entrepreneurs, and the support and advisory services.

SEDC has been directed, in its endeavour to undertake any project whether commercial or socio-economic in nature, to consider creating business opportunities for the *Bumiputra*. For instance, when SEDC started its cement project some time ago, it was envisaged that it could create *Bumiputra* entrepreneurs who could become dealers or distributing agents. The project would

also have other spin-off benefits in terms of creating opportunities for supplies, construction, transport and other services which would be available to the entrepreneurs.

On the training of entrepreneurs, SEDC has designed and held specific courses, together with other agencies and departments such as MARA, NPC and JKR (Public Works Department) for *Bumiputra* entrepreneurs³.

Various schemes are being carried out to give the support and advisory services to the *Bumiputra* business community. Major emphasis is given to entrepreneurs who involved in the construction and trading sectors. Among them is the 'Building Equipment Leasing Scheme' which is meant to assist those contractors who are in need of building equipments. Instead of having to buy the equipments which will normally involve heavy initial investment, they could now rent them under the scheme. Another scheme called the 'Advance Payment Scheme' was introduced to give financial assistance to the contractors with a bona fide jobs. In addition, SEDC also gives technical advice to certain contractors during preparation of tender and during performance of contract.

³ The general contents of these courses which are accessible to the researcher at this moment include headings like knowledge of the business, organisation and management, planning, control, leadership, communication, and decision-making.

To assist the *Bumiputra* trading community, SEDC has devised its field extension advisory services to a number of retailers. The services include regular visits by officers to the retailers to give guidance and advice on basic retail management, stock control, accounting and marketing. In addition, SEDC also involves in the building of shops and stalls for the retailers.

The wholesale/retail scheme which depended heavily on the wholly-owned subsidiary company of SEDC to distribute consumer products to selected *Bumiputra* retailers had unfortunately failed in 1986. The company PPES Edar was dissolved due to its inability to recover large amount of credit given to its customers.

MARA, a federal agency, through its offices throughout Sarawak is also very active in the promotion of *Bumiputra* business community. In Sarawak, MARA programmes were particularly targeted toward the *Bumiputra* entrepreneurs who come mainly from the rural villages and who do not normally have exposure to modern industrial cultures and activities. Rural communities mainly consist of social groups who are generally bound by tradition and who are scared of trying out new ideas. Specific programmes of MARA in Sarawak can be divided into credit finance, business premises and workshops, technical training/education, and advisory services/courses for the development of entrepreneurs.

MARA first came to Sarawak to provide credit finance to

Bumiputra petty traders and small entrepreneurs. During its early stage, MARA was recognised as a 'credit facilitating body'. However, not much credit was given out because the number of *Bumiputra* small businessmen at that time was still small. Today there is a growing number of *Bumiputra* involved in business and there is also an increased awareness about facilities available from MARA, as a result of wide publicity through mass media, talks and seminars.

MARA Sarawak has set up lock-up shops, stalls, shophouses and arcades at strategic locations in certain towns in the state. According one MARA officer, these ventures have been successful and it is partly due to the cooperation given by the state government itself, as recognised by MARA. These premises were set up to provide a permanent places of trading for the *Bumiputra* businesses and at the same time the rental charges for the premises have been reasonably low (30 to 40 percent below market rates).

On the issue of technical training/education, though it does not directly involve the development of entrepreneurs, MARA has helped to solve the problem of shortage of skilled manpower in the construction and industrial sectors in the state by sending a large number of young people to various MARA vocational

Institutes in the Peninsular Malaysia⁴. In doing so, it provides skilled manpower which is an essential resource for any successful enterprise. Some of these trainees have since opened up their own businesses after graduation⁵.

The provision of advisory services/courses to bumiputra businesses since 1966 is directly relevant to the development of entrepreneurs in the state. The courses are on the management and administration of business which are meant specifically for participants who are already experienced in running their own businesses. There are also courses conducted mainly for the would-be entrepreneurs. The success rate of these courses and others run by other bodies are not known because the criteria used to measure success are not well defined and they are not generally publicised.

Below are some of the constraints faced by MARA on the implementation of some of the programmes to assist the entrepreneurs which was gathered from a MARA loan officer interviewed during the recent field work:

⁴ Some of the courses on offer are electrical works, general machinery maintenance, motor mechanics, carpentry, plumbing, brick laying, tailoring, fashion designing, hair dressing, and commercial studies.

⁵ Those graduates were among the respondents interviewed in this study.

(1) Financial assistance in the form of cash might not be fully utilised by the borrowers.

(2) Folding up of companies sometimes occur just a few months after financial assistance are given.

(3) Although good incomes are obtained, borrowers often fail to repay loans on due dates. Loan funds which may be distributed to others are therefore greatly reduced or unavailable.

(4) Some would easily resort to Bankruptcy when debts are not paid up.

(5) Some entrepreneurs resort to taking advantage of their guarantors by refusing to repay loans. Indeed some prefer to lose collaterals than meeting loan commitments.

At the federal level, the government perceived that one of the major avenues of development lay through the development of *Bumiputra* entrepreneurs. Prior to 1960, the Rural Industries Development Authority (RIDA) was the only government agency which was in some ways involved with small enterprises. Generally, small enterprises were neglected during the British colonial rule. After independence was achieved, Malaysian government's prime objective was industrialisation and that often meant the establishment of large enterprises. The significant potential of small business was first recognised in the light of the objectives of the NEP in the Second Malaysia Plan 1971-75. A number of institutions were established during the Plan period to assist the development of the small business. These

institutions include the Credit Guarantee Corporation (CGC) and Malaysian Industrial Development Finance (MIDF).

In the Third Malaysia Plan 1976-80, the government pledged to develop small business 'as an integral part of Malaysia's industrial development' (Malaysia, 1976:315). The Plan also noted that the Advisory Council on Consultancy and Advisory Services for Small-Scale Industries and Business would be strengthened to become the Coordinating Council for the Development of Small-Scale Industries. The Council would be responsible for coordinating and harmonising programmes and policies of existing institutions over the whole range of services of small business.

The Fourth Malaysia Plan emphasised the important role which small business played 'in the development of entrepreneurship, creation of employment, mobilisation of individual savings for investment, broadening of the industrial base of *Bumiputra* and providing inputs and supportive services for large scale industries' (Malaysia, 1981:247). The Plan further noted the establishment of the Division of Small Enterprises in the Ministry of Trade and Industry. In the Mid-Term Review of the Fourth Malaysia Plan, it was noted that the majority of the small enterprises was concentrated in three sectors, namely, manufacturing, wholesale and retail trade, and construction. About 74 per cent of the value added of all small enterprises were in these three sectors (Malaysia, 1984:27). The Review also

noted that small enterprises were responsible for almost a third of all non-agricultural jobs and, therefore, played an important role in the generation of employment and output in the economy, in the redressal of poverty and the restructuring of society. It acknowledged that the present tax incentives tended to favour large enterprises because they were linked mainly to the size of employment and investment, and that the industrial estates did not adequately cater the needs of the small entrepreneurs.

The current five-year plan, the Fifth Malaysia Plan 1986-90 reaffirmed the role and contribution of the small business. 'The contribution of small-scale industries to many existing industries is substantial and their potential to create interindustry linkages is vast' (Malaysia, 1986:357). The government pledged to continue to undertake several measures to actively encourage small business to expand, upgrade and modernise their activities.

4.6 LENDING POLICY OF FINANCIAL INSTITUTIONS

4.6.1 General

The lending policy of financial institutions in Malaysia is largely determined by the broad directives issued by the government through the Bank Negara or the Central Bank. The government for some time has identified the small business as a priority lending sector. The latest lending guidelines on priority sectors issued by Bank Negara in March, 1989 require the

commercial banks to extend new loans amounting to at least M\$600 million to the small business sector⁶ by March 31, 1990 (BNM Annual Report, 1989). Of the M\$600 million, at least M\$200 million must be represented by guarantee cover for new loans extended under the Principal Guarantee Scheme (PGS) of the CGC⁷, of which at least M\$100 million must be extended to *Bumiputra* borrowers. At the end of 1989, the commercial banks have approved M\$1.01 billion of loans to the small enterprises as against the minimum requirement of M\$600 million. However, the guarantee cover for PGS loans extended by the banks as at end of 1989 amounted to only M\$28.8 million, far below the minimum requirement of the M\$200 million. Of the M\$28.8 million, M\$9 million was the guarantee cover for PGS loans extended to the *Bumiputra* borrowers, which was also far below the minimum requirement of M\$100 million. Since then, there had been a significant improvement.

Credit extended by finance companies to small business amounted to a little more than M\$3 billion, representing about

⁶ For lending purposes, small business has been redefined as a registered business with net assets of up to M\$500,000 (previously M\$250,000) or in the case of a limited company, shareholders' funds of M\$500,000 (previously M\$250,000) and a loan limit not exceeding M\$500,000 (previously M\$250,000).

⁷ The PGS was introduced in April 1989 to replace the two earlier schemes namely the GGS and the SLS. Under the PGS, CGC will guarantee 70 percent of the portion of credit facilities extended by the lending banks that is not covered by the available collateral under the bank's normal practices.

22 percent of the total loans outstanding as at the end of 1987 which is in excess of the minimum target of 15 percent of the 1989 lending guidelines.

According to the Bank Negara, lending to small business sector remains a risky business. Based on information provided by the commercial banks, as much as 41 percent (or M\$240 million) of outstanding loans granted by the CGC was non-performing in 1988 (BNM Report, 1988).

4.6.2 Credit Guarantee Corporation (CGC)

CGC has played such an important role in the promotion of small business in Malaysia that any discussion of lending policy of commercial banks is incomplete without reference to the functions of CGC. The CGC was established to provide a credit guarantee scheme for small business. Originally CGC administered two credit guarantee schemes namely the General Guarantee Scheme (GGS) and the Small Loan Scheme (SLS). Under both schemes, the Corporation guaranteed 60 percent of the amount of any loan in default, in return for a guarantee fee equivalent to 0.5 percent of the value of the approved loan outstanding. In 1986, CGC launched another scheme known as the Hawkers and Petty Traders Loan Scheme (HPT). The objective of the Scheme is to provide working capital to hawkers and petty traders (defined as businesses with net assets not exceeding M\$10,000). The scheme was further revised in 1989 as the Loan Fund for Hawkers and

Petty Traders (LFHPT) and was implemented in in 1990. The revised scheme has been redesigned to overcome some of the problems faced by hawkers and petty traders in securing credit facilities under the previous scheme. Under the new scheme, the hawkers and petty traders' total business assets should not be more than M\$20,000 in each case and total business loans should not exceed M\$5,000. The loans under the scheme are given at 4 percent per annum and the amount ranges from M\$500 - M\$5,000, and there is no security or guarantee required for loans extended. In 1989 also, CGC consolidated the GGS and SLS into a single scheme called the Principal Guarantee Scheme (PGS). The Scheme is designed to assist the small business with no collateral or inadequate collateral to obtain credit from commercial banks and to lessen the bank's risk in lending to this group. Under the scheme, CGC will guarantee 70 percent of the portion of credit extended by the lending banks that is not covered by the available collateral under the bank's normal lending practices.

4.6.3 Experience of a Commercial Bank

The practice of one of the two leading banks in Malaysia namely the Bank Bumiputra (BBMB)⁸ is perhaps useful to illustrate how the lending institutions respond to the increasing pressure put on by the government to assist the small business.

⁸ The researcher worked in the bank's branch in Kuching for a short stint.

At Bank Bumiputra, the small business sector is viewed as a vital component of its overall lending strategy. In extending credit facilities to the small business, like any other institutions, the bank must evaluate the likelihood that the borrower will repay as promised. The risk that the loan will not be repaid must be balanced against its profitability. As a general practice, the credit decisions are based on four basic criteria namely character, capacity, capital, and collateral. To evaluate character and capacity, it is often crucial for the bank to check the past record and background of the applicants. It is therefore more difficult for the bank to evaluate the attributes of a fresh applicant and hence his qualifications for the loans.

From the bank's perspective, the obligations of the small businessman to his lender especially in the proper utilisation of funds and the repayment of debts is a grave concern because they are essential for the continued growth and support of the small business sector itself. According to one credit officer of the bank, it has been the experience of some banks to witness the blatant misuse of funds. Loans approved to some businessmen have been diverted to support various no-productive activities like the placement made as fixed deposits; purchase of non-business properties; and personal consumption. In addition, there have been borrowers who are not genuinely engaged in business and the loan proceeds were utilised by other than for whom it had been approved. Such malpractices invariably reduce the confidence of

the financial institutions to lend further.

Bank Bumiputra has introduced the Rural Banking Scheme (RBS) in 1971 in order to provide a complete range of banking services and facilities to its rural customers especially the small entrepreneurs. The key aims of the Scheme were to provide the credit requirements of two types of *Bumiputra* activities namely:

(i) Small-scale enterprises comprising sundry shops, manufacturing and processing, dealership and miscellaneous projects; and

(ii) Agricultural credit for the cultivation of padi, coconut, tapioca, groundnut and the purchase of machinery.

After the introduction of the CGC schemes in 1973, Bank Bumiputra decided to merge both schemes through the creation of a Unit Khas Bumiputra (UKB) in 1974. Its roles include:

(i) To provide advisory service to bumiputra customers and prospective customers regarding their applications for small loans.

(ii) To identify projects that can be promoted among bumiputra businessmen.

(ii) To provide relevant information through publications, dialogue and seminars.

(iv) To assist small businessmen in the preparation of

working papers, maintenance of accounting records and proper management.

Since 1981, the UKB has also instituted a special *Bumiputra* entrepreneurial development programmes. This scheme entails the adoption of a number of *Bumiputra* small businessmen in the manufacturing, trading and construction sectors. Basic accounting and book-keeping courses were conducted weekly under the scheme besides comprehensive advisory and follow-up services. The UKB also publishes a monthly newsletter for existing and prospective clients, various booklets on business operations; conducts seminars and undertakes to liaise with relevant government bodies and other entrepreneurial development groups.

The bank, through the above efforts, has managed to integrate credit and consultancy services for the small *Bumiputra* entrepreneurs. This would ensure that credit extended is put to efficient and productive use.

4.6 SUMMARY

There has been no clear policy of the state government of Sarawak on the development of small business, although there are a number of government agencies (both state and federal) working to promote small business through particular schemes and programmes as part of their overall mission. One cannot conceive as to how the small business in Sarawak can fit into the

government policy when the policy emphasis is directed towards the development of petrochemical industries, agro-based and timber-based industries and the development of large-scale agricultural plantation.

The manufacturing sector has seen some healthy growth based on its share of GDP between 1980 and 1987. Perhaps the small business could eventually find opportunities here and explore the possibility of manufacturing the major imported items like food and drink products, chemicals and so on. Certainly, they are to face the usual problems like capital, experience, skilled manpower and technology. The stake in the manufacturing sector is usually too great for the small business especially the *Bumiputra*. That is probably why few *Bumiputra* are engaged in this sector.

An overwhelming number of businesses in Sarawak are registered as small business, as defined by their number of employees, and most of whom are operating as sole-proprietorship. The small business has been recognised by the federal government as having the potential and significance, and it has pledged to promote their activities.

The exact figures on the involvement of *Bumiputra* in business is not widely available. Through the labour force survey based on the latest census result of 1980, *Bumiputra* occupied

only about 30 percent of the employee's status. On the jobs they hold, the *Bumiputra* generally concentrated in the traditional occupations of agriculture, forestry and fisheries, either as own account workers or unpaid family workers, and are therefore significantly under-represented in the field of trade and industry, an area where the Chinese are predominant. It is with such an occupational pattern that limits the *Bumiputra* only to their own traditional areas and in turn impedes them to venture into business. From the record of local councils' trading licences, there is a great number of *Bumiputra* in the categories of village shops and petty trading. This is rather insignificant since they mainly involve hawkers and petty trading.

The New Economic Policy has brought about changes in the overall administration of economic and social policies of the country. In Sarawak, a federal agency like MARA has been active to promote *Bumiputra* small business through its various schemes. SEDC, a state corporation is the sole state government agency that involves the state government directly in the development of *Bumiputra* business. Both agencies have claimed certain amount of success in their job. However, the actual evidence of success is often difficult to measure.

Without doubt, like many views expressed by both the officials from MARA and SEDC, lending to small business is still a risky business for many commercial banks. According to the Bank

Negara, as high as 41 percent of the small business loans of the commercial banks under the CGC schemes is in default. In order to further reduce the risk of small business lending that is to be borne by the banks, the government through the CGC has increased the guarantee cover of the original CGC schemes from 60 percent to 70 percent under the new scheme called the PGS. At the same time, the hawkers and petty traders are also going to benefit from the new LFHPT scheme that will enable them to borrow without guarantee or security.

The individual bank like the Bank Bumiputra is of course very well aware of the risk inherent in the lending to small business. The programmes for small business promotion in Bank Bumiputra appears to be rather comprehensive with its Unit Khas Bumiputra. That seems to be the kind of services a typical *Bumiputra* entrepreneur would like to receive. Unfortunately, there is no information as to how successful the bank has been with the *Bumiputra* small business.

Before moving further toward the presentation of the findings of the empirical survey of selected *Bumiputra* firms in Kuching and their analysis, the next chapter will first proceed to relate the research methodology used in the survey and in the analysis.

CHAPTER FIVE

RESEARCH METHODOLOGY

5.1 INTRODUCTION

This chapter aims to first formally present the research objectives and major hypothesis of the investigation (sections 5.2 and 5.3). Then the specific research methodology implemented in the field survey and in the analysis is given (see 5.4).

5.2 RESEARCH OBJECTIVES

1. To identify the problems of *Bumiputra* business in Sarawak and to evaluate their impact as barriers to entry into business and as constraints on the growth of established firms.

2. To establish whether the above problems are fundamentally culturally related or structurally related and therefore the appropriate policy implications.

5.3 MAJOR HYPOTHESIS

The problems that hinder the entry into business and constrain the growth of *Bumiputra* businesses in Sarawak are fundamentally more structurally related than culturally related.

5.4 METHOD IMPLEMENTED IN THIS RESEARCH

The research method to be adopted in this investigation is the survey method by means of a closed-ended questionnaire.

5.4.1 Questionnaire Design

There are basically three main approaches to developing initial indicators in questionnaire design (de Vaus, 1986). These are (1) using measures developed in previous research; (2) using observation or unstructured interview; and (3) using informants from the group to be surveyed.

Questionnaire items for this research (see Appendix A) were initially developed based on measures developed in previous researches made by people including Abdul Aziz Mahmud (1981), Boissevain and Grotenbreg (1986), and M.M. Huq (1987). The final version of the questionnaire items however were modified to fit this particular context of research and thus they had gone through pilot testing and evaluation (sub-section 5.4.6).

The questionnaire which was first developed in the English language was then translated into the *Bahasa Malaysia* (National Language) to be used in the fieldwork (see Appendix B). Main headings of the instrument items in the questionnaire are business background, government aids, future plans, business problems, business attitudes, personal background, and education and training. There are sixty-one items altogether. Of course,

the questions have been kept to the minimum possible, lest the respondents find them too many to answer. To make it more attractive and more professional in looks, it was designed as a booklet used on both sides and was sent to be printed by a publishing company in Kuching¹.

5.4.2 The Survey

The methodology of the study can be divided into two phases in terms of its practical field task. The total duration spent on the field work was approximately four months (from early March to June 1989). Two months were spent on the phase one of the field work namely the identification and establishment of the number of *Bumiputra* businesses, selection of the number of samples and their sizes, pilot testing, and the method of collecting the information. Phase two concentrated on the actual collection of data.

5.4.3 Identification and Establishment of the Number of *Bumiputra* Businesses

An attempt was made to procure a ready-made list of *Bumiputra* businesses in Kuching. The possible sources explored were the State Financial Secretary Office, Building and General Contractors Association (PARBUMIS) in Kuching, Sarawak Chamber of *Bumiputra* Entrepreneurs (DUBS), the Federal Ministry of Trade

¹ The publishing company is Samasa Press Sdn Bhd.

and Industry's office in Kuching, the State Ministry of Industrial Development, the State Development Office, the Sarawak Economic Development Corporation, and MARA loanees.

As a matter of official practice, tenders from the State government are usually being channelled through and managed by the State Finance Office. The Finance Office then calls for the participation of those businesses who are officially registered with the respective departments. The researcher was able to examine specifically the lists of businesses who were mainly *Bumiputra* registered with the Department of Agriculture, Department of Drainage and Irrigation and Department of Social Development. Since the above sources cover mostly businesses in the whole of Sarawak, careful selection had to be made in order to include only those active *Bumiputra* businesses operating in Kuching.

According to Dr. Joseph Ko of the Department of Statistics in Sarawak, there were roughly 3,400 units of *Bumiputra* businesses in Kuching in 1986, based on the number of trading licences issued by the Inland Revenue Department. The initial list of the sampling frame derived from the above sources numbered 877 which included Malay, Iban and Bidayuh businesses in Kuching. Below (Table 5-1) is the groupings of *Bumiputra* businesses by type of industry:

Table 5-1

Sampling Frame

Retailers	206
Construction	431
Suppliers	114
Manufacturers	49
Others	77
Total	877

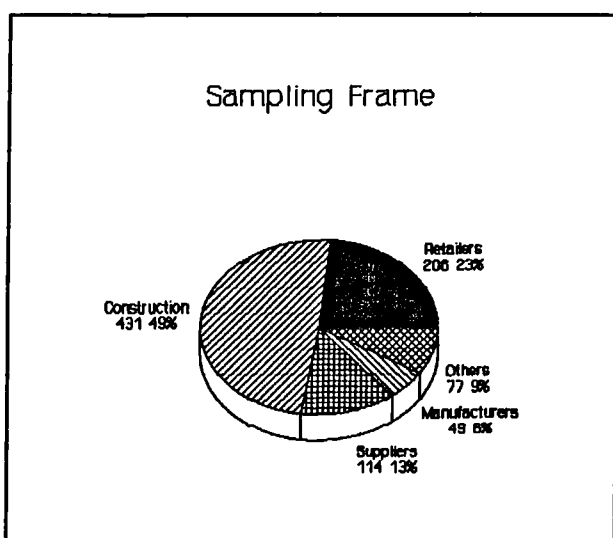


Figure 5-1: Sampling frame

The above sampling frame represents the best that the researcher could obtain which was carefully selected in order to qualify for a population defined as the following:

1. They are at least 51 percent *Bumiputra*-owned and managed full-time businesses which include Malay, Iban and Bidayuh *Bumiputra*.

2. They are confined to Kuching.

3. Their paid-up capital is limited to a maximum of M\$1,000,000.

At this stage, the State Director of Statistics and his sampling experts were consulted on the kind of sampling that ought to be pursued and method to be adopted for the data collection. Systematic random sampling was initially agreed to be adopted for the selection of the final samples from the sample frame. The first number was chosen for each of the groups using the table of random numbers. Thereafter, the following numbers in each group would be selected by way of required intervals. The intervals were determined on the basis of the total number of group samples and the required number of sample size in each group (de Vaus, 1986). The final random sample (Table 5-2) looks like this:

Table 5-2

Final Random Sample

Retailers	52
Construction	72
Suppliers	53
Manufacturers	49
Others	77
Total	303

It was agreed that in order to limit the number of final samples to approximately 300, the number in each group except 'manufacturers' and 'others' was to be adjusted and reduced depending on their nature of diversity. For 'retailers' the number was reduced to 52 because they were more or less similar and homogeneous. The same went to 'Construction' and 'Suppliers', their numbers were reduced to 72 and 53 respectively. As for the rest of the groups, they were to be taken as full census since they are more diverse in nature.

5.4.4 Method of Data Collection

Survey data can be collected using a number of techniques. The most common ones are face-to-face interviews, telephone interviews and postal questionnaires. The final decision about how to administer a questionnaire depends on factors like cost, time, the topic, the type of data required and so on (de Vaus, 1986). In this particular survey, information required was obtained through two methods of data collection. All the interviews were conducted by the researcher alone. Not a single assistant was employed because to do so would require more time for the training and costs.

The first method was using personal face-to-face interview. Between 60 to 70 percent of the data collected using this method and it was also used to include those owners/managers of businesses who were unable to read or write. All the interviews

were conducted mainly in Malay. As for those who were thought to have a good level of education and/or those who could read and understand very well written materials, the second method namely self-administered data collection (dropping off and later picking up) was used. About 30 or 40 percent of the respondents was in this category. When the questionnaires were returned, they were checked and reviewed. Answers that were incomplete were further pursued with kind persuasion if they were found not being filled up due to unreasonable secrecy. Very often respondents were followed up through telephone calls, or further visits were necessary if they did not have the telephone. This ensured that the information given was correct and that the questions were answered fully.

There was some thought on the possible biases that would arise due to the use of the above two different methods on the sample. With personal interview, rapport and confidence are possible to build, respondent's questions can be answered, and probing for adequate answers can be done on the spot. With self-administered method (dropping off a questionnaire), the respondents were given time to answer the questionnaires on their own. However, the possible biases that might have existed were likely to have been overcome by the fact that for the self-reporting method, the researcher would first explain the study and answer any questions before leaving behind the questionnaires. In most cases, the researcher would insist on probing further on

those respondents whose answers were found to be incomplete. Like the personal interview, there were bound to be certain questions that the respondents refused to answer.

The researcher does not think that being a *Bumiputra* himself would in any way distort the answers given by the respondents who are also *Bumiputra* in this study. There was no advantage to them whatsoever for the respondents not to tell the truth about themselves since they knew very well that the researcher was a private individual and not any government official. Furthermore, throughout the fieldwork, using either method of collection described above, the researcher always explained to the respondents that the purpose of the study is not only academic but also a means of getting to know how they were actually doing. It was repeatedly stressed to them that it was very important that their reply to all the questions would reflect fairly and accurately their true circumstances. The researcher is confident that what has been so far obtained from the respondents is reasonably accurate since on the one hand the answers given had been double-checked by examining the other relevant answers, on the other hand the body language and the surrounding was appropriately appraised in the context of the reply made.

Relevant to this is the major discussion in the research literature as to whether it is a good idea to match interviewers and respondents on racial or ethnic backgrounds. The current

thinking is that, with the exception of the subject matter of the survey that directly concerns race or religion, for most survey topics, such matching does not affect the quality of data (Fowler, 1984). 'The effects of divergence of background characteristics between interviewer and respondent can usually be overcome if the interviewer has adequate interviewing skills and is able to demonstrate that he can understand and communicate with the respondent' (Kahn and Cannell, 1958).

5.4.5 Negotiating Access to Respondents

Enlisting cooperation from selected respondents has been known as a difficult task. For a variety of reasons people selected in a sample may not finally be included. Some will refuse, others will be uncontactable and yet others will be uninterviewable. However, this difficulty differs largely with the sample in hand (Fowler, 1984). It is with this difficulty in mind that an official letter of introduction (see Appendix C) from the State Ministry for Industrial Development in Kuching was used to gain access as well as to impress the prospective respondents. The letter was found to be very helpful in informing the respondents what the project was all about and thus, it kept unnecessary questions to the minimum. This saved interview time as well as lowered the rate of non-response. The fact that the researcher himself a *Bumiputra* and comes from Kuching has also helped to enhance the response rate.

5.4.6 Pilot Study

According to Fowler (1984), every questionnaire should be pretested. For this purpose, the pretesting was done by including five businesses representing each of the groups of business. The preliminary questionnaire designed for the pilot test were sent personally to the five businesses in the groups for filling in. Thereafter they were asked to respond as to what they thought about the questions and the questionnaire as a whole. The results acquired from the pilot study were satisfactorily used to design the final version of the questionnaire which was to be used.

5.4.7 Revision of the Initial Sampling Design

A number of problems were encountered as the field procedures on the initially designated samples were carried out:

1. Out of the 52 designated samples of retailers, only about 20 could be traced. The rest of the samples were either closed down or could not be located.

2. Out of the 49 samples of manufacturers designated, 22 could not be located, 4 closed down, 5 factories were non-existent, and 6 owners were either away or Chinese. That left the researcher with only 12 (49 minus 37) samples in the manufacturing sector.

3. As a result, the groupings designated together with their

sizes according to type of industry would no longer be feasible. At the same time, the sample size within 'Retailers', 'Construction' and 'Supplier' would have to be increased in order to obtain a sufficiently large sample.

After consultations with the sampling experts in the Statistics Department, it was agreed that full censor of all the 877 samples in the original sample frame be carried out for the study in view of the above limitations.

5.4.8 Field Results

Out of the 877 samples of respondents that were attempted for enlisting their cooperation, 350 (40%) could not be traced, 260 (30%) were either closed down or were part-timers, 39 (5%) were either operated by Chinese or refused to cooperate. The number of respondents that were managed to be interviewed and were willing to cooperate was 228 of which 22 returns are incomplete. Again, out of the 206 final samples 3 had to be thrown out because they had a paid-up capital of more than M\$1,000,000. The following Table 5-3 is the summary of the sampling design and the break-down in terms of their business types. 'Others' category could be further divided into Car Dealer, Food/Drink and Miscellaneous as in Table 5-4.

Table 5-3

Summary of Sampling Design Process

	Sample Frame	Final Sample	Completed Sample	% of the Big Sample
Retailing	206	52	82	40
Construction	431	72	31	7
Suppliers	114	53	18	16
Manufacturing	49	49	8	16
Others	77	77	64	83
Total	877	303	203	23

The following will broadly describe what the different categories of sectors are in the context of Sarawak.

i) Manufacturing - A manufacturing firm in Sarawak is like any other processing facilities in the country. Most of the larger and more established ones belong to the Chinese and their existence was more conspicuous. They occupied most of the ready built factories that were constructed by the SEDC. In contrast, there are very few *Bumiputra* in the business of manufacturing. Most of them would be in the lower end of the sector. Some of the very small concerns operating in their own backyards. There are of course those *Bumiputra* who own only token shares in some of the bigger factories but the operation is under the control of the Chinese. In this particular study, most of the activities of the respondents under the manufacturing category are the manufacture of household furnitures, both wood and rattan; wooden window and door frames, joinery works; wooden handicraft works;

rattan processing; and dairy products.

ii) Construction - Most of the *Bumiputra* construction firms are very small and are at the lower end of the industry. Their start-up capital can be as low as M\$400 as is found in this study. Curiously, some of them do not even have proper offices for their operation, instead they operate from homes. There are others who told the researcher that they had not had any job coming in for almost two years. It is difficult to estimate how much capital they had so far invested in the business because some did not keep adequate record of the operation. Once they got a job and sometimes a big one, it would be a windfall for them. When this job is finished, in most cases they are going to lay idly again until they find the next job. Construction work is at its lowest ebb now and it can be expected that the smaller construction firms are facing tough time at the moment.

iii) Supplier - Most of the suppliers are businesses who are registered with the various government departments from whom they get most of their business. They usually supply goods like office stationery, books, newspapers, computers and accessories etc. Many are distributors and agents who keep only small offices without having to keep any stocks. However, some do have shops and sell to the public at large.

iv) Retailer - In this context, retailers include those who

own shops selling daily household products, retailing of petrol products, groceries (both wet and dry), and/or newspapers. They are mostly located within the Malay settlement area or on the road sides leading to it. Most of them use part of their house as the shop premise. If they own a double-story house, the shop will be on the ground floor. Otherwise, the shop will be located beside the living quarters on the same building. Their startup capital can be as low as M\$18.

v) Food and Drink - These are mainly hawkers and small businesses selling foods and drinks operating in stalls around Kuching. They also include one or two restaurants and catering companies. Obviously there are more women than men in this business. In this study, out of the 21 respondents, 17 are women. Some of them only open during the night. Because it is during the night that most of them will get more customers.

vi) Car dealer - All car dealers have their own separate premise to house an office and enough space for the cars and the showrooms. In most cases, they are dealers in imported reconditioned cars from Japan, although some are distributors for new cars from overseas or from the local Proton Saga.

vii) Miscellaneous - These are businesses which include beauty care, tailoring, electrical repair shop, car workshop, forwarding agent, travel agent, video rental, sand trading,

cleaning services driving school, cigarette distributor, glass and aluminium, communication equipment supplier and consultancy services including architecture and engineering firms.

Table 5-4

Final Result

Retailing	82
Construction	31
Suppliers	18
Manufacturing	8
Food/Drink	21
Car Dealers	10
Misc.	33
Total	203

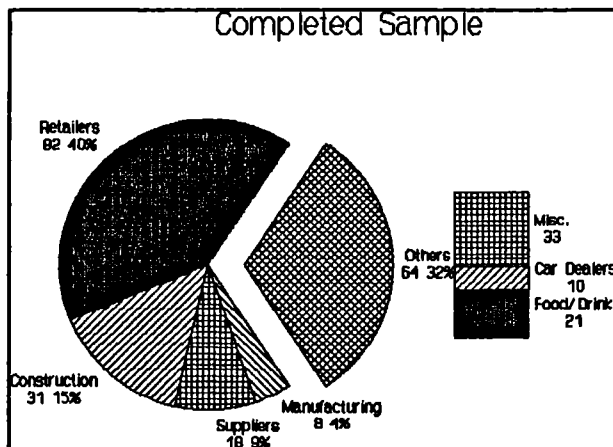


Figure 5-2: Completed sample

5.4.9 Data Analysis

The study will be conducted by applying methods of analysis that are both (a) qualitative and descriptive, and (b) quantitative.

I. Qualitative and Descriptive

The qualitative and descriptive methods will allow discussion of historical and contemporary experiences and general circumstances relating to the growth of business enterprises operated by individuals from the *Bumiputra* population. This method will apply to information and data deriving from the survey of relevant literature and also from interviews with relevant individuals.

II. Quantitative

The quantitative method will involve mostly with the random survey of the field data. The data will be coded and processed using statistical package specifically the SPSSX. The statistical techniques that will be widely used are the usual descriptive statistics, cross tabulations using contingency tables and Chi-square test. The crosstabulation analysis is done by classifying the categorical data into several categories and count the number of individuals in each category. Continuous (or quantitative/numerical) data will be put into discrete form by the use of intervals on a continuous scale. For example, age is a continuous variable, and people can be classified into different age groups, the intervals corresponding to these groups can be treated as if they were discrete units (Everitt, 1977).

III. Chi-square Test

For most of the data in this study, the most important

question is whether the qualitative variables forming the contingency table are independent or not. The Chi-square test is used to evaluate whether the differences between the univariate distributions are large enough to warrant the conclusion that null hypothesis (H_0) is false and can be rejected in favour of an alternative (H_1) stating that there is a relationship between the two variables (Nachmias et al, 1976).

The test is based upon the differences between the estimated values of the frequencies to be expected when H_0 is true and the observed frequencies. The magnitude of the Chi-square statistic however depends on the values of the differences. If the two variables are independent, these differences will be less than otherwise would be the case; consequently Chi-square will be smaller when H_0 is true than when it is false. Acceptance or rejection of the hypothesis of independence is based upon the probability distribution for Chi-square value; values with low probability lead to rejection of the hypothesis, others to its acceptance. This is the standard technique for deriving significance tests in statistics. In general, a low probability is selected to be a value of 0.05 or 0.01, and is termed as the 'significance level of the test' (Everitt, 1977).

5.5 SUMMARY

This chapter has formally presented the research objectives, hypothesis, and research questions of the study. Then, it sought

to demonstrate the research methods that have been implemented and the process of gathering data and analysis in the investigation.

Various sources were explored in order to exhaust all the possible lists of Bumiputra businesses to be chosen for the sampling frame. Altogether the researcher managed to get a total of 877 businesses from Kuching which were initially thought to fulfill the definition of the population of the study. Through the process of systematic random sampling and some adjustment, the final sample numbered 303. However, the actual number of businesses that were managed to be contacted and finally used in the study was only 203.

The analysis part of the study will mainly involve the general descriptive statistics and Chi-square test. Certain qualitative and descriptive materials will also be used at the appropriate places in the analysis.

Next chapter will be the presentation of the survey findings and their analysis.

CHAPTER SIX

RESEARCH FINDINGS AND ANALYSIS

6.1 INTRODUCTION

Many social scientists assumed that a need for autonomy and independence explained why people entered small business. Others argued that small business was an avenue through which those who lacked educational qualifications could attain marginal middle class status (Mayer, 1975). The *Bumiputra* are late starters in the field of business, commerce, and industry. In the past, well-educated *Bumiputra* when thinking of a career, rarely thought of entering business but rather they leaned toward government jobs. Admittedly, this may have been a perfectly realistic account of their chances to succeed in life. To initiate and develop viable business enterprises were difficult because of Chinese domination of the economic and commercial lives of the country. This led to various myths being generated about *Bumiputra* business incapacibilities. Since the introduction of the New Economic Policy, the *Bumiputra* are getting more opportunities to start their own business. In this study, it is expected that most people entering business self-employment as a result of government's encouragement. Since there is not yet any long business tradition among them, most of them are likely to concentrate in small retail and service trades, mostly in the form of sole-proprietorship, and that they would normally have

a lower educational level than that of the general *Bumiputra* population. However, naturally there will also be a handful of those who Smith (1967) called the 'opportunistic entrepreneurs' who came from a middle class background, who were more highly educated and had broader work experience. They selected an area of business where they could identify an opportunity to make money and were more likely to use capital from a variety of sources.

The majority of *Bumiputra* entrepreneurs in this study are also expected to have gone through some kind of training either in business which is often on the job or skill training prior to their entering business. This is because most government agencies in Sarawak do provide training programmes for *Bumiputra* and most of the time the training is provided free of charge. Network of contacts is very much a function of the size of the business community and the relationship among the businesses within it. On the basis of size alone, since there is already an under-representation of *Bumiputra* businesses, their network is also expected to be small.

Most writers consider cultural factors such as family ties, group solidarity, work ethic and frugal attitudes as major advantages for small business. Unlike the Chinese family system, the Malay culture does not seem to stress the patriarchal authority within the family. It thus limits the availability of

both family funds for investment and family labour within the family for business activities. In this case, it can therefore be expected that low proportion of the respondents would use family labour in their business and that the proportion of family funds for their start-up capital is also expected to be small.

The Malay society generally depicts a structure of social cohesion. However, when a Malay has a strong inclination to go into business, he infringes his cultural and social relationships with other members of the society. Because business is a profession which often 'opens the way for bad relations with kins and neighbours' (Swift, 1964: 152). Also, Malays who have ventured into business or those who have a strong desire to be one are primarily those who do not strictly adhere to the traditional values which promote beliefs in short term gains and security (Ismail Rejab, 1983). That is why on the individual level, it is expected that the *Bumiputra* small businessmen if not equally as capable as the Chinese businessmen, should be reasonably motivated and hard-working. New and small as they are, *Bumiputra* entrepreneurs may not have large enough income for savings, but they are certainly serious and committed businessmen who care about their business. It is therefore expected that in this study the majority of the respondents would demonstrate high level of aspiration, frugality and work ethic. Again, without long business tradition, the *Bumiputra* entrepreneurs are not expected to have much business experience before they enter

business perhaps with the exception of those whose family has already involved in business itself. However, the number of those whose family involved in business is expected to be small.

Typically, the small trader operates with very restricted capital, little business experience, minimal marketing skill and survives on extremely meagre profit margins. The increasing level of demand particularly in the grocery trade is accompanied by changes in the direction in ways which favour the larger retail outlets. Economies of scale enable larger outlets to reduce prices and offer a wide range of goods. Thus, the shopper may prefer the chain store in the city to the small independent business nearby on grounds of lower cost and increased choice. As one of the strategies to attract customers, the majority of the the small businesses in this study is expected to sell on credit, particularly the retailers. Although most of them are expected to start with a small amount of capital, they are expected to expand their business throughout the years.

Among the many problems faced by small businesses in Malaysia, the problem of finance appears to be the most serious¹

¹ 'Financial Survey of Small and Medium Businesses'. In another survey of 167 small businesses undertaken by the Tokyo Institute of Developing Economies in collaboration with the University of Malaya in 1986, 50 percent of entrepreneurs ranked inadequacy of financial resources as their most crucial business difficulty while 28 percent ranked it as their second major business difficulty.

(Chee, 1986; Ministry of Finance, 1988). The problem appears to be more critical among the smaller businesses. Also, *Bumiputra* small businesses tend to have more financial problems compared with Chinese small businesses. The basic problem centres on both inadequate finance for working capital and lack of access to commercial bank credit. The second and third most difficult problems faced by the small business are marketing and labour respectively (Chee, 1986). The same problems following the same pattern are thought likely to constrain the operation of *Bumiputra* businesses in this study.

It is highly likely that the market that is served by the *Bumiputra* firms will include a high proportion of *Bumiputra* customers (including government). However, it does not necessarily mean that apart from competing among themselves for the *Bumiputra* clientele they are free from competition from the Chinese businesses. Albeit certain food requirements which are culturally and religiously distinctive among the Malays and are normally prepared and sold by the Malays themselves, the rest is rather common among all races. The *Bumiputra* customers are expected to be rather indifferent to the ethnicity of the shopkeepers who serve them.

One of the schemes carried out by SEDC which was mentioned earlier was to help solve the problem of supply to the *Bumiputra* retailers. With the closure of PPES Edar, a subsidiary company

of SEDC entrusted with the function of distributing supplies to the *Bumiputra* businesses, it could be envisaged that the problem of supply especially among the retailers would still be of major concern. However, if there is a strong network of suppliers among the *Bumiputra* community themselves, then the problem of supply would likely be minimised. At this stage, as has been stated earlier, because the *Bumiputra* are late-starters in the business world, this kind of network is expected to be negligible among them.

Generally, individuals who are interested in business self-employment but have neither very much capital nor skill would find it easier to open a retail shop or a food & drink stall rather than a car trade or a manufacturing concern. The *Bumiputra* small businesses in this case are expected to develop along the direction of retail, food & drink, trading, other miscellaneous trades, and then through the car trade and manufacturing sector.

The next section will first introduce the background of the sample under study before the actual presentation of research findings and their analyses.

6.2 BACKGROUND OF SAMPLE

The mean age of the sample as a whole is 41 years old (Table 6-1). While the modal age is 33, the youngest among the sample is 21 and the oldest being 80. The manufacturing sector's mean

age is the youngest at 36, while construction's and food & drink's is the oldest at 45. The sample's mean age at start-up is 34 (Table 6-2). The single youngest of whom started business at the age of 14 in the Food & Drink sector. The oldest being at the age of 68 in the Retail sector. On average the manufacturing sector has the youngest age at which the sample started their business at 29. Of the total sample, 72 percent is male and only 28 percent is female (Table 6-3). Of particular interest is the fact that 81 percent of the respondents in the food & drink consists of female entrepreneurs.

Table 6-1

Current Age

Sector	Mean	S/D	Median	Mode	Min	Max
Manufacturing	36	10	32	24	24	55
Construction	45	13	42	36	26	70
Supplier	39	10	38	38	25	70
Retailer	43	14	41	44	23	78
Food & Drink	45	14	45	45	21	80
Car Dealer	40	10	40	34	24	54
Misc.	36	9	35	33	21	60
Total Sample	41	13	39	33	21	80

Table 6-2

Age at Start-up

Sector	Mean	S/D	Median	Mode	Min	Max
Manufacturing	29	6	27	24	24	41
Construction	38	11	35	30	22	64
Supplier	32	9	33	34	22	60
Retailer	34	14	31	25	15	68
Food & Drink	37	14	40	18	14	57
Car Dealer	31	8	30	28	18	44
Misc.	30	8	30	32	18	55
Total Sample	34	12	32	25	14	68

Table 6-3

Sex

Sector	Male	Female	Total
Manufacturing	8(100)	0(0)	8(100)
Construction	30(97)	1(3)	31(100)
Supplier	17(94)	1(6)	18(100)
Retailer	55(67)	27(33)	82(100)
Food & Drink	4(19)	17(81)	21(100)
Car Dealer	10(100)	0(0)	10(100)
Misc.	22(67)	11(33)	33(100)
Total	146(72)	57(28)	203(100)

Like the distribution of small business in Sarawak in general, more than half i.e. 78 percent of the sample was registered as sole proprietorship (Table 6-4). However, the rest was distributed equally as partnership and limited company at 11 percent each. The mean age of their business is 6 years old (Table 6-5). It is no surprise that manufacturing sector shows itself to be the newest venture for the respondents with a mean age of 3 years, and on the other hand, retail sector appears to be their oldest enterprise.

Table 6-4

Form of Business

Sector	Sole Trader	Partnership	Limited Co.	Total
Manufacturing	3	4	1	8
Construction	23	5	3	31
Supplier	10	4	4	18
Retailer	75	4	3	82
Food & Drink	21	0	0	21
Car Dealer	3	2	5	10
Misc.	24	3	6	33
Total	159(78)	22(11)	22(11)	203(100)

Table 6-5

Age of Business

Sector	Mean	S/D	Median	Mode	Min	Max
Manufacturing	3	2	3	3	1	6
Construction	6	3	5	4	1	16
Supplier	5	4	4	2	1	19
Retailer	8	8	6	6	0	48
Food & Drink	4	3	3	3	0	12
Car Dealer	7	6	7	16	0	16
Misc.	5	4	4	4	0	19
Total Sample	6	6	5	4	0	48

Food & drink sector seems to have the lowest mean start-up capital. The minimum initial capital was as low as M\$18 to be found in the retail sector (Table 6-6). Although the highest mean seems to be in the car dealer, like in most other sectors, the spread appears to have been substantial as measured by its relatively high standard deviation. For instance, the minimum start-up capital in the car dealers is M\$40,000 and the maximum is M\$400,000. Looking at their current capital standing, food & drink still has the lowest mean and similarly, the car dealer has the highest (Table 6-7).

Table 6-6

Start-up Capital

Sector	Mean	S/D	Median	Mode	Min	Max
Manufacturing	22714	30280	8000	2000	2000	80000
Construction	60287	180874	10000	5000	400	1000000
Supplier	37138	53384	11000	10000	500	200000
Retailer	18007	62664	3000	1000	18	450000
Food & Drink	6265	15248	3000	3000	150	70000
Car Dealer	115000	114345	80000	50000	40000	400000
Misc.	57163	173766	10000	5000	800	1000000
Total Sample	36099	113498	5500	5000	18	1000000

Table 6-7

Current Capital

Sector	Mean	S/D	Median	Mode	Min	Max
Manufacturing	53333	54183	35500	3000	3000	150000
Construction	110714	221525	33500	100000	1000	1000000
Supplier	91527	174233	47500	50000	500	750000
Retailer	33675	84775	8000	5000	300	500000
Food & Drink	14152	28196	3000	3000	350	100000
Car Dealer	214800	198097	150000	150000	50000	600000
Misc.	103037	211445	20000	5000	3000	1000000
Total Sample	68631	153842	15000	5000	300	1000000

The lowest mean turnover for the respondents during both their first year's and current operations could be found in the food & drink sector (Tables 6-8 and 6-9). The manufacturing has the second lowest mean turnover also for both its first and current years. The car dealer has the largest mean turnover although the current mean has declined considerably from its first year's. The means for the first and current years' total employment for the whole sample are 4 and 7 people respectively (Tables 6-10 and 6-11). The sample mode is 2 people and the minimum is 1 for both the initial year and the current one.

Table 6-8

First Year Turnover

Sector	Mean	S/D	Median	Mode	Min	Max
Manufacturing	55142	87663	12000	6000	6000	245000
Construction	99896	215652	14850	10000	2800	1000000
Supplier	130235	288142	60000	60000	2000	1200000
Retailer	118199	411045	20000	20000	450	2500000
Food & Drink	12231	9792	12000	5000	500	30000
Car Dealer	1625000	2603706	800000	500000	100000	8000000
Misc.	142826	270631	25000	3000	3000	1100000
Total Sample	173998	680483	20000	20000	450	8000000

Table 6-9

Current Turnover

Sector	Mean	S/D	Median	Mode	Min	Max
Manufacturing	66142	106330	30000	6000	6000	305000
Construction	657404	2066906	25500	10000	700	9900000
Supplier	261156	454459	65000	5000	4000	1800000
Retailer	175530	572857	28400	8000	500	3500000
Food & Drink	26078	39264	15000	4000	4000	180000
Car Dealer	1046750	484548	1100000	1000000	360000	1800000
Misc.	718644	1515258	50000	15000	3200	7000000
Total Sample	350251	1073543	30000	25000	500	9900000

Table 6-10

First Year Total Employment

Sector	Mean	S/D	Median	Mode	Min	Max
Manufacturing	3	3	3	3	1	10
Construction	6	6	4	2	1	24
Supplier	3	2	2	2	1	7
Retailer	3	3	2	2	1	16
Food & Drink	3	1	3	2	2	6
Car Dealer	5	3	4	2	2	10
Misc.	5	7	2	2	1	33
Total Sample	4	4	2	2	1	33

Table 6-11

Current Total Employment

Sector	Mean	S/D	Median	Mode	Min	Max
Manufacturing	8	9	5	5	1	30
Construction	11	12	7	4	2	56
Supplier	7	11	4	5	1	50
Retailer	4	4	3	2	1	25
Food & Drink	7	9	4	4	1	37
Car Dealer	7	2	7	6	4	10
Misc.	12	23	3	2	1	99
Total Sample	7	12	4	2	1	99

6.3 STRUCTURAL CHARACTERISTICS

Structural factors are social characteristics such as education, experience, residential pattern, entry to the market, opportunities and other historical factors (see Chapter two).

6.3.1 Education and Training

Out of the 195 *Bumiputra* respondents interviewed 12 percent said they had not been to school (Table 6-12). 25 percent were educated up to primary school and 52 percent were having education between 7 to 12 years of secondary school. Only 11 percent were having university or college education or vocational/technical training. Looking at Table 6-13 on the labour force's educational level by ethnic group in 1986, the figure for the *Bumiputra* who have no formal education is higher than both that for the entrepreneurs in this study and that for the Chinese in the labour force in the same table. Perhaps two generalisations could be made from both table 6-12 and Table 6-13. First, the labour force educational level of *Bumiputra* in general is lower than that of the Chinese in 1986. Second, The *Bumiputra* who are self-employed in business are generally better educated than the whole *Bumiputra* labour force population. This seems to contradict the earlier assumption that the *Bumiputra* entrepreneurs tend to have a lower educational level than their general population, if indeed the educational level of labour force survey can be used as a representation of that of the general population.

Table 6-12

Classification by Level of Education

Not been to School	24(12%)
Primary School	48(25%)
Secondary School	101(52%)
University/College/Vocational	22(11%)
Total	195(100)

Table 6-13

Percentage Distribution of Labour Force by Educational Level and Ethnic Group - Sarawak, 1986

Level	Bumiputra	Chinese
No Formal Education	36.9	5.6
Primary	31.7	35.9
Lower Secondary	18.3	27.2
Upper Secondary	10.2	23.2
Form Six	1.0	3.1
College/University	2.0	5.0
Total	100.0	100.0

Source: Labour Force Survey 1982-1986,
Department of Statistics, Sarawak.

When asked whether they had had any kind of business training including on-the-job training, 83 (41 percent) gave a positive reply whilst 118 (59 percent) answered negatively (Table 6-14). This finding is however found to be favourable when compared with that found in the earlier study conducted in Selangor where only 33 percent of the *Bumiputra* received business training while the figure for the Chinese was much less (7 percent) (Table 6-15). Since all respondents were residents in Kuching, the sort of training came largely from organisations

like MARA, SEDC or National Productive Centre (NPC). As already stated in chapter four, the training contents included short courses like business management, leadership and communication as organised by SEDC or the full-time nature of training provided by MARA.

Table 6-14

Receive any Business Training

Value Label	Frequency	Percent
Yes	83	41
No	118	59
Total	201	100

Table 6-15

Business Training attended by race in Selangor

Response	<i>Bumiputra</i>	Chinese	Total
Yes	24(33)	5(7)	29(20)
No	41(56)	23(32)	51(35)
Not heard of programme	8(11)	43(61)	64(45)
Total	73(100)	71(100)	144(100)

Source: Abdul Aziz Mahmud (1981)

6.3.2 Experience and Family Background

When asked whether they had experience running own business before this, 54 percent of the sample said they had some kind of experience running their own business (Table 6-16).

Experience in business is very often derived from one's

family or background which involves a tradition of trading. Again about 55 percent of the sample said that they had family, close relatives or friends involved themselves in business when they started their firms (Table 6-17). This figure includes 12 percent parents/uncles/aunts and 19 percent brothers/sisters. In the study of 186 *Bumiputra* entrepreneurs in Kota Baru, Kelantan by Mohd. Fauzi (1981), as many as 26 percent of the sample's parents were in the business self-employment.

Although the proportions for self-employment of the *Bumiputra* parents and their siblings are not that impressive, over half of the respondents stated having the business experience as the reason of setting up the particular type of business (Table 6-18).

Table 6-16

Experience of Running own Business

Value Label	Frequency	Percent
Yes	109	54
No	93	46
Total	202	100

Table 6-17

Family/relatives and close friends in business

Value Label	Frequency	Percent
Brother/Sister	37	19
Parents/Uncle/Aunt	24	12
Cousin	11	6
Close Friend	25	13
Spouse	13	7
Neither of the above	89	45
Total	199	100

Table 6-18

Reason for Setting up Present Business

	Frequency	Percent
Had Experience	106	52
Not Enough Capital	36	18
Not Much Competition	12	6
Quick Pay-Off	30	15
Others	18	9
Total	202	100

As for the status of the respondents before they embarked on the line of business self-employment, Table 6-19 shows that 56 percent of the owners/operators sampled were employed and 36 percent were self-employed but not all were necessarily in business. Only 8 percent were unemployed including those who were just graduated from colleges. Of those who were employed, 61 percent were having government jobs in the civil service or government agencies and only 28 percent worked in private sector and 10 percent others. This implies the relative ease for the

Bumiputra to find jobs in the government than anywhere else.

Table 6-19

Classification by Status Before Present Business

Status	Civil Service	Govt Agency	Private Sector	Others	Total
Employed	36(33%)	31(28%)	31(28%)	11(10%)	109(56%)
Self-employed	-	-	-	-	71(36%)
Unemployed	-	-	-	-	16(8%)
Total					196(100)

6.3.3 Networks

It is difficult to ascertain whether the *Bumiputra* entrepreneurs have a large or small network of family/relatives or racial network of business as commonly found in the Chinese business community. Membership in the trade or other associations and political organisations might hopefully throw some light in this respect. It is found that only about 46 percent of the respondents belonged to any sort of association at all and about 32 percent belonged to any group of political bodies (Tables 6-20 and 6-21). In the study of Selangor entrepreneurs almost the same proportion (44 percent) of *Bumiputra* found to belong to any trade association whereas only 32 percent of the Chinese did.

Table 6-20

Belonging to Trade or other Association

Value Label	Frequency	Percent
Yes	90	45
No	108	55
Total	198	100

Table 6-21

Belonging to any Political Organization

Value Label	Frequency	Percent
Yes	62	31
No	135	69
Total	197	100

Another possible area to look at to ascertain their network is whether they seek business advice, and how often they seek it from their family/relatives or friends. Unfortunately the proportion of those seeking business advice is rather small - only about 36 percent (Table 6-22). Of these they most frequently sought advice from government agencies, second only came family/relatives and third friends (Table 6-23).

From whom they get their supplies perhaps would also help to determine their business network. However with only 22 percent of them getting their supplies from the *Bumiputra* businesses, it appears that they do not have a good business

network (Table 6-24). In other words, their sources of supply are basically in the hands of the other ethnic group. Overall, it is still difficult to conclude as to the size of their network in terms of contacts and so on.

Table 6-22

Whether Seek Business Advice

Value Label	Frequency	Percent
Yes	74	36
No	129	64
Total	203	100

Table 6-23

Frequency By sources of advice

Sources of Advice	Family/relative	Friend	Account/lawyer	Govt agency	Bank manager	Others	Total
Frequency	46(36)	37(29)	6(5)	51(40)	10(8)	2(2)	127(120)

Note: Row totals do not equal 100 per cent due to multiple response.

Table 6-24

Main Sources of Supply

Value Label	Frequency	Percent
<i>Bumiputra</i> Business	39	22
Chinese Business	124	69
Government Companies	17	9
Total	180	100

6.3.4 Market Clientele

Firstly, almost all respondents had *Bumiputra* clients, but nearly half of them did not have Chinese customers (Tables 6-25 and 6-26). The tables show some apparent contrasting proportions of ethnic market they serve between the *Bumiputra* and the Chinese. The preponderance of *Bumiputra* customers is most evident within the retail sector because this particular sector is found mostly in the rural areas or Malay villages (Table 6-27). With the exception of the car trade, all the other sectors had significantly high proportions of *Bumiputra* customers. Especially in the retail, food and drink, and the contract/supply sectors, each had a large number of businesses which had high proportions of *Bumiputra* customers, and this would certainly encourage and make it relatively easier for the *Bumiputra* to enter these sectors.

On the other hand, the car trade had a large number of businesses with strikingly high proportions of Chinese customers (Table 6-28). From this result and the above it seems that the *Bumiputra* car dealers are quite capable of competing with the Chinese businesses for the Chinese clientele. It could also mean that the existing *Bumiputra* market for car is too small and thus insufficient to enable the *Bumiputra* car dealers to depend on this market alone. Also the fact that the *Bumiputra* are usually given preference for quota of car import licenses by the Government, perhaps this creates a captive market for them since

this offers little choice to the Chinese but to patronize *Bumiputra* businesses in this particular sector.

From the above analysis, perhaps it could be generalised that at the moment the *Bumiputra* businesses have not been able to penetrate the Chinese consumer market. With most of the *Bumiputra* businesses concentrating in the *Bumiputra* market alone, it is feared that this market will soon reach its saturation.

Table 6-25

Proportion of *Bumiputra* Customers

Value Label	Frequency	Percent
91 TO 100%	111	55
61 TO 90%	55	27
41 TO 60%	17	8
20 TO 40%	13	6
Less than 20%	0	0
No Bumi Customer	7	3
Total	203	100

Table 6-26

Proportion of Chinese Customers

Value Label	Frequency	Percent
91 TO 100%	1	1
61 TO 90%	6	3
41 TO 60%	13	6
20 TO 40%	39	19
LESS THAN 20%	47	23
No Chinese Customer	97	48
Total	203	100

Table 6-27

Classification by Sectors and Proportion of *Bumiputra* customers

Sectors/ <i>Bumiputra</i> customer	20 to 40%	41 to 60%	61 to 90%	91 to 100%	Total
Manufacturing	0	1	3	3	7
Construction	0	2	12	15	29
Suppliers	0	3	6	8	17
Retail	2	3	12	65	82
Foods & Drinks	1	5	10	5	21
Car Dealers	7	1	1	1	10
Misc.	3	2	11	14	30
Total	13	17	55	111	196

Table 6-28

Classification by Sectors and Proportion of Chinese customers

Sectors/ Chinese customer	Less than 20%	20 to 40%	41 to 60%	61 to 90%	91 to 100%	Total
Manufacturing	2	3	0	0	0	5
Construction	7	7	0	0	0	14
Suppliers	4	7	0	0	1	12
Retail	15	9	1	1	0	26
Foods & Drinks	6	7	5	0	0	18
Car Dealers	0	1	4	4	0	9
Misc.	13	5	3	1	0	22
Total	47	39	13	6	1	106

6.4 CULTURAL CHARACTERISTICS

Cultural factors are attributes such as family structure, work ethic, thrift, and attitudes towards leisure and the future (see Chapter two).

6.4.1 Family Enterprise

Table 6-29 shows that about 60 percent of all respondents

said that their children or relatives were employed in their business. In terms of sector, retail seems to have the highest proportion of *Bumiputra* children or relative employed in the business (69 percent) then followed by food/drink (67 percent), construction (65 percent), and the lowest is in the manufacturing sector (38 percent). Sectoral difference does not seem to be statistically significant. Contrary to what was expected earlier in the introduction, *Bumiputra* in this study appear to have used considerable level of family labour in their business particularly in the retail sector.

Table 6-29

Classification by sector and whether children/relative engaged in the business

Sectors	Yes	No	Total
Manufacturing	3(38)	5	8
Construction	20(65)	11	31
Suppliers	9(50)	9	18
Retail	54(69)	28	82
Foods & Drinks	14(67)	7	21
Car Dealers	6(60)	4	10
Misc.	16(48)	17	33
Total	122(60%)	81(40%)	203(100)

Chi-square=6.09² DF=6 (not significant at 0.05)

6.4.2 Saving and Work Ethic

The respondents were asked whether they earned enough to be able to save. They were also asked to indicate whether they owned the business premise. The ownership of business premise

² All Chi-square calculations are generated through either SPSSX or MINITAB packages.

might hopefully give an index of accumulated capital which could also be an expression of saving. Since business premise is part of the essential capital of the business.

When asked to say whether they were able to save for the future, 47 percent said 'yes' and 53 percent said 'no' (Table 6-30). While the difference by sector is not statistically significant, the sector with the highest proportion of the ability to save is car dealers - 80 percent, the lowest being the miscellaneous group 36 percent. When the respondents who said they were able to save were asked for what purpose their saving were, 81 per cent chose 'reinvestment in business', 16 per cent chose 'children education' and only about 2 percent chose 'leisure pursuits' and 'others'(Table 6-31). This could be interpreted to mean that given opportunity the majority of them would be serious about their business, since whatever saving they may have would be channeled into their business instead of for other uses. As for their ownership of the business premise, 56 percent said that they own the business premise (Table 6-32).

It could be concluded that although not many of the *Bumiputra* small businessmen had the ability to save, those who could the vast majority had shown the willingness to save for the investment in their business. Many were beginning to invest in the business premise as well.

Table 6-30

Classification by sector and ability to save

Sectors	Yes	No	Total
Manufacturing	4(57)	3	7
Construction	14(47)	16	30
Suppliers	8(44)	10	18
Retail	36(45)	44	80
Foods & Drinks	11(52)	10	21
Car Dealers	8(80)	2	10
Misc.	12(36)	21	33
Total	93(47%)	106(53%)	199(100)

Chi-square=6.57 DF=6 (not significant at 0.05)

Table 6-31

Classification by purpose of savings

Frequen/ Future plans	Reinvest- ment	Children education	Leisure pursuit	Others	Total
Response	76(81%)	16(17%)	1(1%)	1(1%)	94(100)

Table 6-32

Whether own Business Premise

Response	Frequency	%
Yes	114	56
No	88	44
Total	202	100

Some indication of the involvement in their work was obtained by asking what they would do if their business were to close down and they were to be unemployed. Over 90 per cent said that they would still be willing to stay in business in

preference to any other job. Only 4 per cent said that they would not know what to do and 4.5 percent would take up any job however low the pay was (Table 6-33). As to their willingness to work long hours, about 57 percent of the respondents said they opened between 8 to 12 hours per day, 33 percent opened between 13 to 16 hours per day and 3 percent opened more than 16 hours per day (Table 6-34). When asked about their working days per week, 53 percent of the respondents said they opened 7 days per week, 43 percent opened 6 days per week and only 8 percent opened 5 days a week (Table 6-35). On average they worked 74 hours per week. Apart from their investment in business premise, their actual spending in the business also provide information as to how the respondents involved themselves in their business. Here 70 percent of the respondents had one time or another expanded their businesses.

From the above findings, consistent with the expectation stated at the beginning of the chapter, it appears that the work ethic among the *Bumiputra* respondents is reasonably high.

Table 6-33

Classification by Sector and what happen if business close down

Sectors/ what happen	Stay in business	Take up any job	Not know what to do	Total
Manufacturing	7	1	0	8
Construction	27	4	0	31
Suppliers	17	1	0	18
Retail	73	0	8	81
Foods & Drinks	20	1	0	21
Car Dealers	10	0	0	10
Misc.	30	2	0	32
Total	184(92%)	9(4%)	8(4%)	201

Table 6-34

Classification by number of hours open daily

Freq/ No of hours	Less than 8	8 to 12	13 to 16	More than 16	Total
Response	12(6%)	113(57%)	67(33%)	6(3%)	198(100)

Mean=11.4 hours

Table 6-35

Classification by number of days open weekly

Freq/No of days	5 days	6 days	7 days	Total
Response	8(4%)	85(43%)	105(53%)	198(100)

Mean=6.5 days

6.4.3 Capital and Credit

The average initial capital of the respondents was M\$36,099 (Table 6-7). The variations were sizable. The lowest initial capital was M\$18 and the highest was M\$1,000,000. Half of the

respondents had an initial capital of M\$5,000 or less (Table 6-36). Two major sources of their capital were personal savings and bank credit (Table 6-37). It is quite apparent that family funds contribute less to their source of initial capital as rightly expected at the beginning of the chapter.

Table 6-36

Initial Capital (in M\$)

Amount	5000 or less	5001 to 10000	10001 to 50000	50001 to 100000	More than 100000	Total
Freq'cy	100(50)	35(18)	40(20)	14(7)	11(6)	200(100)

Table 6-37

Major Source of Initial Capital

Source	100%	50-90%
Personal Savings	85(60)	25(45)
Family Funds	5(4)	12(21)
Partner/Shareholder	7(5)	7(13)
Bank Credit	30(21)	8(14)
Others	14(10)	4(7)
Total	141(100)	56(100)

About 53 percent out of all respondents said they provided credit to their customers (Table 6-38). It is often difficult not to extend credit when the majority of the customers are of the same ethnic group as the entrepreneurs themselves (see Chapter two). Many respondents told the researcher that sometimes

they were forced to give credit, otherwise they would lose their customers. Again as they admitted later, the problem of giving out credit and not being able to recover it later posed a financial strain of their business. Within the sectors, respondents belonged in the suppliers group constituted the greatest number who provided credit to their customers, followed by retail and car dealers. The lowest naturally being the food/drink sector since its transaction normally involves small payment and cash. The difference seems to be statistically significant among the different sectors as to whether or not they extend credit to their respective clients.

Table 6-38

Classification by sector and whether sell on credit

Sectors	Yes	No	Total
Manufacturing	3(43)	4(57)	7(100)
Construction	9(41)	13(59)	22(100)
Suppliers	16(89)	2(11)	18(100)
Retail	49(60)	33(40)	82(100)
Foods & Drinks	2(10)	19(90)	21(100)
Car Dealers	6(60)	4(40)	10(100)
Misc.	16(50)	16(50)	32(100)
Total	101(53)	91(47)	192(100)

Chi-square=34.41 DF=6 (significant at 0.01)

6.4.4 Aspiration

Aspiration is difficult to quantify. When asked about their future plans, all businesses responded except 5, and gave 138 responses to expanding the scale of present business, 62

responses to diversifying business and only 19 and 11 responses to going into manufacturing and import/export respectively (Table 6-39). Only 21 respondents said that they had no plan for expansion, and their most frequent reason given was lack of finance (Table 6-40). Overall, there were close to 90 percent of the *Bumiputra* respondents who had plans for future business expansion. This seems to indicate that they have that kind of orientation that is directed towards the future in order to achieve something better for themselves. This perhaps reflects their high aspiration.

Table 6-39

Classification by sector and future plans

Sectors/ Future plans	Expand business	Diversify business	Go into manufac	Go into imp/exp	Total
Manufacturing	6	1	1	0	8
Construction	20	11	5	3	31
Suppliers	8	8	5	1	18
Retail	59	25	3	4	78
Foods & Drinks	18	2	2	0	21
Car Dealers	5	6	2	1	10
Misc.	22	9	1	2	18
Total	138	62	19	11	198

Note: Multiple response

Table 6-40

Classification by sector and reason for no plan for expansion

Sectors/ Reason	Poor market	No know. feas/area	Lack coop from govt	Lack finance	Others	Total
Manufacturing	0	0	0	0	1	1
Construction	0	1	0	4	0	5
Suppliers	1	0	1	0	0	2
Retail	0	1	0	5	3	8
Foods & Drinks	0	0	1	0	0	1
Car Dealers	1	0	0	0	0	1
Misc.	1	0	0	1	1	3
Total	3	2	2	10	5	21

Note: Multiple response

As many as 94 percent of the respondents said that they would like and encourage their children to pursue career in self-employment (Table 6-41). This seems to suggest that the respondents have so much confidence in their business career that they were willing to let their children to enter business self-employment as they did. Contrary to the suggestion that business self-employment is for people who are unable to get a better job elsewhere.

Table 6-41

Classification by sector and whether encourage children to be self-employed

Sectors	Yes	No	Total
Manufacturing	7	0	7
Construction	29	2	31
Suppliers	17	1	18
Retail	72	7	79
Foods & Drinks	20	0	20
Car Dealers	10	0	10
Misc.	31	1	32
Total	186(94%)	11(6%)	197

When they were further asked on the question assuming that they obtained a windfall gain of M\$100,000 and what they would do with the money, 66 percent answered that they would invest in the expansion of their businesses, 33 percent said they would stick to the present business and put the money in the bank, and only 0.5 percent (1 out of 202) wanted to buy a house or other benefits not related to the business (Table 6-42). This supports the earlier finding which shows their genuine commitment and aspiration in the business as a career.

Table 6-42

Classification by sector and windfall gain

Sectors	Put money in bank	Invest in expansion	Buy house/ other leis	Total
Manufacturing	2	6	0	8
Construction	12	19	0	31
Suppliers	5	13	0	18
Retail	37	45	0	82
Foods & Drinks	3	17	0	20
Car Dealers	2	8	0	10
Misc.	6	26	1	33
Total	67(33.2%)	134(66.3%)	1(0.5%)	202

When asked to make an assessment of their business in the future, about 71 percent answered 'improvement', 23 percent 'stay the same' and 5 percent 'decline' (Table 6-43). Again this strengthens the earlier results on their positive attitude towards business self-employment.

Table 6-43

Classification by sector and future

Sectors/future	Improve- ment	Stay the same	Decline	Total
Manufacturing	5	2	0	7
Construction	23	4	4	31
Suppliers	11	6	1	18
Retail	57	24	1	82
Foods & Drinks	16	3	2	21
Car Dealers	8	0	2	10
Misc.	24	8	1	33
Total	144(71%)	47(23%)	11(5%)	202(100)

They were also asked about their annual business net income. The majority (74 percent) of the 190 businesses who responded said they had income less than M\$20,000 and only 26 percent said they had income more than M\$20,000 (Table 6-44). Those in the car trade had the highest number of businesses (90 percent) which earned annual business net income of more than M\$20,000, followed by those in the contract/supply (44 percent). The lowest being those in the Food/Drink and retail sectors.

Crosstabulation between their business net income per annum and whether they were satisfied with their income showed some interesting findings (Table 6-45). Of those who earned business net income of less than M\$20,000 per annum only 34 percent (47 out of 140) said they were satisfied with their income. But 60 percent (30 out of 50) of those who earned business net income of more than M\$20,000 per annum said that they were not satisfied

with their income. It can be said that overall aspiration for a higher net income among the respondents was reasonably high. As one respondent said:

...We need to have a strong feeling that if others can make it and are successful, we want to be more successful than they are. Try to find out why they can make it and successful. For example, Rosli is successful maybe because he wakes up up early every morning to buy his vegetables for sale, and so I also ought to do the same. If Rosli has a lot of workers working for him and he has a big premise, I also want to emulate him.

Table 6-44

Classification by sector and business net income per annum

Sectors/income	Over \$20,000	Below \$20,000	Total
Manufacturing	2(29)	5(71)	7(100)
Construction	9(30)	21(70)	30(100)
Suppliers	8(44)	10(56)	18(100)
Retail	10(13)	65(87)	75(100)
Foods & Drinks	2(11)	17(89)	19(100)
Car Dealers	9(90)	1(10)	10(100)
Misc.	10(32)	21(68)	31(100)
Total	50(26)	140(74)	190(100)

Table 6-45

Crosstab of business net income per annum and whether satisfied with it

Sectors	Satisfied/ below \$20,000	Not satisfied/ over \$20,000
Manufacturing	1	2
Construction	6	6
Suppliers	4	7
Retail	27	6
Foods & Drinks	6	1
Car Dealers	1	4
Misc.	2	4
	47	30

6.4.5 Self-Reliance

About 55 percent ($42+39+29=110/201$) of the respondents interviewed said that they entered business because they either wanted to explore business opportunities, or wanted independence or liked challenge and risk (Table 6-46). Only 11 percent said their reason for going into business was lack of employment. This seems to contradict the general belief that they entered business because of government's encouragement which was stated earlier in the chapter.

Nearly 80 percent of the respondents chose being self-reliant to be the most satisfying aspects of running their business (Table 6-47). Merely 1.5 percent (3) of them did not think that there was anything satisfying running business. Not surprisingly, they were those whose reasons for entering business were lack of employment, thinking that business would bring more income and inheriting business respectively.

Table 6-46

Reason for Going into Business

Reasons	Frequency	Percent
Lack of Employment	23	11
Independence	39	19
More Income	13	7
Inherited Business	16	8
Encouraged by Govt	7	4
Challenge & Risk	29	14
Exploit Business Mkt	42	21
Others	32	16
Total	201	100

Table 6-47

Most Satisfying Aspect of Running Business

Value Label	Frequency	Percent	Cum Percent
Working for Self	65	32	32
Independence	45	22	54
Self-Satisfaction	39	19	74
Answering to No-One	12	6	80
Earning More	19	9	89
Flexible Hours	16	8	97
Others	3	1	99
Nothing	3	1	100
Total	202	100	100

6.4.6 Business Expansion

When asked whether their business had any experience of expansion, 70 percent responded positively and 30 percent did so negatively. Two sectors, manufacturing and retail, had the highest proportion of businesses that experienced expansion compared to the other sectors (Table 6-48). Overall, 73 (40 percent) involved expansion in terms of addition of new products (Table 6-49), 40 (22 percent) involved in the employment of additional manpower. Only 9 (5 percent) involved expansion in the introduction of new technology.

When asked what source of funds was used for their business expansion, the majority stated that their profits were reinvested in the business (39 percent) and secondly personal savings were used (32 percent). Only 25 percent of bank loan was mentioned as

a source and the least mentioned was family funds (about 3 percent) (Table 6-50). This further supports earlier case about the lack of family funds used within the *Bumiputra* businesses.

Among the 60 businesses who did not expand, 48 responded to the question that asked their reasons for not expanding. They gave 30 responses (55 percent) to lacking of financial means and 12 responses (22 percent) to being happy and satisfied with their businesses and the rest quoted business climate unfavourable as well as management and organisational problem as their main reasons for not having expanded (Table 6-51).

Table 6-48

Whether experienced business expansion by sector

Sectors	Yes	No	Total
Manufacturing	6(86)	1(14)	7(100)
Construction	20(65)	10(35)	30(100)
Suppliers	13(72)	5(28)	18(100)
Retail	61(74)	21(26)	82(100)
Foods & Drinks	13(65)	7(35)	20(100)
Car Dealers	7(70)	3(30)	10(100)
Misc.	20(61)	13(39)	33(100)
Total	140(70)	60(30)	200(100)

Table 6-49

Classification by Area of business expansion

Reason/ sector	Pre- mise	More Employ	New Prod/ service	Add Branch/ diff trade	Add Branch/ same trade	New Tech	Total
Manu	3	0	1	1	0	0	5
Cons	3	9	2	4	5	2	17
Supp	2	8	8	3	0	0	12
Ret	10	6	42	3	7	1	59
F&D	1	6	9	0	1	0	13
Car	4	5	2	2	1	0	7
Misc	4	6	9	0	4	6	19
Total	27	40	73	13	18	9	132

Note: Multiple response

Table 6-50

Source of funds used for expansion

Sectors/ source	personal savings	reinvestment of profit	bank loan	family fund	others	Total
Manufacturing	2	2	0	0	0	4
Construction	7	5	8	1	0	21
Suppliers	2	5	5	0	0	12
Retail	22	28	10	2	2	64
Foods & Drinks	6	6	3	1	0	16
Car Dealers	1	2	4	0	0	7
Misc.	6	11	7	1	0	25
Total	48(32)	59(39)	37(25)	5(3)	2(1)	149

Note: Multiple response

Table 6-51

Classification by Reason for not having expanded

Sectors/ Reason	Satisfied With Present Business	Lack of Finance	Business Climate Unfavour	Mgmt & Organ Problem	Total
Manufacturing	0	1	0	0	1
Construction	0	4	3	0	7
Suppliers	0	4	2	0	4
Retail	9	10	2	1	19
Foods & Drinks	1	2	0	1	4
Car Dealers	2	0	2	0	3
Misc.	0	9	1	1	10
Total	12	30	10	3	48

Note: Multiple response

6.4.7 Major Problems Constraining Growth

The most important problem that constrained growth in the case of the sample of *Bumiputra* businesses appears to be 'finance'. 54 percent of the respondents said that finance was the major problem and second came 'market' (21 percent) (Table 6-52).

From the discussions held by the researcher with most of the respondents, the problem of finance refers to the shortage of capital particularly working capital which is in the form of liquid assets. Apart from the genuine lack of cash flow in the company for the purchase of stock or the payment of bills, the problem is really the poor management of working capital. One of which involves the control of credit. As one respondent said to

the researcher:

Last time when I sold to my customers on credit, I always wondered why my business did not grow bigger. Later I realised that I had to change my policy from giving out credit to selling on cash basis only... selling a tin of condensed milk and gain 10 cents cash per day is better than selling 5 tins per day and gaining 50 cents on credit... I had to close my shop for a year, just to recover some of the debts whenever I could. Those I could not recover, they went bad. After a year, I opened a new shop with my savings of 3,000 ringgit. It is a mini-market type....It is more successful now.

The other said: '...I only give credit to my good friends and those I know very well...'

Another nature of the problem of finance that is likely to face the respondents is the problem of access to financial institutions. Inherently small businesses are unattractive to lending institutions due to their lack of property to be pledged as collateral. In Kuching however, most of the businessmen the researcher talked to had access to either MARA or SEDC loan schemes. They can even borrow funds for start-up business from MARA.

Table 6-52

Major Problems Constraining Growth

Value Label	Frequency	Percent
Location	20	10
Condition of Premise	20	10
Finance	104	54
Bookkeeping	1	1
Market	21	11
Supplies	14	7
Others	14	7
Total	194	100

In the study of *Bumiputra* and Chinese businesses in Selangor, Abdul Aziz Mahmud (1981) made a similar finding about both groups of his respondents. Almost 58 percent of the *Bumiputra* and 45 percent of the Chinese interviewed chose capital/credit as their most important business problem. The second most important problem in both groups was competition/sales.

The finding that finance being the most important problem constraining the business growth of *Bumiputra* is consistent with the fact that half of the respondents started business with an initial capital of M\$5,000 or less (Table 6-36), and 60 percent used only personal savings as the source for starting capital (Table 6-37). Finance was also given as the major reason (63 percent) for not having business expansion (Table 6-53), and 48 percent of those who did not have any future plan of expansion

simply said that the lack of finance as their sole reason (Table 6-54).

Table 6-53

Reason for not having expanded

Reasons	Satisfied With Present Business	Lack of Finance	Business Climate Unfavour	Mgmt & Organ Problem	Total
Total	12(25)	30(63)	10(21)	3(6)	48(100)

Note: Multiple response - the sum total does not equal 100 percent.

Table 6-54

Reason for no plan of expansion

Reasons	Poor market	No know. feas/area	Lack coop from govt	Lack finance	Others	Total
Total	3(14)	2(10)	2(10)	10(48)	5(24)	21(100)

Note: Multiple response

6.5 BUSINESS PROBLEMS

6.5.1 Problems with Financial Institutions

Lack of finance is very often related to one's ability to look for outside financial support for one's business. One of the most common sources of such support comes from a bank. One of the following reasons would attribute to one not having access to the bank: either (1) one did not apply to the bank, or (2) one did apply but was refused credit by the bank.

In the case of the *Bumiputra* respondents in Kuching, there seems to be a statistically significant difference between the various sectors towards bank loan application (Table 6-55). All the car dealers had applied for a loan from a bank and the lowest proportion of those who sought bank assistance is in the Food/Drink sector (24 percent). In total only 61 percent of the sample said they applied for bank assistance. Again, of those who had sought financial assistance, 66 percent stated they faced problems with the banks (Table 6-56), and the majority (66 percent) mentioned that their main problem with the banks was that banks wanted security (Table 6-57).

From the viewpoint of a bank as has been stated earlier, the small business lending remains both risky and unprofitable. Although the bank can rely on the guarantee schemes provided under the CGC, the coverage is still inadequate. The small businessmen normally could not come up with adequate collateral to top up the CGC's cover. Perhaps the other sensible way to help solve the financial problem of small business is to step up the existing loan schemes of the various government agencies.

As one respondent put it:

I am having some overdraft with a bank. Last time, I applied using the CGC guarantee scheme, but now I am using my land as collateral...Of course at first I faced difficulties with the bank, the thing is that you have to be close with them...First time they would give you 5,000 and later if you account is good, they would increase the amount if you need more...50,000 or so... they also want to see the business performance. However, my principal lender is still MARA.

Table 6-55

Classification by Sector and Whether apply for bank assistance

Sectors	Yes	No	Total
Manufacturing	4(50)	4(50)	8(100)
Construction	24(77)	7(23)	31(100)
Suppliers	13(72)	5(28)	18(100)
Retail	45(56)	36(44)	81(100)
Foods & Drinks	5(24)	16(76)	21(100)
Car Dealers	10(100)	0(0)	10(100)
Misc.	23(70)	10(30)	33(100)
Total	124(61)	78(39)	202(100)

Chi-square=25.61 DF=6 (Significant at 0.01)

Table 6-56

Whether or not faced problem with banks

	Yes	No	Total
Total	79(66)	41(34)	120(100)

Table 6-57

Types of problem

	Bank too difficult	Bank refuse credit	Bank want security	Others	Total
Total	9(12)	14(18)	51(66)	3(4)	77(100)

Out of those who thought that finance was the major constraining factor, only 69 percent sought bank assistance and the rest did not (Table 6-58). A number of reasons are possible as to why the remaining 31 percents did not apply for bank assistance. First, they might instead apply and get assistance from the loan schemes that were offered by MARA or SEDC which are

relatively easier to obtain. Second, they did not know what to do and simply did nothing about their financial problem. Those who did not seek bank assistance more than half (18 out of 32 or 56 percent) belonged in the retail sector. Of these 72 percent (13 out of 18) were businesses which had a paid-up capital of M\$5,000 or less (Table 6-59). Perhaps because they were too small in scale and hence they were less than confident to approach the banks for any assistance. This could be another reason they did not seek bank assistance. Of those who said they sought bank assistance, 73 percent faced problems with the banks anyway (Table 6-60).

Table 6-58

Classification by Sector (Finance as a major problem constraining growth) and Whether apply for bank assistance

Sectors	Yes	No	Total
Manufacturing	3	4(13)	7
Construction	14	5(15)	19
Suppliers	6	0(0)	6
Retail	31	18(56)	41
Foods & Drinks	4	4(13)	8
Car Dealers	3	0(0)	3
Misc.	11	1(3)	12
Total	72 (69)	32(100) (31)	104 (100)

Table 6-59

Crosstab of Retail businesses (Finance as a major constraint)
whether apply for bank assistance By Present paid-up capital

	\$5000 or less	\$5001 to \$10,000	\$10,001 to \$50,000	\$50,001 to \$100,000	More than \$100,000	Total
Applying	8 (27%)	6 (20%)	12 (40%)	4 (13%)	0 (0)	30 (100)
Not applying	13 (72%)	3 (17%)	1 (6%)	0 (0)	1 (6%)	18 (100)
Total	21 (44%)	9 (19%)	13 (27%)	4 (8%)	1 (2%)	48 (100)

Table 6-60

Classification by those who thought Finance as a major constraint/applied for
bank assistance and Whether or not faced problem with banks

Yes	No	Total
51(73)	19(27)	70(100)

6.5.2 Competition and Market

As many as 86 percent of the sample said they faced business competition (Table 6-61). This brings to perspective as to why market was cited to be the second most important constraint to growth after finance earlier in the last section (Table 6-52). However, it was found that 60 percent stated that major source of competition came from *Bumiputra* businesses themselves (Table 6-62), followed only by 36 percent from the Chinese businesses. Nevertheless, there were some variations within various business

sectors. For example, the majority in the manufacturing, construction, car dealers and the miscellaneous sectors faced more competition from the Chinese than the *Bumiputra*, but it is the reverse for the suppliers, retailers and those in the food/drink sector. Perhaps because it is relatively easier for *Bumiputra* to enter those latter sectors and thus they had become too crowded with *Bumiputra* small firms and would ultimately create a high degree of saturation within those industries. This is consistent with the earlier finding that the majority of the customers in those sectors such as retail, food/drink and contract/supply consisted of *Bumiputra* customers (Table 6-27).

One respondent who spoke to the researcher about competition said:

...Even on the retail level, generally Bumiputra customers prefer to shop in Chinese stores. One reason is that when the Chinese retailer sells vegetables for 50 cents per bunch, he may let his price subject to some bargain... whereas I am not willing to do so...'

Another one said:

...If both price and quality are good, there is no reason why the customers will not come...But there is a general feeling among Bumiputra customers that the prices for goods and services charged by the Bumiputra retailers are higher than that charged by the Chinese shopkeepers...this is happening to me...even when my prices are competitive if not more competitive than that of the Chinese shops.

One Malay retailer who had his shop premise located just opposite another retail shop belonged to a Chinese in a majority

Malay area alleged that the Chinese shop was taking away a lot of his Malay customers: 'My business is just surviving and those Malays are not helping me at all by buying only from the Chinese shop...'

There is however not enough empirical evidence to suggest that whether the *Bumiputra* are indifferent or otherwise to the ethnic background of the shopkeepers who serve them. It appears as if the theory of social distance is true in that there is a certain amount of strains and tensions when business is done between parties who are neighbours, or who are in a close personal relationship. In this case perhaps the Malays may prefer to buy their goods from a Chinese shop for that reason, apart from many other explanations.

As for the options they would consider to overcome the said competition, 60 percent responded to improving quality of products and services, 22 percent indicated having no options whatsoever, 15 percent introducing new products/services, 12 percent lowering prices and 8 percent relocating business to a different area (Table 6-63). This shows that the majority of the respondents were not willing to be subjugated by the competitive environment but instead were searching actively for all possible means to overcome whatever competitive barriers that may come their way.

Table 6-61

Classification by Whether or not faced competition

Sectors	Yes	No	Total
Manufacturing	5(63%)	3(38%)	8(100)
Construction	27(87%)	4(13%)	31(100)
Suppliers	16(89%)	2(11%)	18(100)
Retail	67(82%)	15(18%)	82(100)
Foods & Drinks	21(100%)	0(0%)	21(100)
Car Dealers	10(100%)	0(0%)	10(100)
Misc.	28(85%)	5(15%)	33(100)
Total	174(86%)	29(14%)	203(100)

Table 6-62

Classification by Sectors and Major competitors

Sectors/ Competitor	Bumiputra Business	Chinese Business	Big Business	Others	Total
Manufacturing	2(40%)	3(60%)	0	0	5
Construction	10(39%)	14(54%)	7	2	26
Suppliers	7(44%)	6(38%)	5	3	16
Retail	51(76%)	16(24%)	4	2	67
Foods & Drinks	19(91%)	3(14%)	1	1	21
Car Dealers	2(20%)	6(60%)	3	0	10
Misc.	12(44%)	14(52%)	2	2	27
Total	103(60%)	62(36%)	22	10	172

Note: Row totals do not equal column totals because of multiple response.

Table 6-63

Options to overcome competition

Option	Relocate business	Improve service	Intro new prod/serv	Lower price	No option	Total
Total	13(8)	102(60)	25(15)	21(12)	37(22)	171(100)

Note: Multiple response

6.5.3 Problems with Suppliers

Almost half of the *Bumiputra* sample in this study encountered problems with their suppliers (Table 6-64). Those sectors which have more than 50 percent of businesses facing problems with their suppliers are construction (64%), supplier (61%), car dealer (60%) and miscellaneous sector (56%). All of which were facing different types of problem (Table 6-65). 12 businesses in the construction sector faced the problem of poor credit, 3 higher prices, 2 irregular supply and 1 slow delivery. 4 firms in the supplier sector also faced the problem of poor credit, 2 each for the problems of slow delivery, irregular supply and higher prices. 6 firms in the miscellaneous sector also faced the problem of poor credit, 3 higher prices, and 1 each for slow delivery and irregular supply. However, firms in the car dealer sector do not seem to face the problem of poor credit. But 4 of them faced the problem of irregular supply and 1 faced the problem of higher prices. This seems to suggest that different sectors tended to face different types of problem with their suppliers from. Here, all sectors with the exception of car dealer appear to have a severe problem of poor credit with their suppliers, notwithstanding the other types of problem stated earlier.

Nearly 70 percent of the respondents said their main source of supply came from the Chinese businesses, 22 percent came from the *Bumiputra* and 9 percent from government companies (Table 6-

66). The highest proportion of Chinese suppliers among all sectors was to be found in the retail (83 percent) and the lowest in the food and drink (35 percent). This could mean that most goods for retail are supplied by the Chinese suppliers while generally the presence of *Bumiputra* suppliers may be negligible. But in the food and drink sector, where the *Bumiputra* suppliers constituted about 65 percent of all suppliers, the *Bumiputra* could be thought of supplying only certain food stuffs like fish, meat, drinks and other basic cooking ingredients in a smaller scale.

Although not statistically significant, those who had mainly Chinese suppliers, 51 percent said they had problems, while those who had mainly *Bumiputra* suppliers, 42 percent said they did (Table 6-67). In other words, the *Bumiputra* firms in this study faced problems with both *Bumiputra* and Chinese suppliers. However, some types of problem that they faced between the *Bumiputra* and the Chinese suppliers were different. Table 6-68 shows that of those who faced problems with the *Bumiputra* suppliers, their major problem was poor credit facilities (31 percent) followed by slow delivery (25 percent) and irregular supply (25 percent). Apart from the universal problem of poor credit facilities which also seem to face them in the Chinese companies and government companies, it appears that *Bumiputra* suppliers were inefficient in their delivery and supply. As stated earlier, the biggest problem the *Bumiputra* businesses seem

to have with the Chinese suppliers was poor credit facilities (47 percent). Next being higher prices (29 percent).

Most businesses in the construction (64 percent), contract/supply (61 percent), car trade (60 percent) and miscellaneous group (56 percent) all whose main suppliers were Chinese said they faced problems with their suppliers (Table 6-64). On the other hand, the majority in the retail (57 percent) and food and drink (70 percent) said they did not face any problems with their suppliers. Here the major difference is that majority businesses (83 percent) in the retail had Chinese suppliers but majority businesses (65 percent) in the food and drink had *Bumiputra* suppliers (Table 6-66). This difference could be explained in that supplies for the food and drink sector came directly from retail outlets which belonged mainly to the *Bumiputra* themselves, and these were purchased daily on cash basis. So there would be less problems with this form of transaction. As for the retail businesses, since most of them are small scale and common problems with the Chinese suppliers was poor credit facilities, most of them would not require much in terms of credit facilities when compared to the other business sectors. In terms of paid-up capital, table 6-69 shows that in general, those retail businesses which do not have problems with Chinese suppliers are smaller in scale since most of them occupied the lower ranges of the table except the other '2' which were in the 'more than \$100,000' row, they appear to employ more

capital in their business and were perhaps financially more independent and stronger. Those who face problems with Chinese suppliers are bigger and more capital intensive since most of them occupied the middle to upper ranges in the contingency table. They are thus expected to require more credit facilities and competitive prices from their Chinese suppliers.

The problems with suppliers perhaps could be summed up by some views expressed by the respondents. One retailer said:

...There are leaps and bounds in my business...because there is no sugar or bread supplier from Bumiputra community, I have to make do with suppliers that come from the other community. Sebor for example, when they deliver the tinned stuffs to my shop, I have to be very careful in checking that every item they send is in good order. I can always find dents on some of the tins they send...only yesterday this sort of problem happened to me...

Another retailer said:

It is difficult to find suppliers who are from our own people, we have to get supplies from others...one thing you have to do is to be close to them...the government cannot do anything to help or solve this problem...but they can give opportunities to us...We cannot trust the new suppliers...they cannot compete with the Chinese...what we want is something good...Look at what PPES Edar had done, their prices were very high and they also get their stuffs from the Chinese...That is why we have to be on our own and work closely with the Chinese suppliers...the government should provide us the market, not supply...I mean opportunities like tenders or contract and so on...At the moment although a school tender is given to the Bumiputra, who is actually running it? The Chinese is running it...As long as you have the money, supply problem can be solved...

Table 6-64

Whether or not faced problem with suppliers

Sectors	Yes	No	Total
Manufacturing	4(50%)	4(50%)	8(100)
Construction	18(64%)	10(36%)	28(100)
Suppliers	11(61%)	7(39%)	18(100)
Retail	35(43%)	47(57%)	82(100)
Foods & Drinks	6(30%)	14(70%)	20(100)
Car Dealers	6(60%)	4(40%)	10(100)
Misc.	15(56%)	12(44%)	27(100)
Total	95(49%)	98(51%)	193(100)

Table 6-65

Classification of Main problems with suppliers by Sectors

sector/problem	Slow Delivery	Irregular Supply	Higher Prices	Poor Credit	Poor Discount	Others
Manufacturing	1	0	1	1	0	1
Construction	1	2	3	12	0	0
Supplier	2	2	2	4	0	1
Retailer	6	5	10	14	0	1
Food & Drink	0	2	2	2	0	0
Car Dealer	0	4	1	0	0	1
Misc.	1	1	3	6	1	2
Total	11	16	22	39	1	6

Table 6-66

Classification by Sectors and Main Suppliers

Sectors/ Supplier	Bumiputra Business	Chinese Business	Govt Company	Total
Manufacturing	2(25%)	6(75%)	0(0)	8(100)
Construction	2(7%)	19(70%)	7(3)	28(100)
Suppliers	3(19%)	12(75%)	1(6)	16(100)
Retail	10(13%)	63(83%)	3(4)	76(100)
Foods & Drinks	13(65%)	7(35%)	0(0)	20(100)
Car Dealers	0(0%)	3(75%)	1(25)	4(100)
Misc.	9(32%)	14(50%)	5(18)	28(100)
Total	39(22%)	124(69%)	17(10%)	180(100)

Table 6-67

Crosstabulation of Main Supplier By Whether Faced problem

Supplier	Yes	No	Total
<i>Bumiputra</i> Businesses	16(42%)	22(58%)	38(100)
Chinese Businesses	62(51%)	60(49%)	122(100)
Government Companies	8(47%)	9(53%)	17(100)
Total	86(49%)	91(51%)	177(100)

Chi-square=0.89 DF=2 (not significant at 0.05)

Table 6-68

Crosstab of Main problem with supplier By Main Supplier

Problem/supplier	<i>Bumiputra</i> Business	Chinese Business	Govt Company	Total
Slow delivery	4(25%)	7(11%)	0(0%)	11(13)
Irregular supply	4(25%)	6(10%)	3(38%)	13(15)
Higher prices	1(6%)	18(29%)	1(13%)	20(23)
Poor credit	5(31%)	29(47%)	3(38%)	37(43)
Poor discount	0(0%)	1(2%)	0(0%)	1(1)
Others	2(13%)	1(2%)	1(13%)	4(5)
Total	16(100)	62(100)	8(100)	86(100)

Table 6-69

Crosstab of Retail businesses facing problem or not facing with Chinese suppliers By Present paid-up capital

	\$5000 or less	\$5001 to \$10,000	\$10,001 to \$50,000	\$50,001 to \$100,000	More than \$100,000	Total
Facing problem	7 (27%)	6 (23%)	11 (42%)	2 (8%)	0 (0%)	36 (100)
Not facing problem	19 (53%)	10 (28%)	5 (14%)	0 (0%)	2 (6%)	36 (100)
Total	26 (42%)	16 (26%)	16 (26%)	2 (3%)	2 (3%)	62 (100)

6.6 BUSINESS GROWTH

6.6.1 Average Growth on Capital

The average annual growth rate on capital on Table 6-70 does not seem to show any discernible pattern except that those sectors which produced a very high mean growth rate also seem to have a very high standard deviation, which denotes widely spread values of growth rate between the businesses. Although retail sector seems to suggest that it has the highest mean of average growth rate on capital, it also has highest standard deviation which means that the range of growth rates within which all the businesses have in the sector is pretty wide. For instance, the maximum rate for retail as shown in the table is more than 60,000 percent whereas the minimum is -18 percent. One thing could be said about retail sector with the sort of mean growth rate is that there were some firms whose capital was very low at the start but throughout the years they had increased their capital tremendously probably as a result of an increase in sales. The mean rate for car dealer is the lowest but its range is also the narrowest as measured by its standard deviation. This seems to suggest that the growth rates for businesses within the car dealer's sector are relatively less spread out.

Table 6-70

Average Growth on Capital (%)

sector/growth	Mean	S/D	Median	Mode	Min	Max
Manufacturing	34	33	27	0	0	97
Construction	57	101	26	0	-12	475
Supplier	73	116	32	0	-6	417
Retailer	981	7169	21	0	-18	62494
Food & Drink	558	2144	8	0	-17	8874
Car Dealer	15	22	6	0	0	67
Misc.	61	141	8	0	-10	600

Table 6-71

Average Growth on Turnover (%)

sector/growth	Mean	S/D	Median	Mode	Min	Max
Manufacturing	30	61	8	-10	-10	167
Construction	46	97	16	3	-25	392
Supplier	41	61	19	17	-25	211
Retailer	617	4977	7	0	-47	41660
Food & Drink	69	144	13	-13	-13	583
Car Dealer	15	36	9	-12	-12	100
Misc.	70	162	26	3	-5	785

6.6.2 Average Annual Growth on Turnover

Similarly, a very high mean rate of growth on turnover tends to produce a very high value of standard deviation (Table 6-71). The highest mean rate and the highest standard deviation also happened in the retail sector. This seems to say that some businesses in the retail had achieved tremendous growth in their volume of sales since the start of business, although some were having negative growth ever since. Again the car dealer has the least spread of growth rates among the sectors as shown by its

standard deviation.

Most firms in the retail and food & drink usually started with a very low capital because these sectors do not require terribly huge amount of capital to invest and at the same time they could survive with a meagre sales to start with. Once they are in the business and as long as they survive, they will find whatever sources of fund to augment the existing capital they already have perhaps as a result of an increase in sales. At the same time, retail sector seems to be the oldest enterprise that the *Bumiputra* have with the highest mean age of business (8) (Table 6-5). Although car dealer (7) and construction (6) also have fairly high mean age in business, unlike retail and food & drink, they may require reasonably large capital to start. Also as has been seen, those who have high mean rate of capital growth have high mean rate of turnover growth as well. This seems to suggest that certain businesses in those sectors such as retail and food & drink could well have their own market niche.

From the above discussion based on the growth tables so far and from the number of firms that the researcher were able to identify physically during his fieldwork, it could be argued that the direction in which the *Bumiputra* small businesses evolves is possibly through the development of firstly, retail, and food & drink sectors; secondly, supply, miscellaneous, and construction sectors; and finally, car trade, and manufacturing sectors.

6.6.3 Average Growth on Employment

Manufacturing sector shows both the highest mean and median rate of annual growth in employment (Table 6-72). As expected, it is in the manufacturing sector that firms require a large increase in manpower as sales picks up especially if their production facilities are relatively labour intensive. On the other hand, car dealers seem to have the lowest mean growth rate on employment as they do not normally require a large increase in manpower even if there is a large increase in sales.

Table 6-72

Average Growth on Employment (%)

sector/growth	Mean	S/D	Median	Mode	Min	Max
Manufacturing	52	66	36	0	0	200
Construction	22	34	13	0	-12	150
Supplier	35	52	18	0	-29	174
Retailer	15	38	0	0	-25	200
Food & Drink	31	81	5	0	-38	300
Car Dealer	9	10	8	-5	- 5	25
Misc.	46	109	12	0	-25	508

6.7 CONCLUSION

First of all, the *Bumiputra* entrepreneurs were found to be generally well educated, contrary to the earlier expectation. The survey shows that slightly more than half of the sample were educated up to a secondary level. This proportion seems to be higher than that for the Sarawak *Bumiputra* population in general and almost equal to the proportion for the Chinese general

population. On their training, although the number of those who had training did not represent the majority in the sample, their intake is considered to be quite high. This includes both business on-the-job training and skill training prior to their business self-employment.

The majority of the *Bumiputra* entrepreneurs already had business experience before entering business. For most, this kind of experience seems to have influenced their decision to setting up certain type of business. As expected, they did not have many immediate family members involved in business. Again as expected, the majority of the *Bumiputra* entrepreneurs worked in the government either in civil service or government agencies prior to their present business self-employment. Perhaps it was while working in the government that some of them may have gained some business experience by working part-time in business.

The finding on market clientele shows that most *Bumiputra* firms particularly those in the retail sector were supported by a high proportion of *Bumiputra* customers. At the same time, Car businesses, however, seem to be able to penetrate the Chinese market as well. Slightly more than half of the sample gave credit to their customers. The highest proportion of firms giving credit could be found in the supply sector and the lowest in the food & drink sector.

On one hand, contrary to what was expected earlier, the *Bumiputra* entrepreneurs appear to use considerable level of family labour in their business. On the other hand, they seem to use less family funds as a source of capital.

Although not many of the *Bumiputra* entrepreneurs could generate good enough income for saving, for those who could the vast majority shows that they saved for the investment in their business. This is also evident from the level of business premise they owned. On the basis of their hours of work each week and their involvement in the expansion of their business, it could be concluded that their work ethic is reasonably high.

Though difficult it is to quantify business aspiration, questions on their future plans, expansion plan, children for self-employment, windfall gain, investment project, and their future outlook, etc. were used to gauge the aspiration of the *Bumiputra* entrepreneurs in the study. The analysis of the replies to those questions suggests that the *Bumiputra* entrepreneurs had a reasonably high level of business aspiration.

Quite contrary to the earlier expectation that the *Bumiputra* entered business as a result of government's encouragement, it is found that only 4 percent of the sample said they entered business because they were encouraged by the government. Also only 11 percent said they did so due to lack of employment

opportunities. The majority however entered business for reasons of business opportunities, independence, challenge and risk. A vast majority of them said that the most satisfying aspect of running business were working for self, independence, or self-satisfaction.

As expected, most *Bumiputra* small businesses went through some kind of expansion. The majority involved expansion in terms of addition of new product lines or employment. The funds used for expansion largely came from business profits or personal savings. Like the source they used for initial capital, the least used was from family funds.

The most important problem constraining the growth of small *Bumiputra* businesses is found to be finance. The problem of finance seems to include both the lack of working capital and the lack of access to financial institutions. The problem of working capital usually boils down to the management of liquid assets such as stock, receivables or cash. The survey has shown that many entrepreneurs sold on credit and this could create a serious cash flow problem if they could not recover their debts on time and/or in total. As to the problem of access to financial institutions, it is rather the inability of the small businessmen to come up with a suitable and adequate property or other assets as loan collateral to the institutions, although there are guarantee schemes provided by the government. There are also

alternative sources of borrowing for the *Bumiputra* such as MARA and SEDC who presumably are less stringent than the commercial banks for collateral.

As expected, the *Bumiputra* small businesses are not free from competition. They competed among themselves and with the Chinese firms. There is however little empirical evidence to suggest that whether the *Bumiputra* are indifferent or otherwise to the ethnic background of the shopkeepers who serve them. If the theory of "social distance" is correct, perhaps the *Bumiputra* may prefer to buy their goods from a Chinese shop instead of a *Bumiputra* shop because of social distance apart from many other explanations such as price, quality and choice, etc. However severe the competition was, the *Bumiputra* entrepreneurs were willing to take up the challenge by responding to improving quality, introducing new products/services or lowering prices as major strategies of overcoming competition. Less than a quarter of the sample had no option whatsoever in overcoming competition.

Nearly half of the sample faced problems with their suppliers. Common problems quoted were poor credit, high prices, irregular supply, and slow delivery. Different sectors seem to face different problems with varied magnitude. However, all sectors except the car dealer appear to have a severe problem of poor credit with suppliers. More than two thirds of all suppliers were Chinese and the rest were *Bumiputra* or government companies.

A detailed analysis on the suppliers shows that all suppliers were alleged to offer poor credit facilities, next the prices for Chinese suppliers were alleged to be high, and the *Bumiputra* suppliers were alleged to be slow in their delivery and irregular in their supply by the *Bumiputra* entrepreneurs.

From the growth figures on capital and turnover, it looks as if the direction in which the *Bumiputra* small firms emerges roughly is through the development of firstly, retail, and food & drink sectors; secondly, supply, miscellaneous, and construction sectors; and finally, car trade, and manufacturing sectors.

The next chapter will consider the appropriate policy implications and recommendations that could be drawn from the above findings.

CHAPTER SEVEN

IMPLICATIONS AND RECOMMENDATIONS

7.1 INTRODUCTION

Having reported the major findings on the survey of the positions of *Bumiputra* in business in Sarawak, this chapter will proceed to draw some policy recommendations. The main objective is to suggest measures so as to tap the latent growth potential within the *Bumiputra* business group and at the same time to overcome the constraints currently affecting these businesses.

7.2 SUGGESTED POLICY MEASURES

7.2.1 Training

From the empirical finding, although the proportion of *Bumiputra* entrepreneurs undergoing training was exceptionally high, their knowledge on financial management which was reflected through their weak credit control and their problem of finance appears to have been poor. It was known that most of the major training programmes meant for entrepreneurs in Sarawak was conducted by either MARA or SEDC, and there seems to be little co-ordination between these two agencies as to what kind of contents they would make for their training programmes. It seems appropriate therefore for the training agencies to assess the real needs of the majority of the entrepreneurs before embarking on any sort of training. In this case, it seems that there is a

crucial need for the relevant training agencies to devise training on financial management particularly on the aspect of working capital for the entrepreneurs.

7.2.2 Advisory Service

From the survey, only 36 percent of the sample of the *Bumiputra* entrepreneurs ever sought business advice. The rest could be assumed that either they had no problem or they had no serious problem that they could not solve it by themselves, or they had no place to go for advice. It is quite often when a businessman declares that he has 'no problem' this itself constitutes a problem. It could mean that the businessman's capability to analyse his business problem is limited. There is therefore a need for an outsider who is more experienced and capable than the businessman to help him analyse the problem and advise him on the appropriate course of action to take. Although there have been advisory services provided by MARA or SEDC, as many as 28 percent of the *Bumiputra* sample in this study was not aware of any government aids. It is therefore recommended that existing small business promotion activities and programmes of the Government support agencies in Sarawak need to be further examined, streamlined and improved. They should critically look at the possibility of adopting a more comprehensive approach in their extension service. For example, this includes the first visit to the physical premises by the advisors, diagnosis of business problems by physical observation, and if appropriate

referring the owner to suitable sources of what he needs. An individual adviser should maintain contact over a long period and need only terminate the relationship when he is confident that he has done all that he can for the client who should by that time be capable of maintaining the improvement on his own. Because of the fact that there is still an inadequate awareness on the part of *Bumiputra* businessmen of the facilities and services available from the various Government agencies, it is thought appropriate that publicity must be made about them by the agencies concerned. The promoter of small business improvement must inform *Bumiputra* businessmen about the various improvements he is 'selling', persuade them to adopt them and make the detail instruction or advice physically available to them (Harper, 1984).

7.2.3 Market and Competition

Figures on the national share of turnover for retailers in the ten-year period between 1971 and 1981 show that the average increase in turnover for Malay retailer is lower than that for Chinese retailer (Jesudason, 1989). 'These figures suggest that Malays were competing against each other for a limited market' (Jesudason, 1989:148). The finding on their market indicates that the vast majority of the *Bumiputra* firms in this study had a high proportion of *Bumiputra* customers. Nearly half of them had no Chinese customers. The finding also shows that the majority of the *Bumiputra* firms in certain sectors competed among themselves.

This means that they were in a situation where there were too many similar *Bumiputra* businesses chasing for too few customers in a limited *Bumiputra* market. 'Unless Malay retail and service establishments could offer better prices, credit terms, and the same range of products, they could not easily penetrate the Chinese consumer market' (Jesudason, 1989:148). Effort therefore should be made not only to locate *Bumiputra* businesses in more lucrative business locations but also to deal in goods or services which are in demand not only by *Bumiputra* but also by other ethnic groups. This might also involve for example the redirection of businesses in certain sectors like retail and food and drink to other sectors such as manufacturing or distributive trades. This is an idea though the mechanics has to be worked out in detail.

7.2.4 Enterprise Culture

The analysis on their family background indicates that the proportion of *Bumiputra* parents and siblings involved in business self-employment is very low. To compensate for this apparent lack of business tradition among the *Bumiputra* in general, it is recommended that the educational authority might like to consider the possibility of incorporating courses in entrepreneurial study in the school or university curriculum. The objective is to give the youths an early exposure of entrepreneurship both in theory and practice. Once they become familiar with entrepreneurship and recognise that it is a viable alternative career, the rest would

well be up to them to decide.

7.2.5 Finance

The analysis on the start-up capital of *Bumiputra* firms shows that the median was only M\$5,500 and the mode was M\$5,000, and the lowest was only M\$18. The majority of their source came from personal saving. Bank loans constituted only about 21 percent. Again for the purpose of their business expansion, only 25 percent of the *Bumiputra* firms used bank loans. More than half of those did not expand their business because they did not have the necessary financial resources. All this points to their lack of funds for both start-up and expansion. MARA is the only agency who so far provides loans for business start-up in Sarawak. Other lending institutions however, understandably are rather reluctant to lend to small firms who do not yet have any track record. Furthermore, from the survey, the majority of the firms have the collateral problem with banks. Rightly as has been done recently by the CGC, to solve this problem perhaps is to increase the guarantee cover of the bank loans. However, it still seems that only those long established small businesses who already have the track record are likely to be considered for bank loans. It is therefore recommended that more facilities similar to the ones already provided by MARA be considered by the other agencies in Sarawak.

It is also suggested that,

i) the Central Bank should give commercial banks more and better incentives to lend to small *Bumiputra* businesses. At the same time, commercial banks should be persuaded to give less emphasis to the criteria of conventional collateral and non-existent or inadequate financial records of the firms but more to individual project's feasibility in terms of their performance and market prospect, present and future, when considering applications by *Bumiputra* small businesses.

ii) banks' application forms should be simplified. Instead of concentrating too much on quantitative data, banks should look more at the character and ability of the prospective borrowers. Banks should stop the presently alleged discriminatory practice toward the small industry and give an access on equal terms to the small firms as it is to the large enterprises.

7.2.6 Suppliers

The strength of Chinese small businesses lay in their buyer-seller-retail nexus which links the customers, retailers, and wholesalers into a tight network. The Chinese business is secured basically by the influence of ethnic ties and loyalties of the large urban Chinese population (Jesudason, 1989). On the other hand, the *Bumiputra* small businesses do not have this advantage. The analysis indicates that for every four out of six suppliers who served the *Bumiputra* businesses were Chinese and every one out of two of them (the businesses) faced one problem or another.

The companies formed by the Government had played rather an insignificant role in the supply business in this study. The question is two-fold, i.e. how to increase the number of *Bumiputra* suppliers and, at the same time, solving the problems of poor credit and high prices. Because to become suppliers to businesses is essentially to become successful wholesalers which requires substantial capital and other resources, it is inevitable that this has to be done through government initiatives and continuous support. It is suggested that:

i) the government creates many more genuine wholesale supply organisations incorporating retailer extension service programmes for *Bumiputra* and/or extend the services of the successful Pernas Edar Sdn Bhd, a Federal Government incorporated company to Sarawak. It must be noted that this type of company is doing well in supporting *Bumiputra* retail traders in the Peninsular Malaysia. The previous mistakes of PPES Edar must be carefully studied. One the mistakes was probably that unlike Pernas Edar Sdn Bhd, it did not seem to get the full support of the management of its parent body. The resources at its disposal appeared to be limited. It is important to emphasize that if the wholesale supply organisations are to be formed, they must be wholly owned by the Government. This is to ensure that they fulfill the specific social responsibilities more effectively than if they were to be owned or partially owned by individuals whose chief interest is to maximize profits.

ii) Government help to form service co-operative enterprises whose membership would consist of a number of independent *Bumiputra* businesses depending on the type of business that they are in. This co-operatives would provide the wholesale supply service to its members. In particular, the effort of cooperative buying so that when buying is done in bulk basic costs could be considerably reduced. There must also be useful regular meetings among members to discuss problems or information of mutual interests, etc.

7.3 CONCLUSION

All the above recommendations appeal directly to the policy-makers and those who are in authority for their initiatives. Of course, that does not mean that the *Bumiputra* themselves can sit tight and without making any effort at all. All the signs in this study indicate that the *Bumiputra* entrepreneurs appear to have done their best in working hard and in overcoming constraints. However, this is still not good enough without the initiatives from the government specifically those mentioned above which are thought to be directly relevant to the current situation of the *Bumiputra* entrepreneurs in Sarawak.

The chapter that follows will be assigned to the conclusions of this study.

CHAPTER EIGHT

CONCLUSIONS

8.1 INTRODUCTION

This chapter marks the completion of the research. Its purpose is to highlight major findings, to conclude the results and to summarize briefly the research undertaking. Finally, it will also suggest areas for further study.

8.2 CONCLUDING REMARKS

The preceding study of the *Bumiputra* businesses highlights a number of important findings which might seek to further confirm or contradict certain beliefs on the practice or the problems of the *Bumiputra* entrepreneurs in general and in Sarawak in particular.

The findings verify the fact that the majority of the *Bumiputra* businesses are sole proprietors and centres in areas where there are majority *Bumiputra* population. Also significant is the fact that their manufacturing industry is still at a very infant stage. The majority of the *Bumiputra* entrepreneurs does not seem to have any problem concerning their attitudes towards business. Their main problems seem to be the lack of capital for both start-up and expansion, lack of proper credit control, lack of advisory services, lack of loan collaterals and the problem

with suppliers.

The study has attempted a historical analysis on the background of the *Bumiputra*, in which prior to the arrival of the immigrant group, the *Bumiputra* as the indigenous people had formed an active trading class, but was gradually ousted by the deliberately harsh policy of the Brooke and replaced it with the immigrant group. Empirical analysis shows that important cultural attributes of business were evident among the *Bumiputra*. They were found to be highly responsive to economic opportunities both in tastes and ability. However, economic infrastructure and ethnic institutions which are necessary conditions for the success of any business venture were lacking among the *Bumiputra* community. Two of the major factors responsible seem to be the dominance of the other ethnic group namely the Chinese within the business system, and the lack of business tradition within the *Bumiputra* themselves. This casts aside the myth generated about business success has anything to do with race. As rightly stated by Benedict and Weltfish (1945):

One race is not 'born' equipped to build skyscrapers and put plumbing in their houses and another to run up flimsy shelters and carry their water from the river. All these things are 'learned behavior'...Science insists that race does not account for all human achievements (p.181)

The study also shows that culture of a particular group is in large measure an historical heritage and an adaptation of

existing economic and social constraints. Differences in tastes and ability are bound to exist, but they are thought to be much smaller in magnitude and are more readily subject to change. A cultural trait that is short of business tradition will eventually change, albeit slowly, if given ample opportunities and dispelled of its present constraints.

Chapter one described the overall economic imbalance between the *Bumiputra* and Chinese in Malaysia in general, and in Sarawak in particular. Despite the existence of an affirmative action in the form of New Economic Policy implemented since nearly twenty years ago, the *Bumiputra* as the indigenous peoples are still left behind in personal income and great many of them are in the poverty line. In terms of assets and corporate ownership, trade and industry, there is still so much for them to catch up with the other groups.

Chapter four presented the detailed picture of numerical inferiority of the *Bumiputra* entrepreneurs and also the occupational pattern of *Bumiputra* in general. Not surprisingly, the occupational pattern also shows that a small number of *Bumiputra* were employed in trade and commerce. It also suggested that the occupational pattern of the *Bumiputra* has stunted the development of commerce among them, coupled with the unwillingness on the part of the many Chinese shopkeepers in recruiting and training non-Chinese into their businesses.

A sample of 203 *Bumiputra* firms in Kuching selected in random was successfully interviewed in order to assess a wide variety of questions, ranged from operational problems to business attitudes (Chapter five).

Chapter seven suggested some policy actions considering the type of problems encountered by the *Bumiputra* businesses in the study. The broad policy consideration for this more accessible and less profound causes of under-achievement will have to be more vigorous in widening opportunities for the *Bumiputra*. This includes the elimination of present-day inequalities in opportunity and the advocating of preferential opportunities for *Bumiputra* in business.

8.3 SUGGESTIONS FOR FURTHER WORK

This work is basically an exploratory survey. It has, however, identified certain areas which are needing serious attention for the successful promotion of *Bumiputra* business. These areas need to be examined and looked into more closely. Specifically they are:

(1) Lending criteria of financial institutions towards *Bumiputra* small business;

(2) Critical evaluation of the existing policies and promotional programmes of *Bumiputra* small business support

agencies;

(3) Assessment of the training needs of *Bumiputra* entrepreneurs and their time-table so as to formulate a suitable entrepreneurial training programme; and

(4) The extent to which *Bumiputra* businesses are constrained by the alleged exploitation and discriminatory practice of the Chinese traders.

APPENDIX A
QUESTIONNAIRE

INSTRUCTION : PLEASE TICK (/) THE APPROPRIATE ANSWER OR WRITE WHERE SPECIFIED.

I: BUSINESS BACKGROUND

1. Name of Business and Address

Business/Home Telephone Number _____

2. When was the business started? _____

3. Type of Business:

- a) manufacturing _____
- b) construction _____
- c) wholesale _____
- d) retail trade _____
- e) other services (please specify) _____
- f) foods/drinks _____
- g) car dealers _____

4. Are you a :

- a) sole trader _____
- b) partnership _____
- c) limited company _____

5. Start-up capital of business: \$ _____

Of which: a) fixed capital: \$ _____

b) working capital: \$ _____

6. Sources of start-up capital: (please fill in all appropriate answers in percentages)

- a) personal savings _____% b) family fund _____%
- c) partner/shareholder fund _____%
- d) bank credit _____%
- e) other sources (specify) _____%

7. Present value of total capital invested in the business: \$ _____

Of which: a) fixed capital: \$ _____

b) working capital: \$ _____

-
8. Why did you decide to go into business? (Please choose the most important one)
- a) lack of employment opportunities _____
 - b) desire for independence _____
 - c) more income than previous occupation _____
 - d) inherited family business _____
 - e) encouraged by government assistance _____
 - f) seek more challenge and risk _____
 - g) exploit market and business opportunities _____
 - h) others (specify) _____
9. Why did you choose to set up the present business? (Please choose the most important one)
- a) had relevant experience to succeed in this area _____
 - b) could not get enough capital to go into some other business _____
 - c) not much competition in this business _____
 - d) convinced that the business would pay-off quick _____
 - e) others (specify) _____
10. Do you own this business premise?
- a) Yes _____ b) No _____
11. Are your children/relative engaged in your business?
- a) Yes _____ b) No _____
- If yes, how many a) full-time _____ b) part-time _____
12. Number of people in the business now (including yourself) _____
- Of which: a) full-time _____ b) part-time _____
13. Number of people employed when business was started _____
- Of which: a) full-time _____ b) part-time _____
14. Annual turnover (Sales):
- a) when business was started \$ _____
 - b) now \$ _____
15. How many days a week are you open? _____ days
16. On average, how many hours a day are you open? _____ hours
-

-
17. Has your business had any experience of expansion?
a) Yes _____ b) No _____
If yes: i) did this involve (You may give more than one answer)
a) acquisition/renovation of premise _____
b) more employment _____
c) addition of new products _____
d) addition of branches in different trade _____
e) addition of branches in same line of trade _____
f) introduction of new technologies _____
ii) what source of funds did you use for expansion?
a) personal savings _____
b) reinvestment of profit _____ c) bank loans _____
d) family fund _____ e) others (please specify) _____
If no, was this because:
a) you were happy and satisfied with the business as you hadti first _____
b) you did not have the financial means for expansion _____
c) the general business climate was not favourable _____
d) expansion would have involved managerial and organisational problems _____
e) do not have enough relatives to provide material and moral support _____
f) others (please specify) _____
18. What proportion of your customers are from
a) Bumiputra _____ % b) Chinese _____ %
19. What do you believe attract most your customers to you?
a) ethnic products _____ b) lower price _____
c) quality of product/service _____
d) nearness of business to customers _____
e) long opening hours _____
f) personal service _____
20. Net income from business per annum:
a) below \$20,000 _____ b) above \$20,000 _____
21. Do you consider your net income from business satisfactory in relation to your expectation?
a) Yes _____ b) No _____
22. Have you been able to put any money into savings for future needs?
a) Yes _____ b) No _____
23. For what purpose will you use the money you are saving?
a) reinvest in business _____ b) buy a house _____
c) children's education _____
d) leisure pursuits _____
e) others (please specify) _____
-

24. Do you belong to any trade or community association?
 a) Yes ___ (please state) _____
 b) No ___

25. Do you belong to any political organisation?
 a) Yes ___ b) No ___

II: BUSINESS PROBLEMS

1. Does your business face any form of competition?
 a) Yes ___ b) No ___

If yes, is the competition from:

- a) similar Bumiputra business in the vicinity _____
 b) similar Chinese business in the vicinity ___ _
 c) large businesses _____
 d) other factors (please specify) _____
2. What options would you consider to overcome competitions?
 a) relocate business to a different area _____
 b) improve quality of products/services _____
 c) introduce new products/services _____
 d) lower prices _____ e) no options _____

3. What are the major problems that you think would constrain the growth and development of your business?

- a) location _____
 b) condition of buildings housing the business _____
 c) finance _____ d) book-keeping _____ e) market ___ _
 f) supplies _____ g) others (please specify) _____

4. Do you sell on credit?

- a) Yes ___ b) No ___

If Yes, please specify volume _____ %

5. Who are your main sources of supply?

- a) Bumiputra business _____ b) Chinese business ___ _
 c) Government agency _____

6. Do you have any problem with your supplier?

- a) Yes ___ b) No ___

If yes, what is the main problem?

(Choose the most important one)

- a) slow delivery _____ b) irregular supplies _____
 c) higher prices _____
 d) poor credit facilities _____
 e) poor discount rates _____
 f) others (specify) _____
-

7. Have you ever sought any financial assistance from your bank?
a) Yes___ b) No___
If yes, did you have any problem in raising it?
a) Yes___ b) No___
If yes, what is the main problem? (Choose the most important one)
a) bank is too difficult___
b) bank refused credit___
c) bank wanted security___ d) others (specify)___

III: GOVERNMENT AIDS

1. Are you aware of the government schemes and assistance promoting Bumiputra business?
a) Yes___ b) No___
2. Are you presently receiving any government assistance?
a) Yes___ b) No___
If yes, what form of assistance?
a) contract/supplies___ b) training___
c) loan___ d) marketing___
e) premises___ f) advice/counselling___
g) others (please specify)___
3. The government is doing a satisfactory job in looking after a Bumiputra business like yours. Do you.....
a) strongly agree___ b) agree___
c) disagree___ d) strongly disagree___
e) no opinion___
4. What are the areas do you think you need the most help from the government? (choose one)
a) contract/supply___ b) training___
c) loan___ d) premises___
e) marketing___ f) advice/counselling___
g) others (specify)___

IV: FUTURE PLANS

1. Do you intend to:
a) expand the scale of present business?___
b) diversify business___
c) go into manufacturing___
d) go into import/export trade___
2. If you have plan for expansion, would this involve
a) acquisition of new premises___
b) more employment___
c) addition of new products___
d) addition of new branches___
e) others (please specify)___
-

-
3. If no plan for expansion, this is due to
- a) poor market prospects_____
 - b) no knowledge of feasible areas for expansion_____
 - c) lack of cooperation from government agencies_____
 - d) lack of cooperation from suppliers_____
 - e) lack of finance_____
 - f) others (specify)_____
4. What does the future hold for your business?
- a) improvement_____ b) stay the same_____
 - c) decline_____

V: BUSINESS ATTITUDES

1. If your business were to close down, and you were to be unemployed, would you:
- a) still be willing to stay in self-employment_____
 - b) take up any job, however low the income_____
 - c) not know what to do_____
2. Assuming that you obtained a windfall gain of \$100,000, would you
- a) stick to your present business and put the money in the bank_____
 - b) invest in the expansion of present business_____
 - c) buy a house or other leisures_____
3. Would you be willing to borrow to invest?
- a) Yes___ b) No___
4. If you could choose to invest, would you
- a) invest in projects prone to less business risk but low rate of return_____
 - b) invest in projects prone to high risk but high rate of return_____
 - c) rather consider diversifying investment (invest half in option a and the other half in option b)_____
5. Of the following, which do you think are the most essential aims of small business? (please choose the most important one)
- a) to maximize profits___ b) to grow__
 - c) to serve the community___
 - d) to create employment___
-

6. Do you usually seek business advice?

a) Yes___ b) No___

If yes, from whom?

a) family or close relative___ b) friends___

c) accountants/lawyers___

d) government agencies___ e) bank managers___

f) others (specify)___

If no, this is because

a) you think you have no serious problems_____

b) you think you are capable of sorting problems
without any need for advice_____

d) other reasons (please specify)_____

7. Would you encourage your children to be self employed?

a) Yes___ b) No___

If no, why? (please specify)_____

8. What have been the most satisfying aspects of running your own business?

(choose one)

a) working for self___ b) independence___

c) self-satisfaction___

d) answering to no-one___ e) earning more___

f) flexible hours___

g) other_____ h) nothing_____

9. What have been the most unpleasant aspects of running your own business?

(choose one)

a) inadequate finance___ b) paying debts___

c) competition_____

d) declining customer numbers___

e) long hours/hard work___ f) lack of profit___

g) other_____ h) none_____

VI: PERSONAL BACKGROUND

1. Sex: a) Male___ b) Female___

2. Age___

3. Marital status:

a) Single___ b) Married___ c) Divorced___

4. How old were you when you started this business?_____

5. Did you have any experience in managing own business prior to setting up present business?

a) Yes___ b) No___

If yes, in what line of business was your experience?

a) same trade as the present___

b) in some other trade (please specify)_____

6. Prior to setting up present business, were you:
- a) unemployed? _____ If so, for how long? _____
 - b) employed? _____ c) self-employed? _____

If employed, what was the last job you held?

- a) civil service _____ b) government agency _____
 - d) private company (What type of business?) _____
 - e) professional (please specify) _____
 - f) others (please specify) _____
7. When you started business, was there anyone in your immediate family circle or friends who was in business?
- a) Yes _____ b) No _____
- If yes, please tick the appropriate answer below:
- a) brother/sister _____ b) father/mother/uncle/aunt _____
 - c) cousin _____ d) close friend _____
8. Do you own any of the following household assets?
- a) House, how many? _____ and approximate value? _____
 - b) Car, how many? _____ and approximate value? _____
 - c) Land, approximate value? _____

VII: EDUCATION & TRAINING

1. How many years were you in school altogether? _____
2. At what level did you leave school or complete your studies? _____
3. Did you receive any business training, including on-the-job training?
- a) Yes _____ b) No _____
- If yes, who conducted the training?
- a) government _____ b) private _____
4. Do you find the education/training you received useful to your business?
- a) Yes _____ b) No _____
5. Do you think you need any kind of training?
- a) Yes _____ b) No _____
- If yes, what would you like to have training in?
- a) book-keeping _____ b) accounting _____
 - c) marketing and sales _____
 - d) export trade _____ e) business management _____
 - f) others (specify) _____
-

APPENDIX B

SOALSELIDIK

ARAHAN: TOLONG PANGKAH (/) ATAU TULIS JAWAPAN DIMANA SESUAI.

I: LATARBELAKANG PERNIAGAAN

1. Nama dan alamat perniagaan

No. telepon perniagaan/rumah _____

2. Bilakah perniagaan ini dimulakan? _____ (tahun)

3. Jenis perniagaan ini ialah:

- a) perusahaan/pengeluaran () b) pembinaan ()
 c) pemborong /pembekal () d) perniagaan runcit ()
 e) lain-lain perkhidmatan (nyatakan) _____
 f) makanan/minuman () g) pengedar kereta ()

4. Bentuk syarikat perniagaan ini ialah:

- a) persendirian () b) perkongsian ()
 c) sendirian berhad ()

5. Jumlah modal permulaan perniagaan: \$ _____

Dimana: a) modal tetap: \$ _____ b) modal kerja: \$ _____

6. Sumber-sumber modal permulaan perniagaan: (isikan semua jawapan yang sesuai dalam peratus)

- a) simpanan peribadi _____ % b) tabung keluarga _____ %
 c) wang perkongsian _____ % d) pinjaman bank _____ %
 e) lain-lain sumber (nyatakan) _____ (_____ %)

7. Nilai jumlah modal pelaburan perniagaan masa sekarang: \$ _____

Dimana: a) modal tetap: \$ _____ b) modal kerja: \$ _____

8. Apakah sebab anda menceburkan diri didalam perniagaan? (pilih satu yang terpenting)

- a) susah mendapat pekerjaan lain ()
 b) ingin bebas ()
 c) lebih banyak pendapatan dari pekerjaan yang lepas ()
 d) mempusakai perniagaan dari keluarga ()
 e) didorong oleh bantuan kerajaan ()
 f) lebih mencabar dan berisiko ()
 g) mengambil peluang pasaran dan perniagaan ()
 h) lain-lain (nyatakan) _____

9. Apakah sebab anda memilih perniagaan jenis seperti sekarang?
(pilih satu yang terpenting)
- a) mempunyai pengalaman berkenaan dalam bidang ini ()
 - b) modal diperlukan rendah ()
 - c) kurang persaingan ()
 - d) yakin bahawa bidang ini akan cepat dapat keuntungan ()
 - e) lain-lain (nyatakan) _____
10. Adakah anda memiliki tempat perniagaan ini? a) Ya () b) Tidak ()
11. Adakah anak-anak/saudara anda bekerja dalam perniagaan ini? a) Ya ()
b) Tidak ()
Jika ya, berapakah yang a) sepenuh masa _____ b) separuh masa _____
12. Berapakah jumlah kakitangan dalam perniagaan ini sekarang (termasuk anda sendiri)?
a) sepenuh masa _____ b) separuh masa _____
13. Berapakah jumlah kakitangan semasa baru bermula perniagaan dulu?
a) sepenuh masa _____ b) separuh masa _____
14. Berapakah nilai jumlah jualan kasar tahunan perniagaan ini?
a) tahun pertama perniagaan \$ _____
b) tahun ini \$ _____
15. Berapa hari perniagaan ini terbuka dalam seminggu? _____ hari
16. Berapa jam perniagaan ini terbuka dalam sehari pukul rata? _____ jam
17. Pernahkah perniagaan anda mengalami pengembangan?
a) Ya () b) Tidak ()
Jika ya, i) adakah ini melibatkan:
- a) pengambilan alih/pembaharuan tempat perniagaan ()
 - b) penambahan kakitangan ()
 - c) penambahan barangan baru ()
 - d) penambahan cawangan/perniagaan yang berlainan ()
 - e) penambahan cawangan/perniagaan yang sama ()
 - f) pengenalan teknologi baru ()
- ii) Apakah sumber kewangan yang anda gunakan untuk tujuan tersebut?
- a) simpanan peribadi () b) pelaburan balik keuntungan ()
 - c) pinjaman bank () d) tabung keluarga () e) lain-lain (nyatakan) _____
- Jika tidak, adakah ini kerana:
- a) anda berpuas hati dengan perniagaan yang sedia ada ()
 - b) anda tidak ada sumber kewangan ()
 - c) iklim perniagaan secara amnya tidak mengalakkan ()
 - d) pengembangan melibatkan masalah pengurusan dan organisasi ()
 - e) tiada saudaramara untuk memberi sokongan benda dan moral ()
 - f) lain-lain (nyatakan) _____
-

18. Berapakah kadar pelanggan anda terdiri daripada:
a) kaum Bumiputra _____% b) Cina _____%
19. Apakah yang anda fikir yang menarikkan kebanyakan pelanggan anda kepada anda?
a) barangan Bumiputra tempatan () b) harga yang rendah ()
c) barangan/perkhidmatan bermutu () d) berdekatan dengan pelanggan () e) masa perniagaan yang panjang ()
f) perkhidmatan perseorangan ()
20. Berapakah pendapatan bersih perniagaan ini setahun?
a) \$20,000 keatas () b) \$20,000 kebawah ()
21. Adakah anda berpuas hati dengan pendapatan bersih perniagaan anda seperti yang anda harapkan?
a) Ya () b) Tidak ()
22. Adakah anda mampu membuat simpanan wang untuk keperluan dimasa hadapan?
a) Ya () b) Tidak ()
23. Untuk maksud apakah anda gunakan wang simpanan itu?
a) melabur balik kedalam perniagaan () b) membeli rumah ()
c) pelajaran anak-anak () d) makan angin ()
e) lain-lain (nyatakan)_____
24. Adakah anda menjadi ahli mana-mana persatuan perniagaan atau persatuan masyarakat?
a) Ya (nyatakan)_____ b) Tidak ()
25. Adakah anda ahli mana-mana parti politik? a) Ya () b) Tidak ()

II: MASALAH-MASALAH PERNIAGAAN

1. Adakah perniagaan anda mengalami sebarang persaingan?
a) Ya () b) Tidak ()
Jika ya, adakah persaingan ini dari:
a) perniagaan Bumiputra dan sejenis yang berdekatan ()
b) perniagaan Cina sejenis yang berdekatan ()
c) perniagaan besar ()
d) lain-lain punca (nyatakan)_____
2. Apakah pilihan yang anda timbangkan untuk mengatasi persaingan tersebut?
a) menempatkan semula perniagaan ke kawasan yang lain ()
b) memperbaiki mutu barangan/perkhidmatan ()
c) memperkenalkan barangan/perkhidmatan yang baru ()
d) menurunkan harga () e) tidak ada pilihan ()
3. Apakah masalah-masalah utama yang anda fikir yang menghalang pertumbuhan dan kemajuan perniagaan anda?
a) kawasan () b) keadaan bangunan/ruang perniagaan ()
c) kewangan () d) simpanan kira-kira () e) pasaran ()
f) bekalan () g) lain-lain (nyatakan)_____

4. Adakah anda menjual dengan kredit? a) Ya () b) Tidak ()
Jika ya, tolong nyatakan kadar jualan kredit _____%
5. Siapakah pembekal anda yang utama?
a) pembekal Bumiputra () b) pembekal Cina ()
c) syarikat kerajaan ()
6. Adakah anda menghadapi sebarang masalah dengan pembekal anda?
a) Ya () b) Tidak ()
Jika ya, apakah masalah yang utama? (pilih satu yang terpenting)
a) lambat penghantaran () b) bekalan tidak tetap ()
c) harga tinggi () d) kurang kemudahan kredit ()
e) kadar diskaun rendah () f) lain-lain (nyatakan) _____
7. Pernahkah anda memohon bantuan kewangan dari mana-mana bank?
a) Ya () b) Tidak ()
Jika ya, adakah anda menghadapi sebarang masalah?
a) Ya () b) Tidak ()
Jika ya, apakah masalah utama yang anda hadapi?
(pilih satu yang terpenting)
a) bank terlalu sukar () b) bank menolak permohonan ()
c) bank hendakkan cagaran ()
d) lain-lain (nyatakan) _____

III: BANTUAN KERAJAAN

1. Adakah anda sedar adanya rancangan kerajaan untuk menolong Bumiputra menceburkan diri dalam perniagaan?
a) Ya () b) Tidak ()
2. Adakah anda sekarang mendapat sebarang bantuan kerajaan?
a) Ya () b) Tidak ()
Jika ya, apakah jenis bantuan yang anda dapat sekarang?
a) kontrak/bekalan () b) latihan () c) pinjaman ()
d) pemasaran () e) tempat perniagaan ()
f) nasihat/bimbingan () g) lain-lain (nyatakan) _____
3. Tolong timbangkan kenyataan berikut:
"Kerajaan telah memainkan peranan yang memuaskan dalam usaha membantu perniagaan Bumiputra seperti anda". Adakah anda....
a) sangat setuju () b) setuju () c) tidak setuju ()
d) sangat tidak setuju () e) tidak tahu ()
4. Apakah bidang yang anda sungguh-sungguh memerlukan bantuan kerajaan?
(pilih satu)
a) kontrak/bekalan () b) latihan () c) pinjaman ()
d) pemasaran () e) tempat perniagaan ()
f) nasihat/bimbingan () g) lain-lain (nyatakan) _____

IV: RANCANGAN MASA HADAPAN

1. Tolong pangkah jika anda bertujuan hendak melakukan sesuatu yang berikut:
 - a) mengembangkan kadar perniagaan ()
 - b) mempelbagaikan perniagaan ()
 - c) membuat pengusahaan kilang ()
 - d) membuat impot/ekspot ()

2. Jika anda bertujuan hendak mengembangkan perniagaan, adakah ini akan melibat:
 - a) pengambilan alih tempat perniagaan baru ()
 - b) penambahan kakitangan ()
 - c) penambahan barangan baru ()
 - d) penambahan cawangan baru ()
 - e) lain-lain (nyatakan)_____

3. Jika tidak ada rancangan hendak mengembangkan perniagaan, adakah ini kerana:
 - a) kurang pasaran ()
 - b) tidak tahu bidang mana yang baik untuk diterokai ()
 - c) kurang kerjasama dari agensi kerajaan ()
 - d) kurang kerjasama dari pembekal ()
 - e) kekurangan kewangan ()
 - f) lain-lain(nyatakan)_____

4. Apakah jangkaan masa hadapan perniagaan anda?
 - a) kemajuan () b) sama seperti sekarang ()
 - c) kemerosotan ()

V. SIKAP PERNIAGAAN

1. Jika perniagaan anda terhenti dan anda akan menganggur kerananya, adakah anda akan:
 - a) masih lagi hendak menceburkan diri dalam perniagaan ()
 - b) mengambil sebarang pekerjaan tanpa mengira pendapatan ()
 - c) tidak tahu apa yang patut dibuat ()

 2. Andaikata anda mendapat keuntungan wang sebanyak \$100,000, adakah anda akan:
 - a) teruskan perniagaan dan masukkan wang itu kedalam bank ()
 - b) laburkan wang itu untuk mengembangkan perniagaan ()
 - c) membeli rumah baru atau pergi makan angin ()

 3. Mahukah anda meminjam wang untuk melabur? a) Ya () b) Tidak ()
-

4. Jika anda ada pilihan untuk melabur, adakah anda akan:
- pilih projek yang kurang risiko perniagaannya tetapi rendah kadar keuntungan ()
 - pilih projek yang tinggi risiko perniagaannya tetapi tinggi kadar keuntungan ()
 - timbang project pertengahan dari segi risiko dan kadar keuntungan ()
5. Apakah tujuan terpenting perniagaan pada pendapat anda? (pilih satu yang terpenting)
- mendapat seberapa banyak keuntungan ()
 - mengembangkan perniagaan ()
 - berkhidmat kepada masyarakat ()
 - mengujud peluang pekerjaan ()
6. Adakah anda biasa mendapat khidmat nasihat untuk perniagaan anda?
- Ya () b) Tidak ()
- Jika ya, dari siapa?
- keluarga/saudara terdekat () b) kawan-kawan ()
 - akauntan/peguam () d) agensi kerajaan ()
 - pengurus bank () f) lain-lain (nyatakan)_____
- Jika tidak, adakah ini kerana:
- anda tidak ada masalah yang serius ()
 - anda mampu menyelesaikan masalah tanpa memerlukan nasihat orang lain ()
 - sebab-sebab lain (nyatakan)_____
7. Mahukah anda mengalakkan anak-anak anda menceburkan diri dalam perniagaan?
- Ya () b) Tidak ()
- Kalau tidak, kenapa? (tolong nyatakan)_____
8. Apakah aspek yang paling memuaskan anda dalam menjalani perniagaan sendiri? (pilih satu)
- bekerja untuk diri () b) bebas ()
 - kepuasan sendiri ()
 - tidak bertanggungjawab kepada sesiapa ()
 - pendapatan lebih () f) penyesuaian masa ()
 - lain-lain () h) tiada ()
9. Apakah aspek yang paling tidak menyenangkan dalam menjalani perniagaan anda sendiri? (pilih satu)
- kewangan tidak mencukupi () b) membayar hutang ()
 - persaingan () d) jumlah pelanggan merosot ()
 - masa panjang/kerja kuat () f) kurang keuntungan ()
 - lain-lain () h) tiada ()

VI. LATARBELAKANG PERIBADI

- Jantina: a) lelaki () b) perempuan ()
- Umur: _____ tahun

-
3. Taraf perkahwinan: a) belum kahwin () b) kahwin ()
c) duda/janda/balu ()
4. Berapakah umur anda apabila anda memulakan perniagaan ini? _____ tahun
5. Adakah anda berpengalaman menjalani perniagaan sendiri sebelum ini?
a) Ya () b) Tidak ()
Jika ya, apakah jenis perniagaan yang anda pernah jalani?
a) dalam jenis perniagaan yang sama ()
b) jenis lain (nyatakan) _____
6. Sebelum ini adakah anda:
a) menganggur (nyatakan berapa lama) _____
b) makan gaji () c) bekerja sendiri ()
Jika makan gaji, apakah pekerjaan anda yang terakhir?
a) perkhidmatan awam () b) agensi kerajaan ()
c) swasta (nyatakan jenis) _____
d) ikhtisas (nyatakan) _____
e) lain-lain (nyatakan) _____
7. Adakah sesiapa dalam keluarga terdekat atau kawan-kawan anda yang menjalani perniagaan semasa anda memulakan perniagaan dulu?
a) Ya () b) Tidak ()
Kalau ya, tolong pangkah mana-mana yang sesuai dibawah:
a) abang/adik/kakak ()
b) ayah/emak/ayah saudara/emak saudara ()
c) sepupu () d) kawan rapat ()
8. Adakah anda memiliki harta-harta seperti berikut?
a) rumah, berapa buah? () dengan anggaran nilai \$ _____
b) kereta, berapa buah? () dengan anggaran nilai \$ _____
c) tanah, anggaran nilai? _____

VII. PENDIDIKAN DAN LATIHAN

1. Berapa tahunkah anda mendapat didikan di sekolah pada semuanya? _____ tahun
2. Dalam tingkatan berapakah anda sekolah atau tamat semua pelajaran anda? _____
3. Pernahkah anda mendapat apa-apa latihan perniagaan, termasuk latihan sambil bekerja?
a) Ya () b) Tidak ()
Jika ya, siapakah yang menganjurkan latihan tersebut?
a) kerajaan () b) swasta ()
-

4. Adakah anda fikir anda memerlukan sebarang kursus latihan?

a) Ya () b) Tidak ()

Jika ya, dalam bidang apakah yang anda rasa anda memerlukan latihan?

a) simpanan kira-kira () b) perakaunan ()

c) pemasaran dan penjualan () d) eksport ()

e) pengurusan perniagaan () f) lain-lain (nyatakan)_____

APPENDIX C
LETTER OF INTRODUCTION

Telex No. MA 70068



KEMENTERIAN PEMBANGUNAN PERINDUSTRIAN
(Ministry of Industrial Development)
Tingkat 13, Wisma Sumber Alam
Jalan Stadium
Petra Jaya
93050 Kuching,
SARAWAK.

Bil Kami: KPP/732/1/(6)

Bil Tuan:

13 Oktober 1988

Kepada Sesiapa Yang Berkenaan

Tuan/Puan

**Kajian Keusahawanan Bumiputra Di Sarawak
Oleh Encik Abang Azahari bin Abang Haji Hadari,
University of Stirling, Scotland United Kingdom.**

Merujuk kepada perkara di atas, dengan ini dimaklumkan bahawa Encik Abang Azahari adalah seorang calon Ijazah Doktor Falsafah di Universiti Stirling, Scotland. Pengajian beliau adalah ditaja oleh Yayasan Tunku Abdul Rahman Sarawak. Beliau telah memilih bidang keusahawanan khususnya di kalangan Bumiputra di Sarawak sebagai tajuk tesisnya.

2. Memandang kepada kekurangan maklumat-maklumat mengenai keusahawanan Bumiputra yang ditulis, Kementerian ini dengan sukacitanya memohon jasa baik tuan/puan supaya memberi jawapan kepada Soal Selidik yang ditujukan kepada tuan/puan. Kajian ini nanti adalah berguna kepada kerajaan bagi mengetahui kedudukan serta masalah-masalah yang dihadapi oleh para pengusaha Bumiputra.

3. Di atas kerjasama tuan/puan terlebih dahulu diucapkan terima kasih.

Sekian.

"BERSATU BERUSAHA BERBAKTI"

(TALIB BIN ZULPILIP)
Setiasaha Tetap,
Kementerian Pembangunan Perindustrian.

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