



DEVELOPING MALAY ENTREPRENEURS IN  
MALAYSIA: THE ROLE OF *MAJLIS AMANAH*  
*RAKYAT* (MARA) AND *TABUNG EKONOMI*  
*KUMPULAN USAHA NIAGA* (TEKUN)

BY

NURLIYANA FATIN BT MOHD DON ALFIAN

A dissertation submitted in fulfilment of the requirement  
for the degree of Master of Human Sciences (Political  
Science)

Kulliyyah of Islamic Revealed Knowledge and  
Human Sciences  
International Islamic University  
Malaysia

JUNE 2011

## **ABSTRACT**

This study looks at the development of Bumiputera entrepreneurs through *Majlis Amanah Rakyat* (MARA) and *Tabung Ekonomi Usaha Niaga* (TEKUN); how these two government agencies have produced successful Bumiputera entrepreneurs. It looks at the programmes and activities conducted by MARA and TEKUN through the distribution of capital, knowledge and technology, strategic business premises, management competencies and marketing skills. A survey questionnaire is used where 50 copies are distributed to entrepreneurs to get their feedback on MARA's and TEKUN's performance. The study finds that the respondents badly need assistance from these government agencies in terms of capital, knowledge and technology, strategic business premises, management competencies and marketing skills. Without the existence of all the interrelated factors, it would be difficult for Bumiputera entrepreneurs to reach to the top level. Therefore, government agencies have to play a crucial role in ensuring that the Bumiputera would be equipped with all the existing interrelated factors mentioned above.

## خلاصة البحث

تسعى هذه الدراسة نحو الاطلاع على مدى تطوّر أداء التجّار المواطنين المحليين الذين يعملون تحت رعاية هيئتين حكوميتين وهما؛ هيئة أمانة راعيات والمعروفة اختصاراً بـ(MARA) والصندوق الاقتصادي للأعمال التجارية والمعروف اختصاراً بـ(TEKUN)، وكيف استطاعت هاتان الهيئتان أن تحوّلهم إلى تجّار أكفاء ناجحين. تقوم الدراسة بالنظر إلى البرامج والأنشطة التي نُظّمت من قبل الهيئتين، والتعرف على كيفية دعمهما وتوزيعهما لرؤوس الأموال، والمعلومات التجارية، والوسائل التكنولوجية، والمحلات التجارية الاستراتيجية، والمهارات الإدارية، ومهارات التسويق. وقد استُخدمت الاستبانات التي تمّ توزيعها على خمسين تاجراً للحصول على ردودهم وآراءهم تجاه دور هاتين الهيئتين، ومن خلال الاستجابات توصلت الدراسة إلى أن أولئك التجّار بحاجة إلى أقصى حدّ من المساعدة من هاتين الهيئتين الحكوميتين في كل النواحي سواء من ناحية رؤوس الأموال، أو المعلومات التجارية، أو الوسائل التكنولوجية، أو المحلات التجارية الاستراتيجية، أو المهارات الإدارية، أو مهارات التسويق، فبدون هذه العوامل المتشابكة سيصعب عليهم الوصول إلى قمة النجاح. لذلك يتوجب على كافة الهيئات والمؤسسات الحكومية المعنية القيام بدورها الريادي والحاسم لضمان نجاح المواطنين المحليين.

## APPROVAL PAGE

I certify that I have supervised and read this study and that in my opinion it conforms to acceptable standards of scholarly presentation and is fully adequate, in scope and quality, as a dissertation for the degree of Master of Human Sciences (Political Science).

.....  
Muhamad Fuzi Omar  
Supervisor

I certify that I have read this study and that in my opinion it conforms to acceptable standards of scholarly presentation and is fully adequate, in scope and quality, as a dissertation for the degree of Master of Human Sciences (Political Science).

.....  
Garoot Suleiman Eissa  
Examiner

This dissertation is submitted to the Department of Political Science and is accepted as fulfilment of the requirement for the degree of Master of Human Sciences (Political Science).

.....  
Tunku Mohar Tunku Mokhtar  
Head, Department of Political  
Science

This dissertation is submitted to the Kulliyah of Islamic Revealed Knowledge and Human Sciences and is accepted as fulfilment of the requirement for the degree of Master of Human Sciences (Political Science).

.....  
Badri Najib Zubir  
Dean,  
Kulliyah of Islamic Revealed  
Knowledge and Human Sciences

## DECLARATION

I hereby declare that this dissertation is the result of my own investigations, except where otherwise stated. I also declare that it has not been previously or concurrently submitted as a whole for any other degree at IIUM or other institutions.

Nurliyana Fatin Bt Mohd Don Alfian

Signature.....

Date.....

INTERNATIONAL ISLAMIC UNIVERSITY MALAYSIA

**DECLARATION OF COPYRIGHT AND  
AFFIRMATION OF FAIR USE OF UNPUBLISHED  
RESEARCH**

Copyright © 2011 by International Islamic University Malaysia. All rights reserved.

**DEVELOPING MALAY ENTREPRENEURSHIP IN MALAYSIA: THE  
ROLE OF MAJLIS AMANAH RAKYAT (MARA) AND TABUNG EKONOMI  
USAHA NIAGA (TEKUN)**

I hereby affirm that The International Islamic University Malaysia (IIUM) hold all rights in the copyright of this Work and henceforth any reproduction or use in any form or by means whatsoever is prohibited without the written consent of IIUM. No part of this unpublished research may be reproduced, stored in a retrieval system, or transmitted, in any form or by means, electronic, mechanical, photocopying, recording or otherwise without prior written permission of the copyright holder.

Affirmed by Nurliyana Fatin Bt Mohd Don Alfian

.....  
Signature

.....  
Date

*I dedicate this thesis to my precious family:*

*Mohd Don Alfian Bin Yacob (father), Bebee Bt Md Noor (mother), Mohd Danial Bin  
Mohd Don Alfian (brother), and Nuraqilah Fatin Bt Mohd Don Alfian (sister)*

*For the deepest prayer, love, concern, encouragement, and endless support*

## ACKNOWLEDGEMENTS

*Alhamdulillah* and thanks to my Creator the Almighty Allah (S.W.T) for the strength, patience and endurance bestowed upon me to complete this research. Peace and blessings be upon our beloved Prophet Muhammad (S.A.W.S), his family and his companions. Finally, this thesis is completed. Upon completing this research, I have gone through lots of trials and challenges. First and foremost, I would like to express my profound gratitude to my supervisor, Dr. Muhamad Fuzi Omar, for his guidance and support in writing this thesis and to the examiner, Assoc Prof Dr. Garoot Suleiman Eissa. I extend my gratitude to all my lecturers in the Department of Political Science: Prof. Dr. Abdul Rashid Moten, Prof. Dr. Elfatih A. Abdel Salam, Assoc. Prof. Dr. Ishtiaq Hossain, and Assoc. Prof. Dr. Wahabuddin Ra'ees for their concern and help in completing my thesis.

I would also like to extend my appreciation to Mrs Rooh, Director of MARA Entrepreneur Division, Mr Jafree, and Mrs Azatul Shiela from Entrepreneur Loan Division, Mr Azman Yusuff, TEKUN Senior Executive & Assistant Director of Research & Planning who has helped me in distributing the questionnaires, spending time and giving full cooperation during the survey and interview.

My personal and special appreciation to my father, Mohd Don Alfian Bin Yacob, mother Bebee Bt Md Noor, brother Mohd Danial Bin Mohd Don Alfian and my sister Nuraqilah Fatin Bt Mohd Don Alfian who never fail to be with me at anytime and any situation with full of love, support and tolerance.

To my friends; Maisarah Saniah, Azila Binti Ayob, Majidah Maruan, Noor Naim Bin Noor Affandi, Hakeem Onapojol and Zunnur'ain and to all my classmates and colleague for their support and encouragement throughout this period.

Special thanks go to Saihi for assisting me with SPSS, Prof. Dr. Elfatih A. AbdelSalam for Arabic translation, Mr. Muhammad Andrew Charles Bucksey and Mrs Looi for editing my work. Others who have contributed directly or indirectly to the completion of this research, I thank them for always being on my side, for their help and essential emotional and intellectual companionship that they have given so freely during my study at IIUM. Last but not least, to Mr Zakaria Ismail and office mates who have been always tolerant with my working time. Thanks a lot.

*Jazakumullah Khairan Kathiran.*



## TABLE OF CONTENTS

Abstract .....	ii
Arabic Abstract .....	iii
Approval Page.....	iv
Declaration .....	v
Copyright Page .....	vi
Dedication .....	vii
Acknowledgements.....	viii
Table of Contents .....	ix
List of Tables .....	xi
List of Figures .....	xii
List of Abbreviations .....	xiv
<b>CHAPTER ONE: BACKGROUND OF THE STUDY .....</b>	<b>1</b>
1.1 Statement of the Problem .....	1
1.2 Background and History .....	4
1.3 Justification of the Problem .....	8
1.4 Literature Review .....	10
1.5 Theoretical Framework .....	22
1.6 Methodology .....	26
1.7 Chapters Outline.....	27
<b>CHAPTER TWO: HISTORY OF MARA AND TEKUN.....</b>	<b>28</b>
2.1 Maljjs Amanah Rakyat.....	28
2.1.1 History of MARA Organization .....	28
2.1.2 MARA's Vision and Mission .....	31
2.2 The MARA Entrepreneur Sector .....	32
2.2.1 Division of the Entrepreneurs Sector.....	32
2.2.2 The Entrepreneur Development Programme .....	33
2.2.3 Business Financing Programme .....	35
2.2.4 The Business Infrastructure Development Programme.....	36
2.2.5 Credit Control .....	38
2.2.6 The Rural Transportation Programme .....	40
2.3 Entrepreneur's Sector Strategies .....	41
2.4 Types of MARA Entrepreneur Programmes .....	42
2.4.1 Entrepreneurship Training Development ( <i>Latihan</i> <i>Pembentukan Usahawan - LPU</i> ) .....	43
2.4.2 Consultancy Services.....	45
2.4.3 Production Facilities / Training Scheme.....	46
2.4.4 Entrepreneurs Technical Programmes (PUTEK) .....	47
2.4.5 The Bumiputera Incubator Factory (INTEP).....	48
2.4.6 Entrepreneurs Goods and Services Promotions.....	49
2.4.7 The Furniture Technology Centre (FITEC).....	50
2.5 Tabung Ekonomi Kumpulan Usaha Niaga (TEKUN) .....	51
2.5.1 History of the TEKUN Organization.....	51

2.6	The TEKUN Entrepreneur Sector .....	55
2.7	TEKUN Financing Schemes/Assistance .....	56
2.8	Types of TEKUN Entrepreneurs Programmes .....	57
2.8.1	TEKUN Nasional.....	57
2.8.2	TEKUN Terengganu.....	58
2.8.3	The MECD Special Fund.....	59
2.8.4	The Malacca Special Fund.....	59
2.8.5	Young Indians Entrepreneurs Development Schemes (SPUMI) 60	
2.9	Differences between the MARA and TEKUN Entrepreneurs Sectors .62	
2.10	Conclusion .....	63
<b>CHAPTER THREE: MARA AND TEKUN: ACHIEVEMENTS .....</b>		<b>64</b>
3.1	MARA Entrepreneurship Achievements .....	64
3.1.1	Programmes and Activities Achievements .....	69
3.1.2	Capital.....	70
3.1.3	Knowledge and Technology .....	73
3.1.4	Strategic Business Premises .....	75
3.1.5	Management Competencies.....	78
3.1.6	Marketing Skills.....	81
3.2	TEKUN Programmes Achievements .....	89
3.2.1	Capital ( <i>Dana</i> ) Distributions .....	94
3.2.2	Knowledge and Technology .....	99
3.2.3	Strategic Business Premises .....	100
3.2.4	Management Competencies.....	103
3.2.5	Marketing Skills.....	104
3.3	Conclusion .....	105
<b>CHAPTER FOUR: MARA AND TEKUN: PROBLEMS AND SOLUTIONS</b>		<b>109</b>
4.1	Introduction .....	109
4.2	Problems Faced by MARA in Dealing with the Bumiputera Entrepreneurs .....	111
4.3	Problems Faced by MARA Bumiputera Entrepreneurs.....	115
4.4	Suggested Solutions to Overcome the Problems Faced by MARA Entrepreneurs .....	118
4.5	Problems Faced by TEKUN in Dealing with the Bumiputera Entrepreneurs .....	121
4.6	Problems Faced by TEKUN Bumiputera Entrepreneurs .....	127
4.7	Suggested Solutions to Overcome the Problems Faced by TEKUN Entrepreneurs .....	129
4.8	Conclusion .....	133
<b>CHAPTER FIVE: CONCLUSION .....</b>		<b>135</b>
5.1	Introduction .....	135
5.2	Limitations of the Study.....	141
<b>BIBLIOGRAPHY .....</b>		<b>143</b>
<b>Appendix I .....</b>		<b>147</b>

## LIST OF TABLES

<u>Table No.</u>		<u>Page No.</u>
1.1	Malaysian Poverty Statistics, 1970-2007	5
2.1	Number of Programmes Implemented in the Year 2007 and 2008	35
2.3	Business Infrastructure Development Performance Indicator 2007 and 2008	38
2.4	Credit Control Performance Indicator 2007 and 2008	39
2.5	Rural Transportations Programme Performance Indicator 2007 and 2008	40
2.6	Differences between the MARA and TEKUN Entrepreneurs Sectors	62
3.1	MARA Loans Given to Bumiputera Entrepreneurs According to Sectors Based on Ninth Malaysian Plan	72
3.2	MARA Entrepreneurs Programmes and Activities Achievements 2006-2010	85
3.3	TEKUN Dana Allocations According to Programmes	93
3.4	Distribution 1 <sup>st</sup> Financial ( <i>dana</i> ), 2 <sup>nd</sup> Loan Recurrence and Overall of TEKUN Loans ( <i>dana</i> ) According to State	95
3.5	Number of Times TEKUN Loans ( <i>dana</i> ) Distributions	97
4.1	MARA Loans Given to Bumiputera Entrepreneurs under the Ninth Malaysian Plan	113
4.2	TEKUN Loans Given to Bumiputera Entrepreneurs	122
4.3	Factors of the Failure of TEKUN Entrepreneurs	126

## LIST OF FIGURES

<u>Figure No.</u>		<u>Page No.</u>
3.1	Entrepreneurs participation in MARA programmes or training (by percentage)	66
3.2	Level of satisfactions among the MARA entrepreneurs in the programmes and training provided (by percentage)	68
3.3	Respondents' source of financing (by percentage)	71
3.4	MARA respondents about having knowledge in using the latest technology (by percentage)	75
3.5	Respondents' business locations (by percentage)	76
3.6	Respondents' type of business premises (by percentage)	77
3.7	Respondents' business premises (by percentage)	77
3.8	Respondents' business networking (by percentage)	78
3.9	Respondents' business market and export (by percentage)	82
3.10	Entrepreneurs' participation in TEKUN programmes or training (by percentage)	90
3.11	Level of satisfaction among the TEKUN entrepreneurs in the programmes or training provided (by percentage)	92
3.12	TEKUN respondents about having knowledge in using the latest technology (by percentage)	100
3.13	Respondents' business locations (by percentage)	101
3.14	Respondents' type of business premises (by percentage)	101
3.15	Respondents' business premises (by percentage)	102
3.16	Respondents' business networking (by percentage)	103
3.17	Respondents' business market and export (by percentage)	104

4.1	Government assistance to the Bumiputera entrepreneurs (by percentage based on the respondent's questionnaire)	114
4.2	Problems faced by MARA entrepreneurs (by percentage based on respondent's questionnaire)	116
4.3	Suggestions or solutions by MARA entrepreneurs (by percentage based on respondent's questionnaire)	120
4.4	Government assistance to the Bumiputera entrepreneurs (by percentage based on the respondent's questionnaire)	125
4.5	Problems faced by TEKUN entrepreneurs (by percentage based on respondents' questionnaire)	128
4.6	Suggestions or solutions by TEKUN entrepreneurs (by percentage based on respondents' questionnaire)	132

## LIST OF ABBREVIATIONS

NEP	New Economic Policy
NDP	New Development Policy
NVP	National Vision Policy
BCIC	Bumiputera Commercial and Industrial Community
MECD	Ministry of Entrepreneur and Cooperative Development
MARA	<i>Majlis Amanah Rakyat</i>
IKM	<i>Institute Kemahiran Mara</i>
UniKL	<i>Universiti Kuala Lumpur</i>
IIUM	International Islamic University Malaysia
PNB	<i>Perbadanan Nasional Berhad</i>
PUNB	<i>Perbadanan Usahawan Nasional Berhad</i>
TEKUN	<i>Tabung Ekonomi Kumpulan Usaha Niaga</i>
SMIDEC	Small and Medium Industries Development Corporation
AIM	<i>Amanah Ikhtiar Malaysia</i>
SIRIM	Standards and Industrial Research Institute of Malaysia
MIDA	Industrial Development Authority
MARDI	Malaysian Agricultural and Research Development Institute
UMNO	United Malays National Organization
SMEs	Small medium entrepreneurs
SMIs	Small-medium scale industries
EDPs	Entrepreneurship Development Programmes
MEDEC	Malaysian Entrepreneurship Development Center
ETPs	Entrepreneurship Training Programmes
CCDSI	Coordinating Council for Development of Small-scale Industries
NPC	National Productivity Centre
MIDF	Malaysian Industrial Development Finance
CGC	Credit Guarantee Corporation
BPMB	<i>Bank Pembangunan Malaysia Berhad</i>
RIDA	Rural and Industrial Development Authority
MPI	Ministry of Prime Industries
UDA	Urban Development Authority
SEDCs	State Economic Development Corporations
PNS	Perbadanan Nasional Berhad
JPK	Jabatan Pembangunan Koperasi Malaysia
MKM	Maktab Kerjasama Malaysia
PUTEK	Technopreneurs programme
FITEC	Furniture industry technology centre
KBM	Kenderaan Bas MARA
MOU	Memorandum of understanding
BTICDP	Bumiputera Trade and Industrial Community Development Programme
AMIN	Agricultural and Investment Mission

# CHAPTER ONE

## BACKGROUND OF THE STUDY

### 1.1 STATEMENT OF THE PROBLEM

Entrepreneurship plays a significant role in economic and social development in Malaysia. It functions as the engine of economic growth that contributes to the rising standards of living and social development in the country, especially for the Bumiputeras. After Malaysia gained its independence in 1957, the Malaysian government placed special emphasis on the creation of entrepreneurs especially among the Bumiputeras. Indeed, no other government in the world has put such effort into the creation of entrepreneurs as the Malaysian government has. The Malaysian government introduced long term policies such as the New Economic Policy (NEP), the New Development Policy (NDP) and the National Vision Policy (NVP), particularly to produce the Bumiputera Commercial and Industrial Community (BCIC). This is part of the Malaysian government's policy to encourage more Bumiputeras to participate in commerce and become successful entrepreneurs.

Datuk Seri Abdullah Ahmad Badawi (Prime Minister of Malaysia 2003-2009), urged the Malays to strive hard in order to improve themselves in the business sector. He also mentioned that the Malay entrepreneurs should acquire good managerial and entrepreneurial skills so that they would be able to cope with risks.<sup>1</sup> He said that in order for the Bumiputeras to achieve 30 percent equity ownership, they will have to have strong human capital development to ensure the economic participation of the Bumiputeras.

---

<sup>1</sup> "Strive To Improve Business, Abdullah Tells Malay Entrepreneurs", *The Star*, 30 June, 2000, via BernamaBliss, <[http://bliss.bernama.com\\_DisplayFileServlet\\_path=50\\_143968.pdf](http://bliss.bernama.com_DisplayFileServlet_path=50_143968.pdf)>

The former minister in charge of the Ministry of Entrepreneur and Cooperative Development (MECD), Datuk Noh bin Haji Omar, mentioned that the Malaysian government will help and support the Bumiputera entrepreneurs to increase the quality of their domestic products and help them to promote their products internationally through the ‘Groom Big’ programme. The ‘Groom Big’ programme is aimed at producing more highly competitive Bumiputera entrepreneurs so that they could promote their products domestically and internationally.<sup>2</sup>

There are various entrepreneurship training and education programmes conducted by various government agencies, secondary schools, institutions of higher learning and private commercial organizations. Nowadays, entrepreneurship education has been widely introduced in secondary schools in Malaysia with the aim of exposing these young people to entrepreneurship education in such a way as to produce future entrepreneurs.<sup>3</sup> *Majlis Amanah Rakyat* (MARA) is one of the agencies that conduct entrepreneurship education programme with the aim of producing highly competitive and innovative Malay entrepreneurs. This can be seen from such higher institutions under MARA as the *Institute Kemahiran Mara* (IKM), *GiatMara*, and the *Universiti Kuala Lumpur* (UniKL) where in all these institutions the subject of entrepreneurship is included in their syllabus and has been made compulsory for the students. Moreover, at the higher education level, the International Islamic University Malaysia (IIUM) has established the IIUM Training and Entrepreneur Unit with the aim of

---

<sup>2</sup>“Program ‘Groom Big’ Bantu Usahawan Bumiputera”, *BERNAMA News*, 26 February, 2009, via BernamaBliss, <<http://bliss.bernama.com/DisplayFileServlet>>

<sup>3</sup> Nik Nor Hasimah Bt Nik Ismail, “Entrepreneurs and the Relevance of Entrepreneurship Education- A Case Study of Selected Bumiputera Entrepreneurs”, (Degree of Master of Management, M.A. Dissertation, Kuala Lumpur: International Islamic University Malaysia, 1997), 14-16.



exposing students to entrepreneurship modules on and off campus throughout the courses and also as an alternative career.<sup>4</sup>

The Malaysian government has given special attention on the entire issue of Malay entrepreneurship for the development and the creation of more Bumiputera entrepreneurs. Therefore, this study is undertaken to determine the role of government agencies that deal with the issue of entrepreneurship. The Malaysian government has put its trust in a few agencies to handle the issue of Bumiputera entrepreneurs. Among those agencies are: *Majlis Amanah Rakyat* (MARA), Bank Pembangunan, the Ministry of International Trade and Industry, the Malaysian Entrepreneurship Development Centre (MEDEC), *Perbadanan Nasional Berhad* (PNB), *Perbadanan Usahawan Nasional Berhad* (PUNB), *Tabung Ekonomi Kumpulan Usaha Niaga* (TEKUN), the Small and Medium Industries Development Corporation (SMIDEC), *Amanah Ikhtiar Malaysia* (AIM), the Standards and Industrial Research Institute of Malaysia (SIRIM), the Industrial Development Authority (MIDA), and the Malaysian Agricultural and Research Development Institute (MARDI).

However, this study does not focus on the roles of all of the above government agencies. The focus of this study is on the role of MARA and TEKUN in assisting the government in producing more Malay entrepreneurs in Malaysia. The creation of such agencies is aimed at producing, encouraging, guiding and assisting more skilled and professional Malays to participate actively in all economic sectors. By producing more Malay entrepreneurs, the Malays would not be left behind in all aspects of economic activity and this could eradicate poverty with the existence of new and advanced technology provided by the government sectors.

---

<sup>4</sup>“Convocation for Entrepreneurs”, *ECHOES Student Development Newspaper*, vol. 22, 2008, Student Division:International Islamic University Malaysia (IIUM).

In the light of the above, this study is expected to answer the following questions:

1. How are MARA and TEKUN involved in the process of developing efficient Malay entrepreneurs in Malaysia?
2. What programmes are provided by MARA and TEKUN in the production of efficient Malay entrepreneurs in Malaysia?
3. What are the achievements of MARA and TEKUN in producing efficient Malay entrepreneurs in Malaysia?
4. What are the problems and solutions encountered by these two agencies in the development of efficient Malay entrepreneurs in Malaysia?

## **1.2 BACKGROUND AND HISTORY**

Malaysia is a multi-ethnic, multilingual and multi-religious nation consisting of three major ethnic groups: the Malays, Chinese and Indians. The Malays in Peninsular Malaysia and the people native to Sabah and Sarawak are called the “Bumiputera” or the indigenous people (literarily “sons of the soil”). Malaysia is recognized to have achieved tremendous success in socio-economic development in the period of 51 years since its independence.<sup>5</sup> Since Malaysia is a multiethnic country, the Malaysian government emphasizes several conditions in its economic policies to provide for the fair distribution of income, to improve the quality of life, to change the economic structure, to increase employment opportunities and also to reduce poverty especially among the Malays and other indigenous peoples.

---

<sup>5</sup>Government of Malaysia, Government Report, “*Fourth Malaysian Plan, 1981-1985*” Policy Objectives and Framework, (Kuala Lumpur: Government Printers, 1981), 1.

In the first strategy, that is to ensure a fair distribution of income, the Malaysian government tries to reduce the poverty rate among the Malays and bring that sector of citizens into mainstream development. This is achieved through the NEP which is the first development plan implemented by the Malaysian government. The Malaysian government has successfully implemented its policies through which the political system maintains the balance and the relationships between the economic policies and ensures a balance in the development plans which promotes a united Malaysian nation. As the Malaysian government is governed by a Malay-based political party, the United Malays National Organization (UMNO), it has implemented an affirmative policy to encourage “Bumiputeraism” in business through the NEP.<sup>6</sup> In the 20<sup>th</sup> century, the Malaysian government introduced the National Vision 2020 with the aim that by the year 2020 Malaysia can be a united nation and an advanced society. As a consequence, the poverty rate decreased from 8.5% in the year 1999 to 3.6 in the year 2007.<sup>7</sup>

Table 1.1  
Malaysian Poverty Statistics, 1970-2007

	Year	1970	1975	1980	1985	1990	1995	1997	1999	2002	2004	2007
Incidence of poverty: <b>Overall</b>	0% of households	49.3	37.7	37.4	20.7	17.1	8.9	6.1	8.5	6.0	5.7	3.6
Incidence of poverty: <b>Rural</b>	0% of households	58.6	45.7	45.8	27.3	21.8	15.3	10.9	14.8	13.5	11.9	7.1
Incidence of poverty: <b>Urban</b>	0% of households	24.6	15.4	17.5	8.5	7.5	3.7	2.1	3.3	2.3	2.5	2.0

Source: Economic Planning Unit

<sup>6</sup>Shukor Omar, *The Malays Lost World with Emphasis on Entrepreneurship*, (Kuala Lumpur: Anzagain Sdn. Bhd, 2003), 35.

<sup>7</sup>Government of Malaysia, Government Report, “*Rancangan Malaysia Kesembilan, 2006-2010*”, (Kuala Lumpur: Government Printers, 2006),25.

Secondly, in order to improve the quality of life of the target population, the Malaysian government provides different facilities in the urban and rural areas according to the needs and demands of the people. The Malaysian government, including the trust agencies and government owned companies such as MARA and TEKUN take the initiative by providing transportation in the rural areas which is supplied by MARA. This is done to meet the targets and objectives of the BCIC programmes in order to stimulate economic growth.

Besides that, to effect a change in the economic structure, the government undertake continuous efforts in order to produce more successful Malay entrepreneurs as a means of poverty eradication. One of the major strategies undertaken by the government to eradicate poverty is to produce more quality Malay entrepreneurs through the introduction of the BCIC in order to upgrade the condition of the Malays and thus expand the prospects of business widely.<sup>8</sup> The thrust of the NEP is continued by the NDP in that it functions as an extension of the policies of the NEP with the specific aim of increasing the share of the Bumiputeras with the long term goal of about 30 percent share of the nation's equity ownership for the Bumiputeras. The BCIC is introduced specifically under the NDP.

The NEP and the NDP were designed to introduce policies that were to increase and to strengthen Bumiputera economic and business participation. Under the policies of the NDP, the Malaysian government emphasizes some of the major criteria in order to increase BCIC. The policies were intended to develop Bumiputera initiatives in private enterprise and among the Bumiputera private sector, to intensify the BCIC policies in the area of science and technology, to develop more Research and Development among the Bumiputera entrepreneurs and lastly to foster and

---

<sup>8</sup>Government of Malaysia, Government Report, "*Fourth Malaysian Plan, 1981-1985*"(Kuala Lumpur: Government Printers, 1981), 63.

encourage Bumiputeras to engage in healthy competition, efficiency, productivity and good management and business practices.

Encouraging Bumiputeras to engage in trade and business is reflected in the context of socio-economic engineering by the Malaysian government. The government's effort to generate more Bumiputera entrepreneurs are undertaken by a few major government agencies such as MARA and TEKUN whereby these two agencies help to provide loans and assistance in order to produce more competitive entrepreneurs, especially among the Malays.<sup>9</sup> These two government agencies also formulated programmes such as training, provided credit assistance and also technical assistance hence producing skilled and professional Malay entrepreneurs.<sup>10</sup> As a result of these efforts, the percentage of Malays engaging in all kinds of professional and technical categories increased from 10% in 1990 to 12.7% in 1995.<sup>11</sup> This is one of the aims for the achievements of Vision 2020 where the country is experiencing rapid rates of development and urbanization.

Lastly, in order to widen the employment opportunities for the target population, the government encourages the people to work in different sectors such as commerce, manufacturing, industry and technology. However, at the same time the Malaysian government would also like to produce more people who work in or start their own businesses. This is because the Malaysian government wants to further encourage and develop small medium entrepreneurs (SMEs) as part of the industrialization and economic growth programme towards the realization of the national strategic plan of Vision 2020. For example, in China, the Chinese government encourages its citizens to open up their own business. In such efforts to

---

<sup>9</sup>Ibid.,41,65.

<sup>10</sup>Ibid.,65.

<sup>11</sup>Government of Malaysia, Government Report, "*Rancangan Malaysia Ketujuh, 1996-2000*", (Kuala Lumpur: Government Printers, 1996), 83.

encourage more Chinese to start their own businesses, the Chinese government provides the entrepreneurs with an ‘enabling environment’ for small and medium-enterprises (SMEs). As China is emerging as a world economic super power, the Chinese government has put more emphasis on the role of the entrepreneurial activities in China’s economic growth.<sup>12</sup> As a result, China has produced many successful entrepreneurs.

Hence, based on these objectives to widen and to raise the Bumiputera economic standards in order to be at par with non-bumiputeras, this study would attempt to look at the role of MARA and TEKUN in widening job opportunities based on social and economic equality especially among Bumiputeras.

### **1.3 JUSTIFICATION OF THE PROBLEM**

This topic has been chosen for several reasons. Entrepreneurs play a significant role in society and contribute to the growth of the economy. Entrepreneurs have become one of the salient elements for the economic growth of a country. As a result of this, the Malaysian government has taken action in developing BCIC programmes, especially among the Malays, with the major aim to produce more skilled, successful and professional Malay entrepreneurs.

This topic is important to be studied because the researcher wants to look into the roles of the government agencies and their strategies to produce more successful Bumiputera entrepreneurs. The study focuses on the role of MARA and TEKUN as the main vehicles to produce Bumiputera entrepreneurs. The overall mission of MARA is to improve the socio-economic status of the Bumiputeras, in particular the

---

<sup>12</sup>*Entrepreneurship in China*,  
<[http://www.internationalentrepreneurship.com/resources\\_entrepreneur.asp](http://www.internationalentrepreneurship.com/resources_entrepreneur.asp)> (accessed 20 June, 2009).

Malays, with the main corporate objective to promote, train and to assist Malays and other Bumiputeras to participate actively in commerce, manufacturing and industry in order to create successful Malay entrepreneurs. Therefore, MARA is seen as the platform for the Bumiputeras to enhance their economic development especially in the small and medium-scale industries.

TEKUN also has the same objectives as MARA, that is, to produce more successful Bumiputera entrepreneurs. Its mission is to facilitate the growth and to provide financial aid and loans for the Bumiputera entrepreneurs in Malaysia. The establishment of TEKUN is in line with the government's aim in producing the BCIC. Thus, with the success as seen in the BCIC, TEKUN has succeeded in lifting up the Bumiputeras in the economic sector.

Thus, these two agencies are important to be studied in order for us to evaluate the training programmes and assistance provided by MARA and TEKUN. With all the guidance, training and financial assistance given to the Bumiputera entrepreneurs, MARA and TEKUN can produce more successful young and talented Malay entrepreneurs in line with the aim of the government to increase the participation of Malay entrepreneurs in the BCIC.

By studying this issue, it is hoped that the results of this study could help improve the quality of life among the Malays and help in generating stable incomes by producing more successful Malay entrepreneurs. At the same time the study will provide feedbacks on ways to improve further the BCIC in line with the government's National Vision Policy.

#### 1.4 LITERATURE REVIEW

The main constraint to producing Bumiputera entrepreneurs lies in the poverty issue which is not a new phenomenon in Malaysia. There are many works that have studied the role of the government agencies in producing Bumiputera entrepreneurs in Malaysia. The role of the government is very important in fostering the success of entrepreneurship in Malaysia. Entrepreneurs function as the main engine of economic growth that contributes to the raising of living standards and also the social development in a country. In explaining the entrepreneurship phenomenon, we can look at the various roles of the government agencies in enhancing the quality and living standards of the Bumiputeras and also in producing Malay entrepreneurs.

The study of Ragayah and Zulkifli on the roles of small-medium scale industries (SMIs) shows that, SMIs function as the main generator of entrepreneurs.<sup>13</sup> For entrepreneurs, SMIs are seen as income generators whereby they give employment opportunities to all. In Malaysia, the involvement of SMIs in value-added, employment and export sectors is still very low. After the 13 May 1969 racial riots, the NEP is introduced in which the government introduced various policies and programmes in such a way as to create the BCIC. To produce successful Bumiputera entrepreneurs, this requires sustained savings, knowledge, skills and experience. Unfortunately, most of the Bumiputera entrepreneurs in the small-medium scale industries are not able to utilize their full potential as they are subjected to failure. This is due to certain problems. First, it is due to the lack of capital. This is the most prevalent problem that is faced by Bumiputera entrepreneurs because they did not have sufficient financial resources or credit to start a business and thus ends up

---

<sup>13</sup>Ragayah Haji Mat Zin and Zulkifli Senteri, "Exploring Probable Factors Determining the Success of Bumiputera Entrepreneurs" vol. 14.no. 21, (1998): 31-58.  
<[http://www.emeraldinsight.com/Insight\\_ViewContentServlet\\_contentType=Article&Filename=\\_published\\_emeraldfulltextarticle\\_pdf\\_1240140103.pdf](http://www.emeraldinsight.com/Insight_ViewContentServlet_contentType=Article&Filename=_published_emeraldfulltextarticle_pdf_1240140103.pdf)>, (accessed 27 March, 2009).