

WEALTH CREATION

GLCs can do more to help Bumis

Affirmative action should be promoted with productivity growth, but measures must not limit the potential of non-Bumiputeras



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GOVERNMENT-LINKED companies (GLCs) have played a crucial role in the country's economic growth — creating wealth and supporting its development.

Petroleum Nasional Bhd, (Petrinas), Malaysia's pride in the oil and gas industry, is one such example. Since its inception in 1974, it has contributed RM403.3 billion to the economy, creating jobs and bringing the Malaysian brand to the global market.

The government's sovereign wealth fund, Khazanah Nasional Bhd, last year disclosed that investments by its subsidiaries Telekom Malaysia, Tenaga Nasional Bhd, Axiata and United Engineers Malaysia Bhd had done well despite facing challenges locally and internationally.

These companies continued to show impressive earnings, with "net worth adjusted rising from RM33.3 billion to RM115.6 billion by end of 2017, and realisable asset value expanded from RM50.9 billion to RM157.2 billion", read a report by Khazanah recently.

While the "works" carried out by GLCs were undeniably imperative in ensuring continuous national growth, analysts suggested that more could be done to optimise their role in the nation's development, particularly in bringing the Bumiputera economy to greater heights.

Economic analyst Associate Professor Dr Mohd Yusof Saari said the

role of GLCs should be maximised in creating and absorbing direct and indirect employment along supply chains.

"GLCs are created as an 'umbrella' to Bumiputera small- and medium-scale enterprises (SMEs). But they have mainly become competitors to SMEs and are less connected to them.

"Market access for Bumiputeras is limited. Therefore, strengthening and encouraging the growth of business linkages and clusters among Bumiputera enterprises, between the private sector and Bumiputera enterprises, and between GLCs and Bumiputera enterprises, is key.

"The focus areas should emphasise the growth linkages between SMEs and large enterprises," said Yusof, who is from Universiti Putra Malaysia's Faculty of Economics and Management.

Yusof, who is also head of Quantitative Methods for Policy Analysis Laboratory at UPM's Institute of Agricultural and Food Policy Studies, said while policies and strategies formulated in the five-year Malaysia plans were commendable, the implementation was not fully effective.

"Agencies and relevant stakeholders are not fully effective in as-



Effort should be focused on identifying and listing high-impact sectors with large Bumiputera concentration that can be assisted by relevant agencies. (Inset) Felda should have promoted economic diversification of its settlers to weather global challenges. FILE PIX

sisting the economy of the Bumiputera. There are many examples that can be observed recently.

"For example, Felda should have promoted economic diversification of its settlers 15 years ago. But this did not happen in the past and Felda settlers are now struggling to survive. The progress and achievement in creating the Bumiputera business community is too slow."

He said there were two reasons which could explain the slower progress in the Bumiputera economy.

"One of them is unbalanced policy targets. Planning income and corporate equity in Malaysia is made largely based on a production approach or supply-side approach.

"There is a clear disconnect between the supply-side and demand-side planning. Policies and strategies formulated in the 10th Malaysia Plan and 11th Malaysia Plan are less connected to the demand-side approach.

"In contrast, the Ninth Malaysia Plan adopted a 'growth with distribution' agenda with several distributional strategies linked to the demand-side interventions.

"Recent data showed the size of Bumiputera entrepreneurs is 40 per cent lower than non-Bumiputeras, while income generated from entrepreneurship activities by non-Bumiputeras is double that of Bumiputeras.

"This, in turn, leads to the dis-

parity ratio between Bumiputeras and non-Bumiputeras leverage income of Bumiputeras is 32 per cent lower than non-Bumiputeras.

"Differences in productivity, types of businesses or sectors (low-value added versus high-value added), access to market and technologies are among the factors that explain the outcome between Bumiputeras and non-Bumiputeras," said Yusof.

In this respect, he said the New Economic Policy had improved the income gap between ethnic groups.

In 1970, per capita income of Malays was the lowest among the three major ethnic groups, with per capita income of Chinese and Indians at 79 per cent and 41 per cent higher, respectively.

From 1970 to 1990 (NEP period), he said the income of the Malays had expanded 12 per cent and 35 per cent more than the income of the Chinese and Indians, respectively.

This, he said, implied that the structural economic transformation in the NEP period had significantly improved income growth of the poorest ethnic group.

"However, progress and achievement in reducing the income gap during the National Development Policy (NDP) (1991-2000) was lower than NEP.

"During NDP, the approach that the government had adopted towards income distribution was further liberalised, especially in policies relating to Malays.

"The support now came in the form of assistance to the Malays in competing with other ethnic groups, without making them rely too much on the government.

"This gives a signal that the success of NEP is mainly because of



government dependency.

"Once the government reduced the dependency, the progress of the Malays was slower. This implies that the NEP had failed to create a sustainable Malay business community."

Other measures, he said, included improvements in labour by reducing educational mismatch across occupations, implementing an integrated approach that linked labour to production sectors (linking demand-supply approach), revising and restructuring programmes in tertiary education with more industry involvement, as well as strengthening and encouraging the Bumiputeras to take up TVET education because the economy was opening more opportunities for semi-skilled occupations.

As for Bumiputera businesses, he said effort should be focused on identifying and listing high-impact sectors with large Bumiputera concentration, with relevant agencies and stakeholders giving priority to them.

'Aid programmes must be well planned, followed up to the end'

KUALA LUMPUR: The only way for communities to break out of the poverty cycle is through education.

"You will not be able to have a decent living without education. With poverty, it most of the time restricts one's access to education. Education is a way out of poverty," said Datuk Zainie Abdul Aucasa.

Zainie is no stranger to efforts to combat poverty. Having served in the Kota Kinabalu Rotary Club for the last 22 years, he was also its past district governor, and had been involved in various initiatives to tackle rural poverty in the state.

He said even with free education, some households simply could not afford to send their children to school due to other costs.

"This is where government facilities may be of help. Accessibility in the form of cheap transport and hostels is paramount in helping the poor children."

He said hardcore poverty remained a major problem in Sabah, especially among its rural communities despite the many initiatives carried out.

"I have been involved with the Rotary Club in Kota Kinabalu for the

last 23 years. Apart from the Rotary Club, I have also, through other organisations, been involved in assisting the needy, particularly those living in rural areas.

"My exposure or involvement is restricted to helping the rural folk, mostly Bumiputeras, in terms of clean water provision, basic education and uplifting their economic activities.

He said there should be consistent monitoring and assessment of the economic impact of all investments and programmes.

"Focus should also be given to rural development by paying specific attention to the development of a 'new' business model of agriculture and identifying SMEs that have potential to grow.

"There should be focus on Bumiputera involvement in not only the high-impact sectors, but also the sectors where concentration of Bumiputeras is large."

Yusof said affirmative action was still needed for the Bumiputeras because previous policies had been less than effective in improving their conditions.

"However, given the current economic environment, affirmative action should be promoted along with productivity growth, and ensuring that actions will enlarge the Bumiputeras' pie without limiting the potential of non-Bumiputeras and economic sectors."

"This happens not just in certain parts, but most areas in Sabah. We



The income potential of the hardcore poor in Sabah is limited by resources available and their means in harvesting those resources.



When we did the back-to-school programme for rural students in trying to identify who should benefit, we were shocked to discover that there were families earning less than RM500 per month.

DATUK ZAINIE ABDUL AUCASA
former Kota Kinabalu Rotary Club district governor

have, over the last two years, travelled to six or seven districts and have another 16 to go in assisting the students.

"We found that most of these people come from parents who are farmers, fishermen. They live day to day and hardly have anything to save. It's basically just a matter of survival for them.

"How can they be helped?"

"Nobody wants to remain poor. But looking at it, in most cases, whatever hard work these people had put in, come rain or shine, that is the most they will get from their land or from the river.

"So basically, if [the income] is limited by the resources available and by their means in harvesting those resources."

This, he said, was happening despite all kinds of aid extended to them by the government in terms of finance, facilities and

training. However, Zainie said the situation was not entirely hopeless.

"This is not to say that these programmes are not successful. Some of them [recipients] have managed to escape poverty thanks to these initiatives carried out by the government.

"However, statistics show that many remain below the poverty level. They are still earning RM500 monthly, limited by the scarcity of resources and facilities.

"While many of these government programmes look good on paper, some of them fall short of what is expected. Many are not properly drawn up and have failed in their execution."

He said this was caused by the fact that some programmes were not well-thought out, beyond the capability of the target group, lacked coordination among the relevant agencies in implementation, or were hastily implemented without care for the circumstances and the needs of the community.

"In some cases, projects and policies were launched in grand fashion but after that, the kampung folk were left to their own devices by those who were supposed to implement the policies.

"If we are to move forward, these policies need to be approached in a holistic manner, including the assessment of challenges, resource availability and continuous support to sustain the projects so that they can achieve their target."

Zainie expressed hope that the government's new Shared Prosperity Vision would mark a turning point in terms of tackling poverty.

"I believe that with concerted effort, these hopes will become reality."

"It is good as the intention is to have the nation's prosperity shared among the various beneficiaries, people from both rural areas and towns, different ethnic groups and backgrounds.

"But again, a policy is only good if it's well implemented, executed and sustained."

He said if there was a gap in the chain of planning, coordination and execution, no matter how good the policy appeared on paper, it was doomed to fail.

"I hope that, based on lessons from past experiences, the people driving this policy will wholeheartedly sustain and ensure that it ultimately achieves its goals."

Zainie said NGOs could play a key role to complement the government's efforts.

"From Rotary International to Rotary Clubs here in Sabah, we have been assisting the government in carrying out projects, including clean water supply, back-to-school programmes, refurbishment of hostels, and uplifting the economic wellbeing of communities.

"These are tangible aims and the efforts are producing results."

He said it was everyone's hope, including himself, to see the dream realised and for Malaysia to reach a stage "where no child would go to bed hungry, or go to school without breakfast, and no more families could not afford to send their kids to school."

"I believe that with concerted effort, these hopes will become reality."