ROLE OF GOVERNMENT IN RURAL MALAY FAMILY-BASED HERBAL ENTREPRENEURSHIP IN MALAYSIA

Kamal Chandra Paul
Institute for Social Science Studies, Universiti Putra Malaysia (UPM), Selangor, Malaysia
Email: pharmacistpaul@gmail.com

Turiman Suandi
Department of Professional Development and Continuing Education, Universiti Putra Malaysia, Malaysia
Email: tj@upm.edu.my

Bahaman Abu Samah
Department of Professional Development and Continuing Education, Universiti Putra Malaysia, Malaysia
Email: bas@upm.edu.my

Ismi Arif Ismail
Department of Professional Development and Continuing Education, Universiti Putra Malaysia, Malaysia
Email: ismi@upm.edu.my
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ABSTRACT: Previous studies found that inadequate support from the government may lead to many potential rural entrepreneurs having to face problems in being successful in their endeavors. The purpose of this study is to investigate government support provided to rural Malay herbal entrepreneurs. It is a qualitative exploratory research using the phenomenological method with eight rural Malay herbal entrepreneurs from five states of Malaysia. The results showed that the government’s full support in the monitoring system is the major factor influencing rural Malay herbal entrepreneurship development. On the other hand, the issue of failure was explored, in which the most crucial factors are the lack of government support in terms of finance, technical knowledge, human capital and its current herbal policy.

Keywords: herbal policy, rural entrepreneurship, qualitative phenomenological method, government support, Malaysia

INTRODUCTION

Rural entrepreneurship plays an important role in socio-economic development in Malaysia and it has become a dynamic field of research in the last two decades (Pato and Teixeira, 2013; Paul, Hamzah, Samah, Ismail & D'Silva, 2013). Some authors argue that it is possible to promote better economic and social development through entrepreneurial actions, which will benefit both individuals and the community as a whole (Duarte and Diniz, 2011). In fact, institutions and individuals would agree on the urgency of developing enterprises located in rural areas (Petrin and Gannon, 1997). Politicians find rural entrepreneurship to be a key strategy to prevent rural depopulation; farmers find it an instrument to increase farm earnings; women find it an employment possibility near their homes that provides some autonomy and independence; young people find it a job opportunity in their village. Despite the interest in rural entrepreneurship, little research has been reported in the context of local initiatives to contribute to rural development (Meccheri and Pelloni, 2006). The current research reports show that most of the research has been done in urban regions and that rural areas have been neglected (Akgun, Baycan-Levent, Nijkamp & Poot, 2010).

Malay herbal entrepreneurs are also part of the development of the country’s economy and quality of life. More than 80% of small and medium enterprises (SMEs) in Malaysia as well as in
other developed and developing countries change their economic growth and quality of life through entrepreneurship, including the USA, Germany, France, Korea, Japan, Taiwan, China and India (Pimenova and Vorst, 2004; Sievers and Vandenberg, 2007; McMullen, Bagby & Palich, 2008; Audretch, 2007; Shu, 2001). As a result, the development of rural entrepreneurship has been a key strategy of the government for all ethnic groups to help ensure equitable and balanced economic growth since NEP (National Economy Policy) was started in 1971, and it has been maintained as a key development area under the National Economy Model (NEM) from 2010 (Tuyon, Bujang & Jidwin, 2012). Therefore, the government has made a strategic long-term plan to develop entrepreneurship to enhance the quality of life and economic growth of the country. For this development, 15 ministries and 60 Government-Linked Companies (GLCs) are involved in different types of SME development. In 2011–2015, the government of Malaysia started a new strategy under the 10th Master Plan (MP), a program that focuses on upgrading holistic support for the development of entrepreneurship. The move is a big challenge to the government’s aspiration to become a high-income economy in the next few years (Yusoof and Yacoob, 2010).

The government’s support for entrepreneurs is divided into two types: Government Financial Assistance (GFA) and Government Business Development Support Unit (GBDSU). The GFA in Malaysia provides soft loans, equity financing, venture capital, tax incentives and so on. The Ministry of the Entrepreneur & Co-operative Development (MECD) and Ministry of Science, Technology and Innovation (MOSTI) are the main ministries to provide funds for entrepreneurs nationwide, while the GBDSU offers access to infrastructure, advisory services and information, market, technology and human capital as well as entrepreneurship development programs, which are also offered by different ministries and Government-Linked Companies (GLCs). Despite providing these facilities, until now Malay herbal entrepreneurs have lagged far behind compared to other ethnic groups like the Chinese and Indians (Hamidon, 2009).
Historically, Malaysia has been no stranger to the potential of herbal plants. There are about 2000 plants with medicinal value in villages all over the country. Until today, local herbal products have been seen largely as a cottage industry, lacking the proper scientific information and regulations to elevate them to a profitable business. The local herbal industry is growing rapidly and its yearly growth is 10–15%. Therefore, now the Malaysian herbal industry has been identified as one of the agriculture Entry Point Projects (EPPs) under the National Key Economic Areas (ANKEAs) in the Economic Transformation Program (ETP). According to Mastura, Norziani and Siti (2014), the local industry is still lacking in proper research and development. There is a growing trend of Malaysians moving from synthetic allopathic drugs to herbal cures (Nordin, Othman & Mat, 2008). At present the value of the domestic herbal market is RM7.97 billion (Kasim, 2007) and annual growth is 15–20%. Moreover, different researchers, scholars and academics believe that very soon the market value will reach RM10 billion. It is evident that the herbal industry has huge potential in the future, but until today very low numbers of rural Malay herbal entrepreneurs have been involved in its success. For this reason, government-assisted entrepreneurship development programs remain challenging.

The empirical evidence shows that the problems faced by rural Malay herbal entrepreneurs with regard to the implementation of government business support are, among others: (a) lack of communication among government and Government Link Company (GLC) service providers; (b) limited service usage; (c) lack of focus on this service; and (d) irresponsibility on the part of GLCs. Paul, Hamzah, Samah, Ismail & D’Silva (2014) and Shanmugam (1988) found that the results of these development schemes are a big gap in overlap, lack of communication and finally a limited budget. The results of other scholarly studies show that the accessibility of government support programs for rural Malay herbal entrepreneurship still promotes the development of herbal entrepreneurship in the country (Paul et al., 2014) and also that either the government’s existing programs and incentives are limited or they are not being effectively delivered to reduce the major development challenges faced by herbal entrepreneurs. On the other hand, currently the entrepreneurs state that the assistance programs offered by GLCs lack awareness of the existing programs.
Additionally, the herbal entrepreneurs continue to encounter a lack of access to financing from the banking system, mainly due to a lack of financial discipline, being unable to provide the required documents and a lack of entrepreneurial skills. Due to this, rural Malay herbal entrepreneurs are currently facing big problems in developing their entrepreneurship.

**LITERATURE REVIEW**

**Financial Assistance**

There is evidence in both developed and developing countries that micro-entrepreneurs are getting very limited financial support to develop their entrepreneurship (Berger and Udell, 1998; Beck and Demirguc-Kunt, 2006). Different banks and GLCs have been selected to approve loans to entrepreneurs, because bankers find it difficult to collect money from the borrowers at the end of the loan. As a result, most entrepreneurs rely on their personal savings and borrowing from relatives, friends and family members (Petersen and Rajan, 1994), but these funds can only support a certain level of entrepreneurship development; for further growth they need support from government and government-linked companies. For instance, Bangladeshi rural entrepreneurship was developed because of the support of the government and authorized agents such as Grameen Bank.

The government of Malaysia is providing huge financial support mainly for Malay entrepreneurship development, such as Amanah Ikhtiar Malaysia, Majlis Amanah Rakyat, SME Bank, Agro Bank and other government-linked companies. On the other hand, the government of Malaysia is also providing many entrepreneurship development programs such as introduce entrepreneurship development module to all universities, entrepreneurship development program focusing on small and rural entrepreneurs, provides entrepreneurship development program for SMEs, entrepreneurship development program focusing on energy, water and telecommunication sector for Bumiputera entrepreneurs, entrepreneurship development program focusing on farming business for main commodities, entrepreneurship development program focusing on budget hotel operation for
Bumiputera entrepreneurs, entrepreneurship development program focusing on biotechnology, entrepreneurship development program focusing on agriculture sector, entrepreneurship training and development program for development of Bumiputera entrepreneurs, which as shown in Table 1.

The introduction and literature review showed that the government of Malaysia is providing the necessary support, in particular for entrepreneurship in general, but so far no specific support has been given to Malay herbal entrepreneurs from any particular Ministry, although the federal government and MOSTI are in charge of this development project.

**Education, Technical Knowledge and Training**

Education, technical knowledge and training are involved in herbal entrepreneurship (Nordin et al., 2008; Paul et al., 2013). A lack of education, knowledge and finance is the main contributor to the slow growth rate of the economies of rural and urban regions. Education always increases human capital and it is very important for any rural entrepreneur to develop their entrepreneurship skills (Florida, 2002). Research scholars, economists and social scientists have mentioned that rural development depends on skilled people and knowledge of human capital, which is important for rural entrepreneurs in the development and sustainability of entrepreneurship (Malecki, 1997; Petrin and Gannon, 1997).

On the other hand, training is very important for any rural herbal entrepreneur in a developing country, as the education ratio is very low relative to urban regions. As a result, training in agricultural sectors may target the application of suitable technologies and methodologies (Lohmoller, 1990). In various ways it is also important for rural communities to diversify and develop other business sectors (Petrin, 1997).
Entrepreneurship Development Assistance

A large number of scholars, academics and researchers have found that entrepreneurship development is achieved through the proper guidance of government, GLC and NGO assistance. Sarder (1995) conducted a study of 161 small enterprises in Bangladesh and the researcher found from his study that entrepreneurs who are receiving support based on their needs, such as marketing, management education and training, technical requirements, extension and consultancy services, information and common facilities from the public and different agencies, experienced a significant increase in sales, employment and productivity. On the other hand, Yusuf (1995) mentioned that while many factors are involved in developing any category of entrepreneurship, a few of the key factors are good management, access to financing, personal qualities and satisfactory government support. From the above evidence, it seems that entrepreneurship development always needs the full support of the government and government-authorized agents, for either nascent or existing entrepreneurs (Shamsuddoha et al., 2009).

Government Policies and Entrepreneurial Activity

Government support policies are one of the key elements for entrepreneurship development. Government policy can influence the allocation of entrepreneurial activities and also entrepreneurship growth (Baumol, 1990; Bowen and De Clercq, 2008; Minniti, 2008). According to a recent Global Entrepreneurship Monitor (GEM) report, Thailand has strong entrepreneurship development activity in Asia (Reynolds, Bygrave, Autio & Hay, 2002). For example, Gray and Sanzogni (2004) found that the government is key to entrepreneurship development in Thailand because entrepreneurial activity is high (Sebora, Lee & Sukasame, 2009). Government policy influenced any new entrepreneurship venture (Grundsten, 2004). Therefore, at present global governments have approved increased budgets for entrepreneurs and are also offering different facilities like tax and innovation incentives (Gladwin and Kennelly, 1995). Thus, government policies and entrepreneurial activity play a positive role in the development of entrepreneurship.
This literature review has shown that up to today government support and researchers’ involvement have only been in the general categories of entrepreneurship and not in those that are technically related. This is a big research gap in terms of rural Malay herbal entrepreneurship development.

**METHODOLOGY**

The research methodology is one of the important elements that has to be considered in ensuring the success of a study. The purpose of this qualitative phenomenological study was to seek out personal experiences of rural herbal entrepreneurship development. The researcher selected eight rural Malay herbal entrepreneurs who had been involved in this business for at least seven years from five states of Peninsular Malaysia: namely, Kelantan, Kedah, Pahang, Perlis and Terengganu. According to Sander (1982), conducting qualitative research using a phenomenological approach does not necessarily require a large number of respondents for conducting in-depth interviews in order to keep the process effective. For this study, the researcher considered other qualitative research methods and approaches such as ethnography, grounded theory and case study, but the aim of phenomenology is to uncover phenomena through the exploration of experiences, which is more applicable to understanding the life experiences of rural Malay family-based herbal entrepreneurs (Priest, 2002). The data are gradually analyzed and the interviewing continued until the study reaches saturation (Creswell, 2005). For any type of qualitative research, validity and reliability depend on those conducting it checking their technique after analysis of the data or triangulation, at the same time enhancing the validity of the audit trail (Priest, 2002). Priest (2002), a qualitative researcher, suggested that for validity and reliability in phenomenological research there is a need to evaluate the result, acknowledge subjective judgments and obtain additional verification from respondents.

**RESULTS, DISCUSSIONS AND RECOMMENDATIONS**

The interview data were analyzed with a coding process at the beginning. All transcribed data were read in order to locate the relevant segments with identified categories and gradually code them. The relevant data with respective code in brackets were retyped and shown in bold. The differences
and similarities between codes were checked and finally categorized as to their similarities. In the final stages, analysis was carried out and then the researcher considered how this coded report helped to get answers from the data collected. The details of and information about the respondents are as follows.

(a) **Attitude and mindset**

Rural Malay family-based herbal entrepreneurs are over-dependent on the government. If the government provides them with the business assistance they need then they can develop. This is the cause of the lack of development of their entrepreneurship. Respondents R2, R3 and R4 also said that most of their monthly sales depend on government support for sales promotion in different areas of Peninsular Malaysia. They could not sell their products in supermarkets because of GMP licensing. Regarding the technical knowledge of Malay herbal entrepreneurs, the respondents agree that they lack technological skills and also have a lack of marketing knowledge. This is one of the main reasons behind their inability to develop the market in different supermarkets, drugstores and minimarkets.

(b) **Lack of competitiveness and sustainability**

Financial problems constitute the main problem for rural Malay family-based herbal entrepreneurs, in the opinion of all eight respondents. They said that Malays have limited resources to obtain funding, except from financial institutions and government support. Regarding the lack of finance, all the respondents provided their views through statement similar to this: “Malays can’t afford to set up their business in an industrial zone because it is so expensive. They are also facing challenges in following the government’s new GMP guidelines due to financial constraints.” In a nutshell, because of lack of capital and financial assistance, a lot of rural Malay herbal entrepreneurs are facing problems in sustaining their entrepreneurship.

(c) **Lack of entrepreneurial culture**

Respondents R2, R3, R5 and R8 said that Malays are always reluctant to take any business risk to open up their venture, despite the potentially higher returns and better prospects. Their view was strongly expressed: Malays will always go into business in familiar areas where it is easy to make money without any risks. On the other hand, the respondents agree that they are mostly an agriculture-oriented society. This is the main reason why they are less capable of developing their
entrepreneurship. However, other respondents do not agree that Malays are not historically business people.

\( (d) \) Lack of cooperation and networking

Respondents R2 and R3 said that due to lack of a social network among rural Malay family-based herbal entrepreneurs, they are less competitive compared to other ethnic groups. Respondents R1, R2, R3, R6 and R8 said that they do not like to work with friends, relatives and community peers or to share their knowledge with others. They remarked: “We are not interested in doing work together among our community people, even if we face financial and other related problems in running our business.”

\( (e) \) Entrepreneurial support and government policy

In terms of entrepreneurial support and government policy factors, respondents R2, R3, R4 and R6 said that the role of government policy in entrepreneurship development sometimes had negative rather than positive effects. They also said that due to the government’s role in the GMP guidelines, they could not follow their own plans. The government forced them to follow all the instructions for their entrepreneurship development. This is a critical problem they are facing, but until today it has been unknown to the government. Nevertheless, other respondents (R1, R5, R7 and R8) do not agree with these opinions.

The above discussion outlines the respondents’ responses on government policy and initiatives to promote rural Malay family-based herbal entrepreneurship in Malaysia. These policies and initiatives sometimes put the Malay entrepreneurs in a fix, instead of leading to the growth of their enterprises. The government’s plan for promoting Malay herbal entrepreneurship is not helping rural entrepreneurs in terms of developing their entrepreneurial sustainability, creativity and innovation. The profile of rural Malay family-based herbal entrepreneurs disclosed in Table 2.

\[ \text{Insert Table 2 about here} \]

The majority of rural Malay family-based herbal entrepreneurial companies are not as developed compared to those of other ethnic groups due to (1) strictly following GMP guidelines; (2)
the government’s current herbal-related rules and regulations for production; (3) a lack of technical knowledge; (4) the lack of a social network; (5) limited marketing knowledge of existing community customers; (6) financial constraints; (7) shortage of local raw materials; (8) unnecessary proliferation of ministries and GLC involvement without any constructive development guidelines; (9) government and GLC support for entrepreneurs who are not genuine; (10) a low level of education; (11) a lack of operational management; and finally (12) limited research, particularly in this field.

Based on the results of this study, the following recommendations are put forward to the Government of Malaysia for the further improvement of herbal entrepreneurship in Malaysia:

(1) Follow other countries in policies for developing herbal entrepreneurship, for instance China, India and Thailand.
(2) Evaluate existing herbal development support programs to see whether rural Malay herbal entrepreneurs are benefiting from them or not.
(3) Modify current herbal guidelines based on genuine herbal entrepreneurs’ need for entrepreneurship development.
(4) Establish a new herbal development unit under the Ministry of Health, Agriculture, Finance and Entrepreneurship and select a limited number of authorized government agents who are knowledgeable in this field.
(5) Set up a herbal development unit for rural Malay herbal entrepreneurs linked to the above ministries, and monitor the entrepreneurs’ activities from time to time. The herbal unit could be at Kelantan, Kedah or Trengganu, because more than 90% of Malays are located there.
(6) Based on these recommendations, if the Government immediately approves them for implementation then Malay herbal entrepreneurs can gradually reach the development stage and will contribute to the country’s economic growth and improve the quality of life.

Finally, the successful entrepreneurs would become global players like other ethnic groups. These recommendations are only applicable to rural Malay family-based herbal entrepreneurs for running their enterprises as micro-manufacturers in rural areas.
REFERENCES


<table>
<thead>
<tr>
<th>No. of program</th>
<th>Name of Ministry/Agencies</th>
<th>Name of entrepreneurship development program</th>
</tr>
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<tbody>
<tr>
<td>1</td>
<td>Ministry of Higher Education</td>
<td>Introduce Entrepreneurship Development Module to all Universities.</td>
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<td>2</td>
<td>Ministry of Rural and Regional Development</td>
<td>Entrepreneurship development program focusing on small and rural entrepreneurs.</td>
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<td>3</td>
<td>Ministry of International Trade and Industry</td>
<td>Provides Entrepreneurship Development Program for SMEs.</td>
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<td>6</td>
<td>Ministry of Tourism Malaysia</td>
<td>Entrepreneurship Development Program focusing on Budget Hotel Operation for Bumiputera Entrepreneurs.</td>
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<td>Ministry of Science, Technology &amp; Innovation (MOS TI)</td>
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<td>9</td>
<td>National Institute of Entrepreneurship (INSKEN)</td>
<td>Providing entrepreneurship training and development program for development of Bumiputera entrepreneurs.</td>
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Source: SME Annual report, Malaysia (2007)
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<th>No.</th>
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