

# Rural Small Entrepreneurs and SDSI Policy and in Malaysia ; How Malaysian Type of OVOP Functioned (DRAFT)

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## Introduction

The “One Village One Product” (OVOP) Movement, pioneered in Oita, Japan in the 1970s, is a relevant model to foster local-based industry, to develop distinctive regional products, and to revitalize local communities themselves. Today it is practiced not only in Japan, but throughout Asia, Africa, and other parts of the globe, and has been established as a key strategic approach for the development of rural areas in less developed nations. Recognizing the potential of OVOP to form part of a new scheme of economic cooperation for developing nations, the Government of Japan has been taking steps to formulate a transnational OVOP movement linked to the stimulation of foreign trade activity.<sup>i</sup> Activity surrounding the global spread of the OVOP movement is a fruitful source of insights into the reinvigoration of local economies losing their vitality facing rapid urbanization and centralization, and the formulation of unique policy scenarios for rural development in developing nations.

In Malaysia, the OVOP movement began in the 1990s under former Prime Minister Mahathir, and has now grown into a nationwide operation in the form of the *Satu Daerah Satu Industry (SDSI)* initiative. It was reflected the situation that Malaysia felt necessary to narrow the big economic gap and keep balance between the advanced urban region where enjoyed striking growth and the economically and socially stagnated rural areas. In this sense, the adoption of SDSI was motivated by government intention to promote more balanced and sustainable economic development targeted by Malaysia’s “Wawasan 2020” (Mission 2020) concept. <sup>ii</sup>

With these issues in mind, the author conducted the field research in 2008 to examine the SDSI policy – the Malaysian version of OVOP, and nature of rural entrepreneurship under the scheme.<sup>iii</sup> This paper represents a provisional summary of findings from this survey in Malaysia. The author has tried to analyze the several issues about SDSI and local entrepreneurs in the paper. These are: (1) the nature of the SDSI policy as envisaged by the Malaysian government; (2) the current state of the rural entrepreneurs targeted by the policy; (3) the perceptions of local residents and their attitudes towards SDSI schemes; and (4) the problems and issues of current Malaysian SDSI and its implication to other type of OVOP in the developing countries. The ultimate purpose is to identify the key issues and challenges surrounding the ‘OVOP

Movement' in Malaysia, and give suggestions to the similar challenges in other countries today.

Certainly the constraint of usable research resources, time and scale might bring shortcomings to the survey. Nevertheless, the findings could shed light some on the state of rural entrepreneurship, characteristics of SDSI, and the impact of the policy on local communities in Malaysia. The author sincerely wants the paper will be benefited for the people who are involved and interested in the OVOP Movement in the developing countries.

## 1. Profile of Malaysia's SDSI Policy

### 1-1 Outline and Structure of the SDSI Policy in Malaysia

The first OVOP-style movement addressing the issue of local industrial revitalization in Malaysia was the one called "*Satu Kampung Satu Produk: SKSP*" (One District One Industry) program launched in 1992 in then-Prime Minister Mahathir's home state of Kedah in the north of the country.

The prototype for SKSP, the original OVOP movement in Oita, had been advocated by former Governor of Oita Prefecture Morihiko Hiramatsu since the 1970s, and had become deeply rooted as a model for local industrial development in rural areas of Japan. Various profiles are shown in Hiramatsu's OVOP Movement, but in essence, it stimulates local residents to make aware of economic resources lying in their communities, to take continuous efforts in developing these potentials. And thereby, it expects to increase their economic values of product and service which are acceptable to the global marketplace. And ultimately it purposes to signify the process and endeavor which have raised self-esteem and self-improvement of people in the community, as well as fuels growth and development of the local area industries.<sup>iv</sup>

These scopes of the OVOP movement in Oita were appreciated by Malaysia government in 1990s under the leadership of Prime Minister Mahathir. The Malaysian version of the movement soon grew into a program for nurturing local industries in the northern state Kedah of Malaysia. That Malaysian initiative attracted the other local governments as well, including Terengganu, Johor and Pelak. Within Kedah itself, a hands-on training facility, the "Kedah-Oita Human Resource Development Center", was established to foster personnel to sustain the OVOP movement in the long term.

In 2002, ten years the launch of the OVOP movement in Kedah, the decision was taken to roll out a nationwide "One Village One Industry" initiative in Malaysia. This was formalized by the Cabinet in 2004 as the *Satu Daerah Satu Industri (SDSI)* Program. The Implementation Coordination Unit (ICU) of the Prime Minister's

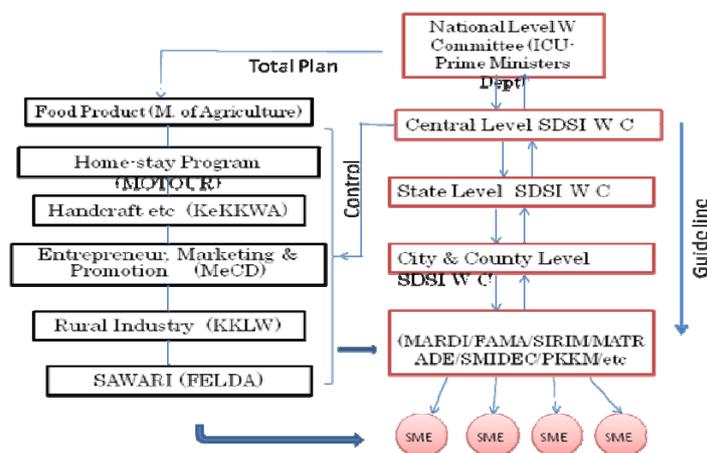
Department was assigned to bear responsible for its promotion and advancement. The SDSI Program was interpreted as an expansion of the earlier SKSP movement, and developed by reference to the nationwide OVOP-style program in Thailand known as One Tampong One Product (OTOP).

## 1-2 SDSI implementation and policy framework

In order to step forward SDSI to the practical stage, after 2004, the government instituted national and agency-level committee centered on the ICU of Prime Minister's Department, and set up the representative committees consist of other departments and agencies (National Committee, Agency-level Committees and Working Committees). The State Committees and District/Divisional Committees were also established at local level. These committees are charged with implementing the Programs, providing direction and guidance, and overseeing on-ground activities. This structure is summarized below. (Figure 1)

Responsibility for the Program is divided into many fields, including food products (Ministry of Agriculture\*MOA), tourism and homestays (Ministry of Tourism: MOTOUR), product development and marketing (Ministry of Entrepreneur & Co-operative Development), rural business advancement (Ministry of Rural & Regional Development: KKLW), and handcrafts (Ministry of Culture, Arts & Heritage: KeKKWA). All functional activities brought together under the purview of the ICU. Parallel to these national structures are the state-level committees that coordinate activities in the actual regions where SDSI is implemented. There is also clear delineation of how agents engaged in support at the implementation stage, such as the SME Bank and the Small and Medium Industries Development Corporation (SMIDEC), which are in charge to furnish assistance in practice. The figure below explains this administration system of SDSI.

Figure 1 Organizational Structure of Malaysian SDSI Policy



Source: ICU Material

For example, the Food Product Working Committee under the MOA is assigned the tasks of selecting products that would raise income for local residents, by dealing with overlap problems among products, and handling issues of quality control and environmental impact. The Entrepreneurship Development Working Committee, the purpose of which is to foster local entrepreneurs, is entrusted with the implementation of training programs and public information campaigns to impart the knowledge necessary for successful entrepreneurship, the provision of manufacturing technology and ICT know-how, and the delivery of supporting measures for business creation of potential rural entrepreneurs. MECD, a major player in SDSI, convenes the Marketing & Promotion Working Committee, which is responsible for commercialization and promotion of products, as well as organizing value-adding promotions, guidance and product exhibitions.

There are also many organs working to implement the Program closer to ground level. These include the Standards and Industrial Research Institute of Malaysia (SIRIM), which furnishes technical assistance and incubation functions; the SME Bank – provision of business capital; SMIDEC – organizing start-up support and seminars for small and medium enterprises; the Malaysia External Trade Development Corporation (MATRADE) – export promotion; and others.

Malaysian government has proposed the following five overarching objectives in the implementation of SDSI policy:<sup>v</sup>

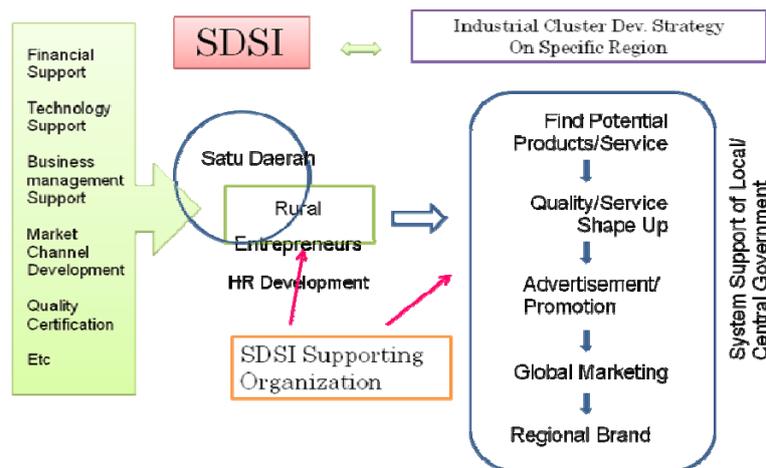
- (1) To develop one or two products/services which reflect the identity of the district and uniqueness of its products, with the purpose of increasing the income of the local community.
- (2) To focus on a business model orientation which is more sustainable and progressive with high value added chain.
- (3) To use a new concept based on the Cluster approach, by clustering all related activities within the area: this helps to enhance and improve the value of the products.
- (4) To identify products based on the availability of raw materials in the respective districts.
- (5) To create fixed income by producing one or two products/services commercially.

In summary, SDSI can be understood as an policy line which takes initiative to increase the availability of business opportunities for rural and regional residents who

have no business experience and a waning desire to engage in market-oriented economic activity, to extend their income sources to products and services within their own communities, and to foster a new class of ‘rural entrepreneurs’ among rural and regional dwellers whose engagement in economic activity has traditionally been passive rather than active.

In the framework, the residents of each “one region” (Satu Daerah) under SDSI can be expected to obtain governmental program supports through many administrative bodies. This comes in a variety of forms, including capital, technology, management and marketing, and it targets at product and service lines with high potential and oriented to the cultivation of local entrepreneurs. Organized policy direction and assistance is furnished so that these entrepreneurs can increase the commercial viability of their products and services through development and augmentation, to the point that they are competitive in global markets.

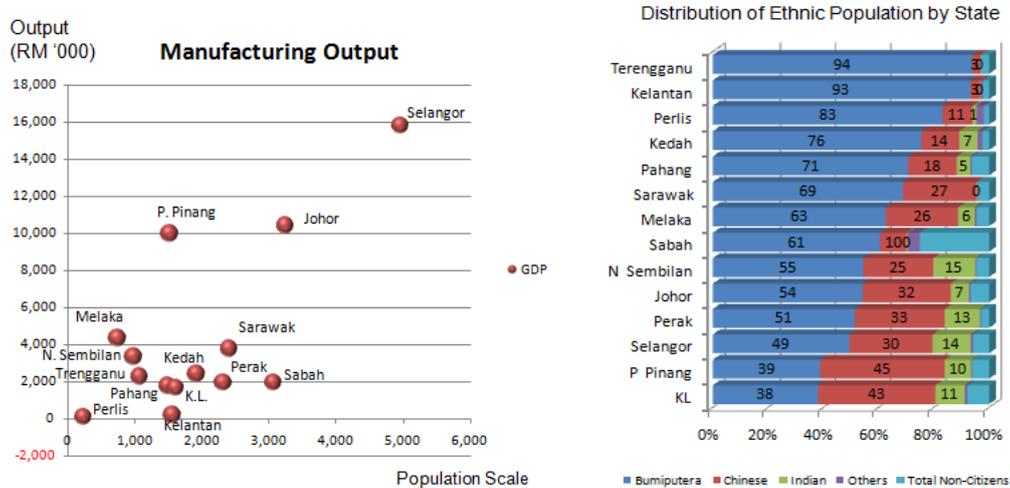
Figure 2 Strategy of SDSI in Malaysia



Source: Produced by the author with reference to ICU SDSI materials

There are thus many points of similarity with the OVOP movement in Oita. But at least the one point should be highlighted that Malaysia is the apparent location of SDSI, within the government’s Bumiputera policy, which is aimed at enhancing the economic status of ethnic Malays who account for the vast majority of rural dwellers in Malaysia. They could never expand their business activities effectively compared with ethnic Chinese in urban areas. The economic position of local rural residents and proportion of Malay people are shown in the figure.

Figure 3 Economic Position of State and Ethnic Proportion



Source: Bank Daerah Negeri –Daerah 2007 (Govt. Malaysia)

### 1-3 The SDSI Policy in practice

Having outlined the overall policy framework above, we now turn to examine actual activity under SDSI. The following lists show the scope and initiatives targeted under the SDSI policies.

#### SDSI Program Targets and Areas

- (1) Daily Product Manufacturing
  - Food products, beverage products, textile products, ceramic and metal products, utensils, etc
- (2) Handcraft and Traditional Arts Product Manufacturing
  - Wood carving, paper arts, textile craft, clay pot, etc
- (3) Tourism and Service Business
  - Home stay program, souvenir shop, etc
- (4) Agricultural Products
  - Fruit and vegetables, herbs, etc
- (5) Other Activities
  - Massage, transportation services, daily services, etc

Based on these indicative targets, the number of SDSI projects which have been advanced in the each State of Malaysia is described in the Table 1. That is, the registered SDSI entrepreneurs and firms under ICU in 2008 account for 3196, and recorded number of projects are 1037 as a whole.

Table 1 Number of Firms and Programs under the SDSI

Number of Participate Firms under the SDSI Policy in Malaysia							
	Food Product	Handcraft	Homestay	Healthcare	Service	TOTAL	
1 Perlis	21	2	13	3	-	39	
2 Kedah	88	42	159	9	3	301	
3 Pulau Pinang	11	8	203	3	-	225	
4 Perak	25	102	135	1	-	263	
5 Selangor	52	67	353	-	-	472	
6 N. Sembilan	33	34	138	3	-	208	
7 Melaka	44	27	134	-	-	205	
8 Johor	12	70	261	-	-	343	
9 Pahang	98	52	167	2	-	319	
10 Terengganu	16	113	91	1	11	232	
11 Kelantan	93	142	125	-	-	360	
12 Sabah	24	38	20	1	-	83	
13 Sarawak	13	35	49	-	-	97	
14 Labuan			49			49	
<b>Total</b>	<b>530</b>	<b>732</b>	<b>1897</b>	<b>23</b>	<b>14</b>	<b>3196</b>	

Source: Arranged by Author based on ICU SDSI materials

Number of Products/Programs identified as SDSI in Malaysia							
	Food Product	Handcraft	Homestay	Healthcare	Service	TOTAL	
1 Perlis	27	2	2	3	-	34	
2 Kedah	28	34	7	8	1	78	
3 Pulau Pinang	11	8	11	3	-	33	
4 Perak	18	78	9	1		106	
5 Selangor	51	18	18			87	
6 N. Sembilan	31	30	7	4		72	
7 Melaka	46	27	10			83	
8 Johor	7	18	26			51	
9 Pahang	99	31	12	2		144	
10 Terengganu	8	112	5	1	2	128	
11 Kelantan	39	48	6			93	
12 Sabah	22	31	21	1		86	
13 Sarawak	14	18	7			39	
14 Labuan			3			3	
<b>Total</b>	<b>401</b>	<b>455</b>	<b>144</b>	<b>23</b>	<b>3</b>	<b>1037</b>	

Source: Arranged by Author based on ICU SDSI materials

Note: Homestay and other Service Area are program umber registered.

From these data it can be seen that governmental organs are involved across a wide range of fields, and that an assortment of incentive programs are being undertaken in each state of Malaysia, illustrating the fact that SDSI is being advanced on a nationwide scale under ICU. We can't say that the above lists do not reveal exactly what the local firms are really achieving the original goal in practice, but they do underline how broadly extent of the government's commitment to SDSI. With over 500 registered enterprises each, food products and handcrafts stand paralleled as two of the major fields, but it is the area of homestays that accounts for the overwhelming share – over 1,800 enterprises. These proportions suggest that just as much attention is being given to advancement of local tourism as is to product development.

However, the major pillar of SDSI would be the commercial and product making fields by local residences. Then the number of food product firms account for 530, handcraft making firms are 732 in number, and the designated products number of both is 401 and 455 respectively. In the handcrafts, Perak, Kelantan, and Terengganu are strong, and in the food industries, Pahang, Kedah, and Melaka are prominent and have a lot of varieties and the firms involved in the field are also numerous. Sabah and Sarawak are

famous and excel in traditional handcraft making.

#### 1-4 SDSI Promotional Goods and Programs in the case of Melaka and Kelantan

The each State has a promotional scheme for their own, but the real nomination of the specific products and services to be targeted are executed by the unit of Daerah/District in the State. That is why it is called as “Satu Daerah Satu Industri” in a sense.

In the case of Melaka, the four Daerah selected major products as their intensive supporting business. For example, in the Alor Gajah has promoted the rattan weavings and its basket, copper products, batik in the handcraft, and traditional Malay cake “Kuih Selayang”, seasoning “Kurma” and “Kekio”, processed rice cookie “Tapai”. The Jasing District has nominated the decorated sandals, traditional Malay hats, frozen food “Roti Boom”, confectionary “Kerpok Lekor”, “Kuih Bankit, habited local food “Inang-Inang”, herb product and others.

The Kota Baharu District in the northern peninsula State Kelantan, batik, silver ware, health food “Halia Mas Cotek” were famous, and Bachok had the bamboo handcrafts, health drink using Rosella, traditional food “Kerepek Sagu”, “Sagon”, “Bepang”, fish processed products “Serding Ikan” and others.

To some extent, these promotional products are well known from the beginning as unique local commercial goods across the country. There are many local residents to be involved in the manufacturing and commercial activities of these products, and they have formed the collective producing and trading area for the products even the scale is so small. One of the goals of SDSI policy seems to reactivate these producing areas through cultivating potential field, renovating products, globally commercializing them, to lead for creation of the Regional Brand.

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Table 2 SDSI Promotional Product by District (Daerah) in Malaysia  
: Melaka and Kelantan

	State	Daerah (District)	Handcraft	Food & Beverage
	Melaka	Alor Gajah	Rattan Weavery & Baskets, Copper Handcraft (Pewter), Batik,	Traditional Confectionary (Kuih Selayang), Seasoning (Kurma, Kelio, etc), Dipping Sauce (Kuih Udang Alor Gajah), Rice Cookie (Tapai), Honey
		Jasin	Beads Handcraft, Beaded Shoes, Traditional Malay Hat,	Frozen Food (Roti Boom, Char Kuih), Mini Cracker (Keropok Lekor), Traditional Confectionary (Kuih Bangkit, Maruku, Kacang, Suji, Sagu Bakar), Traditional Food (Inang-Inang), Yogurt, Herbal Juice
		Kandang		Glutinous rice Balls
		Melaka Tengah	Sandal, Rattan Handcraft	Glutinous Rice Ball (Dodor) Traditional Sauce Vinegar (Cili, Tiram, etc), Manggo Juice, Honey Product (Membekal), Fried Spicy Fish Cake (Otak-Otak), Traditional Tea (The Misal Kucing)
	Kelantan	Kota Baharu	Batik, Silver Ware, Metal Ware,	Health Product (Halia Mas Cotek),
		Pasir Mas	Rattan Craft,	
		Tanah Merah	Rubber Tree Leaves Crafts,	
		Tumpat	Bamboo Craft	Health Juice (Jus Noni, Cenkudu), Anchovies Sauce, Traditional Food (Budu, Krispi Bilis)
		Bachok		Rosella Juice (Rosella, Halwa), Traditional Food (Kerepek Sagu, Sagon, Nise, Bepang), Fish Product (Sardin Ikan, Seruding Ikan)
		Kuala Krai	Pottery Product	Traditional Cracker (Maruku, Kerepek Ubi, Popia)
		Machang		Traditional Sauce (Pencicah, Perencah Tandoori, Rojak Buah)
		Pasir Putih	Screw-Pine Craft	
		Gua Musang		Health Product (Misai Kucing), Fruit Juice
		Tendong Pasir Mas	Metal Craft	
Jeli		Fermented Fish (Ikan Pekasam), Cili Sauce (Pencicah, Sos Tomato Cap Lada)		

Source: material at OVOP International Seminar 2008 at MITC-Melaka, Nov. 2008)

## 1-5 The Example of SDSI Programs to be implemented

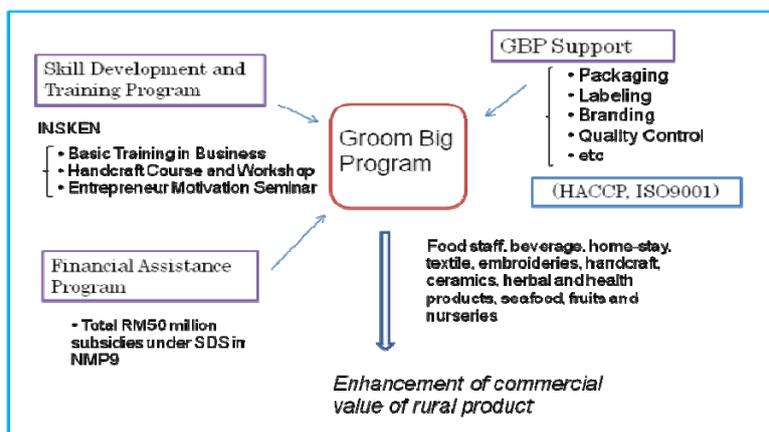
The paragraphs below introduce two programs that are being advanced by MECD, the Ministry of Entrepreneur and Co-operative Development: the Groom Big Program and the Women Franchise Program in the case..

### (1) Groom Big Program

As well as seeking to improve the quality of goods themselves, this product development program is oriented to broader market preparation issues, including packaging, labeling, brand development and other value enhancement strategies. It addresses the process from production through to market presentation. The aims are to raise the reliability of goods produced in rural communities under SDSI, and to build these goods into more visibly identifiable products. To this end, government support is provided for the development of production skills, training, and cultivation of entrepreneurial spirit. The National Entrepreneurship Institute or INSKEN, a MECD subordinate body, organizes workshops and seminars for program participants, as well as conducting promotional campaigns. The national government has allocated 50

million ringgit for these initiatives under the 9th Malaysia Development Plan. The expectation is that activity under the Groom Big Program will lead not only to domestic sales but to new export markets outside Malaysia. This scheme is outlined below.

Figure 4 Outline of the Groom Big Program



Source: Author based on MFCD materials

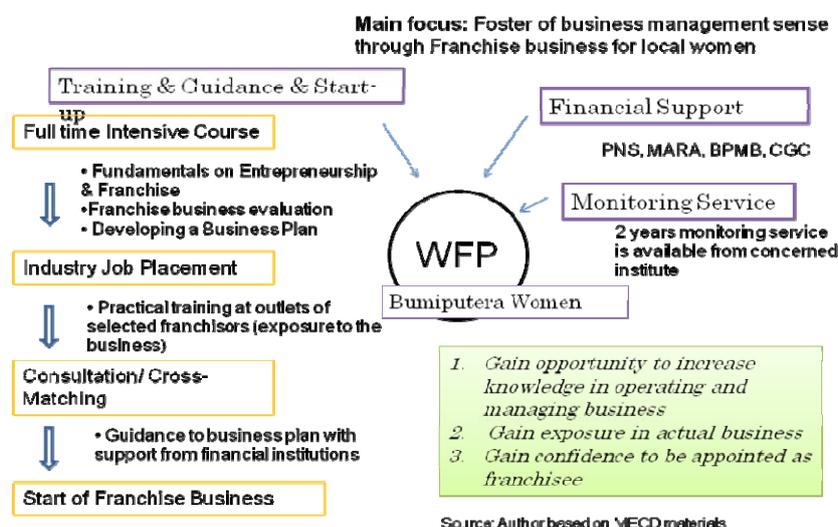
## (2) Women Franchise Programme (WFP)

This is an initiative for advancing the economic involvement of women in rural areas, particularly Bumiputera. By employing a franchise scheme, it seeks to endow these women with expertise in the production of goods and know-how for commercialization. The involvement of local women provided an important stimulus to the OVOP movement in Oita prefecture. Likewise, the Women Franchise Programme (WFP) prepared a similar framework for the application of women's power to the industrial advancement and enterprise creation in Malaysia.

The aim is to provide rural women with expanded knowledge and practical exposure to business through a series of training and sharing experiences among them. Actual involvement in business and experience of business operations enables the women to gain greater awareness of their roles as suppliers, develop new approaches to customer relationships, and acquire other expertise necessary for conducting a successful business. The novelty of WFP lies in its use of a franchise system. In practice, participants complete a three-stage business training program, consisting of a full-time course of one week in duration, four weeks of experience in a workplace such as a retail outlet, and one week of business guidance from a counselor. Those completing the program are encouraged to launch their own businesses using PNS, MARA, BPMB etc.<sup>vi</sup> and are monitored for a period of two years subsequently.

This scheme is summarized in the figure below.

Figure 5 Women Franchise Program (WFP)



### (3) The “Showcase” product exhibition: a major SDSI initiative

One of the principal pillars of SDSI activity is the series of exhibitions of products from each locality, coordinated by MECD. The exhibitions bring together SDSI products from all over the country, providing an opportunity to test how products are appraised and assessed through the eyes of customers and attendees. Another purpose is to provide opportunities for exhibitors to compare their products to others, thereby equipping them with new knowledge and awareness of differentiating factors, and encouraging them to pursue improvements in product quality and packaging, sales methods, and exhibiting techniques. The exhibitions appear to have been planned with reference to other large-scale exhibitions that have been launched in recent years, such as OTOP Village in Thailand, and the OVOP product fairs held in various locations around Asia.

The core initiative is the national-level “Showcase” at MITC (Melaka International Trade Centre) which was first held in 2007 in Melaka, in association with the “*One Village One Product International Seminar in Malaysia*” in May of the same year. This first Showcase was a major national event, attended by then Deputy Prime Minister Najib. <sup>vii</sup>

Showcase is now becoming established as an annual event. It was once again held at MITC in 2008 to nationwide acclaim, and is complemented by local SDSI Showcase events held at provincial level throughout the country. For example, a large-scale SDSI exhibition was held in Kota Kinabalu in the state of Sabah in June 2009, under the initiative of that state’s government. The exhibition displayed a variety of local products and attracted a large number of visitors: <sup>viii</sup>

In addition, a number of representatives of SDSI were sent to participate in the variety of exhibition and “OVOP Seminars” held in Japan (Oita in Oct 2006) and China (in September 2008), with Malaysian SDSI products exhibited widely as part of an active program of promotional activities targeting export markets.<sup>ix</sup>

With its nationwide reach and status as the visual focus of SDSI, Showcase is garnering the attention of rural small and medium business operators across Malaysia.<sup>x</sup>

## **2. The Questionnaire Survey of SDSI Entrepreneurs: Actual Conditions and Assessments of the Program**

The first part of this paper reviewed the history of SDSI as a program and movement in Malaysia, and discussed its aims and distinguishing features. In this second part, attention is focused on the rural entrepreneurs themselves – small and medium business operators targeted by SDSI. Data from a field survey conducted in 2008 has analyzed to identify the types of business activity being pursued, attitudes to business, and perspectives on the SDSI Policy itself.

As mentioned earlier, in 2007 MECD launched a national-scale “SDSI Showcase” exhibition at the Malacca International Trade Center or MITC, a facility that opened in 2007 on the outskirts of Malacca city, a well-known tourist destination. The exhibition held in November 2008 was even more extensive than the previous year, featuring a total of 356 organizations and companies, including businesses participating in the SDSI movement, individuals, co-operatives, governmental agencies, and representatives from the mass media. The author and his research team used this Showcase event to conduct a questionnaire survey of rural entrepreneurs operating under SDSI. The sections below use responses to this questionnaire to the SDSI participants.

### **1. Profile of small/medium entrepreneurs participating in SDSI Showcase**

#### **(1) Types of participants**

Firstly, it is important to examine the geographical distribution and business types of participants targeted for this survey. **Table 2-1** is a state-by-state breakdown of the numbers of small/medium business entrepreneurs participating in 2008 SDSI Showcase at MITC, and those actually responding to the questionnaire. Overall, there is an even spread of participants from all parts of Malaysia.

As shown in the table, responses were obtained from 207 out of the 356 entrepreneurs attending the exhibition. Out of this total of 356 participants, 250 participated of their

own accord, while 107 participated through a government agency. The state of Kelantan had the highest number of participants overall, 40, followed by the host state Malacca with 39. Among respondents to the questionnaire, Malacca was best represented with 28 respondents, followed by Selangor with 19, Negeri Sembilan with 18, and Sabah, East Malaysia with 17 out of its total of 29 participants at the exhibition.

Table 3 Participating SDSI Entrepreneurs and Number of Respondents

Code	Name of States	Participants	(frm States)	(frm Agent)	No. Respond	(%)
1	Johor	20	13	7	17	8.2%
2	Melaka	39	26	13	28	13.5%
3	Negeri Sembilan	36	30	6	18	8.7%
4	Selangor	25	16	9	19	9.2%
5	Pahang	29	17	12	15	7.2%
6	Perak	31	24	7	15	7.2%
7	Kedah	18	13	5	15	7.2%
8	Terengganu	22	14	8	16	7.7%
9	Kelantan	40	26	14	9	4.3%
10	Perlis	21	18	3	14	6.8%
11	Pulau Pinang	13	9	4	6	2.9%
12	Sabah	29	22	7	17	8.2%
13	Sarawak	25	22	3	12	5.8%
14	Kuala Lumpur (Unknown)	9	0	9	5	2.4%
	All States	357	250	107	207	100%

Source: "Showcase Satu Daerah Satu Industri 2008, Direktori Pemamer (7-9 Nov 2008 at MITC, Malaysia)

## (2) Backgrounds of business operators responding to the questionnaire

Respondents were asked various questions regarding their backgrounds, including origin, age, and level of education. These data appear in **Table 4**.

There was an exact gender balance among respondents, with 103 men and 103 women (plus one unspecified). This proportion of women is manifestly higher than that in small and medium enterprises generally, and illustrates the ample extent of female participation in SDSI. The involvement of women is particularly marked in the field of handcrafts (where they outnumber men 32 to 22); conversely, male participation is high in the area of wood and furniture.

By ethnic origin, the huge majority is Bumiputera – 200 respondents as against just 6 non-Bumiputera. In light of the fact that almost all respondents hail from rural and small urban areas around the country, and the fact that they were prompted to participate by the promotional efforts of MECD and/or other government agencies supporting rural enterprise, this predominance of Bumiputera participants is an predictable outcome. When viewed by enterprise type, it is clear that Bumiputera participation is overwhelming in the fields of food/agriculture and handcrafts, while a slight rise in non-Bumiputera participation is noticeable in the service industry field.

24% of respondents are under 30 years of age and another 29% are in their 30s, meaning that the under-40 age range accounts for almost 60% of the total. The fact that just 9% are over 50 years of age underlines the tendency for more entrepreneurs to be relatively young. Respondents working in the field of handcrafts are relatively young overall, with a large proportion under the age of 30, suggesting that this field is characterized by its high participation of younger women.

In terms of educational background, the majority (just over 50%) has completed secondary education, but there are also many with relatively high levels of educational attainment – 20% with tertiary-level diplomas and 17% with full degrees. The proportion of respondents who completed primary school only is just 7%. The distinguishing feature of these data when viewed by field of activity is that educational levels in the wood/furniture and service industries are relatively high in comparison with those in food/agriculture and handcrafts. As a general observation, however, the level of educational attainment among SDSI entrepreneurs is higher than that observed in other Southeast Asian countries.

Table 4 Background of SDSI Entrepreneurs

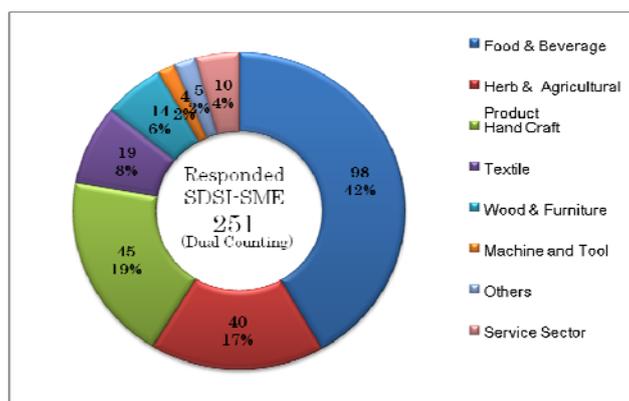
	Food & Agro		Handcraft		Wood & Furniture		Service		TOTAL	
<b>(Ownership)</b>										
Bumiputra	125	99%	53	98%	13	100%	9	64%	200	97%
Non-Bumiputra	1	1%	1	2%	0	0%	4	29%	6	3%
Others	0	0%	0	0%	0	0%	0	0%	0	0%
No Answer	0	0%	0	0%	0	0%	1	7%	1	0%
	126	100%	54	100%	13	100%	14	100%	207	100%
<b>(Range of Age)</b>										
< 30 years old	24	19%	19	35%	3	23%	6	43%	52	25%
30-40 years old	54	43%	18	33%	5	38%	4	29%	81	39%
41-50 years old	14	11%	9	17%	1	8%	1	7%	25	12%
> 50 years old	16	13%	1	2%	1	8%	0	0%	18	9%
No Answer	18	14%	7	13%	3	23%	3	21%	31	15%
	126	100%	54	100%	13	100%	14	100%	207	100%
<b>(Education Background)</b>										
Primary School	8	6%	4	7%	1	8%	1	7%	14	7%
Secondary School	66	52%	32	59%	5	38%	4	29%	107	52%
Diploma	27	21%	9	17%	3	23%	2	14%	41	20%
Degree and above	21	17%	5	9%	4	31%	6	43%	36	17%
No Answer	4	3%	4	7%	0	0%	1	7%	9	4%
	126	100%	54	100%	13	100%	14	100%	207	100%
Source: Data processed of SDSI Questionnaire Survey 2008										

The above outline of SDSI entrepreneurs, based on questionnaire data, suggests that although there is some discrepancy between different industries, an average entrepreneur sample can be profiled as follows: overwhelmingly Bumiputera ethnicity; equal balance between the genders; aged below 40; completed secondary education.

### (3) Business field

Next we turn to examine what the questionnaire data reveals regarding the field and scale of SDSI enterprises. Firstly, the figure below illustrates the makeup of the respondent group by business field.

Figure 6 Business Field of Targeted SDSI Firms



Note: Firms engaged in two or more business fields were counted multiple times.

Source: Data processed from SDSI Questionnaire Survey 2008

Among the 207 respondents to the questionnaire, several offered multiple responses to the question regarding business field – thus the total number of firms by business field is 251. The field involving the largest number of firms – 98 or just over 40% of the total – is food & beverage. There are 40 firms (17%) operating in the herb & agricultural sector, making for a combined total of 60% in agriculture and food-related fields. (Many of the 90 firms with food-related operations also responded that they were manufacturing agriculture-related products – almost all are engaged in the processing of agricultural goods.) Handcrafts are also an important field, making up 17% of the total with 45 respondents. Wood & furniture accounts for 8% and textiles 6%. Others, even when machine & tool and service fields are included, only constitute a small minority.

This breakdown of firms by field of business is thought to provide a useful overview of SDSI-related enterprise in Malaysia as a whole. Many small-scale businesses in Malaysia are likely to be engaged in service industries including retail; the above findings, however, suggest that businesses targeted by SDSI are engaged chiefly in fields already well established in rural communities, such as agricultural goods and handcrafts. Together with the data on ethnic background presented earlier, this underlines SDSI's status as a program oriented primarily to the support of ethnic Malay residents of rural areas.

#### (4) Scale: employment and capital

The questionnaire also obtained data on the size of operations and extent of available business capital. These data are presented in **Table 5** below.

84 respondents, around 40%, indicated that their firms fall into the micro-business category, with five or less employees. When firms with 6-10 employees are added to this group the proportion grows to 66%, and a total of 81.6% have 20 employees or less. The number of firms with over 100 employees is very small –just over 2% of the total.

**Table 5** Scale of SDSI Firms

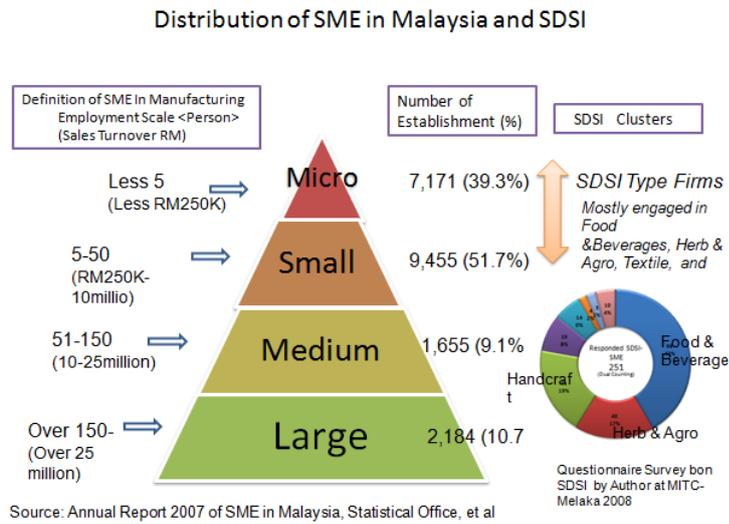
Employment			Capital			Annual Sales		
Employment Scale (Person)	Number of Firms	(%)	Capital Scale (1000RM)	Number of Firms	(%)	Sales Scale (1000RM)	Number of Firms	(%)
<5	84	40.6%	<10	67	32.4%	<10	24	11.6%
6-10	52	25.1%	11-50	48	23.2%	11-50	61	29.5%
11-20	33	15.9%	51-100	27	13.0%	51-100	34	16.4%
21-50	25	12.1%	101-200	17	8.2%	101-200	26	12.6%
51-100	4	1.9%	201-500	10	4.8%	201-500	16	7.7%
>100	5	2.4%	>501	19	9.2%	501-1000	9	4.3%
						>1000	17	8.2%
No answer	4	1.9%	No answer	19	9.2%	No Answer	20	9.7%
	207	100.0%		207	100.0%		207	100.0%

Source: Data processed from the SDSI Questionnaire Survey 2008

In terms of annual sales, 24 firms (12%) have a turnover of 10,000 ringgit or less, and 61 (30%) have 50,000 or less. The combined figure for firms in the 50-100 thousand and 101-200 thousand ranges is 60 (28%); “micro” firms under the definition given above thus account for 70% of the total. In addition, the level of capital available to these firms is low.

More than 100 firms, 55% of the total, began their business with capital of 50,000 ringgit or less. The sources of this capital will be discussed below; at this stage, it can be observed that SDSI firms are choosing their focus products and services and launching their businesses on the basis of extremely limited capital. At the same time as demonstrating the ease with which new enterprises can be started up, this suggests a lack of business stability. Just 9% of respondents have access to capital of more than 500,000 ringgit, and even those with more than 200,000 ringgit represent only 15% of the total. The position of SDSI small firms under the whole SME structure are indicated in the figure 7.

Figure 3 Distribution of SME in Malaysia and SDSI



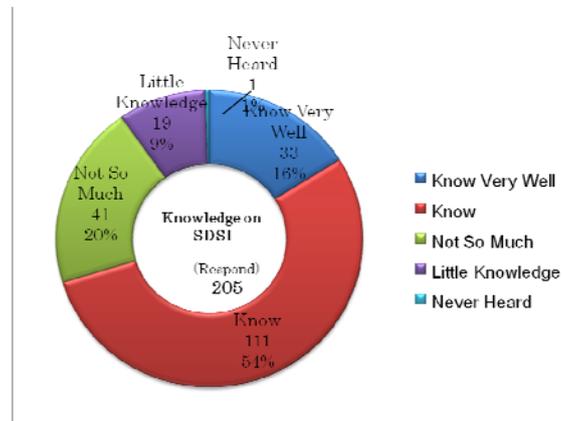
### 3. Respondents' assessments of the SDSI Policy

One of the chief purposes of this study was to identify how the government's SDSI-related policies are assessed by entrepreneurs themselves. Using data from the questionnaire survey, this section examines the extent of knowledge of the government's SDSI's program, assistance measures, general evaluations of SDSI as a whole, and expectations regarding future assistance. Finally, albeit briefly, the gaps between expectations and actual conditions are discussed.

#### (1) Information on the SDSI Policy

16% of respondents indicated that they know the SDSI Policy "very well", and 54% "well", making a total of 70% who are familiar with SDSI (see figure below). This is predictable considering that respondents were participating in an MECD-organized SDSI Showcase event. However, one in ten respondents had low levels of knowledge about the SDSI: 1% had "never heard" of it, and 9% said they had "little knowledge" of it. Another 20% indicated that they had "not so much" knowledge. These results suggest that the details of SDSI are not yet well understood in some circles, and that more effort must be made to publicize and explain the Program.

Figure 8 Knowledge of the SDSI Policy



Source: SDSI Survey at Malacca 2008

### (2) Types of assistance

When asked what types of support they were receiving at present, respondents mostly identified the areas of sales and distribution: “marketing” was most common (106 responses), following by “exhibition” (82), and “training for promotion” (47). “Finance” attracted unexpectedly few responses (23). Training and assistance programs are also being used in production-related areas, such as “technology” (23 responses), as well as business procedures for dealing with the government (23). There were also 13 instances of training in “packaging”.<sup>xi</sup>

Table 6 Type of Assistance by SDSI Program

	Finance	Marketing	Training (Tech)	Training (Management)	Training (Book-Keeping)	Training (Package)	Training (Promotion)	Exhibition	Tech Matter	Business Procedure
Food & Agro	17	64	10	10	5	8	30	53	11	12
Handcraft	4	34	5	7	4	5	12	21	7	7
Wood & Furniture	1	3	0	1	0	0	4	5	0	2
Service	1	5	1	1	0	0	1	3	2	2
Total	23	106	16	19	9	13	47	82	20	23

Source: SDSI Survey at Malacca 2008

### (3) Evaluation of SDSI

Excluding the 22 respondents who failed to provide a response, evaluations of SDSI policy generally indicate a high level of satisfaction: 36 respondents (20%) said they were “very satisfied”, and 106 (67%) were “satisfied”. 22% evaluate the policy as “normal”, while there is a small number (1%) of respondents that are “not satisfied”. It appears fair to say that on the whole, entrepreneurs participating in the event at MITC

evaluate SDSI highly. However, because respondents are all participants in the Showcase event, these results do not reveal the extent to which such participants' assessments differ from those in the wider business community. A reasonably high proportion of “very satisfied” responses were recorded in the field of handcrafts, followed by food and agriculture. When “satisfied” responses are included, however, there is little variation between the different business fields, with all recording high levels of satisfaction (67.5%, 68.5%, 69.2%, and 78.6%).

Table 7 Evaluation of SDSI Policies

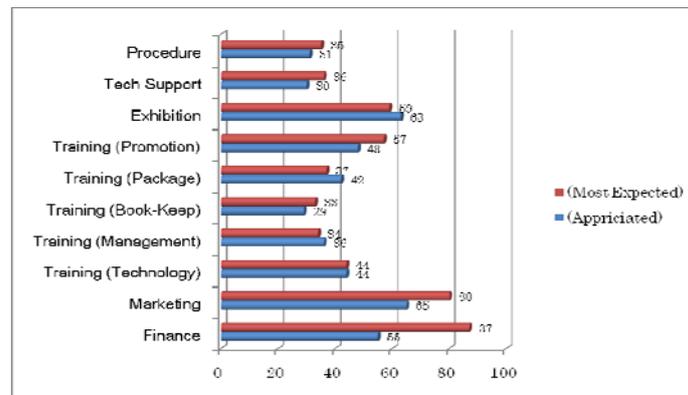
Evaluation of SDSI Policies											
	Food & Agro		Handcraft & Textile		Wood & Furniture		Service		All		
Very Satisfied	20	15.9%	14	25.9%	1	7.7%	1	7.1%	36	17.4%	
Satisfied	65	51.6%	23	42.6%	8	61.5%	10	71.4%	106	51.2%	
Normal	26	20.6%	9	16.7%	3	23.1%	3	21.4%	41	19.8%	
Not Satisfied	0	0.0%	2	3.7%	0	0.0%	0	0.0%	2	1.0%	
Very Not Satisfied	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
(Not respond)	15	11.9%	6	11.1%	1	7.7%	0	0.0%	22	10.6%	
Total	126	100%	54	100%	13	100%	14	100%	207	100%	

Source: SDSI Survey at Malacca 2008

#### (4) Expectations for SDSI

Respondents were presented with a list of different SDSI-related assistance policies, and asked to identify which they “appreciate”, and in which areas improvement is “most expected”. Results are presented in the figure 6 below.

Figure 9 Expectations for SDSI Policies



Source: SDSI Survey at Malacca 2008

Highest importance is placed on initiatives in the area of finance: 87 “appreciated” (“A”: Appreciated) and 55 “most expected” (“M”: Most expected). Next is marketing, with

similarly high figures of 80 (A) and 65 (M), then exhibitions, with 59 (A) and 63 (M). In contrast, as shown in the chart, the figures for tech support and procedures are not particularly high; neither are the levels of interest in areas such as training in packaging and bookkeeping. There are moderate degrees of appreciation and expectation in the areas of training for technology and promotion.

Although there is some divergence between “appreciate” (current assessment) and “most expected” (expectation of future improvement) response patterns, in general the issue of business capital is the subject of the highest levels of both appreciation and expectation, followed by marketing issues (support for commercialization and market preparation, exhibitions and promotional activities). Training programs (in technology, management, bookkeeping and packaging) attract a degree of interest and appreciation, but the levels of expectation placed on such forms of assistance are only moderate compared to the other forms identified. <sup>xii</sup>

### **3. Concluding Comments to the SDSI Policy: issues and challenges**

#### **3-1 Overall Observation**

This paper has examined the framework for Malaysia’s SDSI Policy, and the situation of SDSI entrepreneurs and their evaluation on the Policy, by using questionnaire survey and individual interviews. Through these analyses, partly though, it might be possible to extract several suggestive points regarding how OVOP Movement is undergoing in Asia, and what sort of problems are existed behind the movement.

When we looked the Malaysian SDSI, it shares many common issues with other OVOP movements in Asia regarding the way of approach, background, and administrative involvement, but the several unique points are found in Malaysia.

The following points maybe presented. Firstly the SDSI is certainly oriented to “Poverty Alleviation” as its policy goal which found in other developing countries too. It is initiated by providing business foundation to local residence in the rural areas facing economic stagnation. Then the SDSI of Malaysia is attaching to the proactive measures to create specific local products and services in the area.

On the other hand, the SDSI shows a strong intention to promote economic position of Bumiputra people as a major aim, with taking a reason that they are economically weak and comparatively suffering backwardness in the Malaysian multiethnic society.<sup>xiii</sup>

Emphasis is also placed on the regional development of the States, like Sabah and Sarawak of the eastern peninsular, where culturally unique, but remote and access being limited. This entails making residents aware of their identity of tradition and culture, and developing their inherited local goods that have not yet well known

worldwide. Then the national government takes the lead in organizing campaigns and promotional initiatives for such products through nationwide Showcase and other activities, and providing financial assistance for their education and training for that purpose. In addition, the government advocates the adoption of new concepts of “Industrial Cluster” and “Value Chain” in their basic concept as SDSI’s implementation.

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In this context, the SDSI of Malaysia is presented not simply as a means of “poverty alleviation” through generation of supplementary income, but as a policy system to seek economic balance of multi ethnical society and to enable full-scale business activities in rural areas. Then, the SDSI can be seen as a broad-ranging incentive program for local entrepreneurs. This might be possible to identify them as a new direction in the evolution of OVOP movements in Asia.

However, it must be addressed that the SDSI Policy is still comparatively young age, which just launched on a full scale in 2003. Then Malaysian “OVOP movement” is only just getting under way in the first trial stage. It is anticipated that as the trial-and-error process continues, SDSI will grow into a series of more practical measures that encompass trans-national sharing of experiences in rural development, and the cultivation of individuals to drive that development.

(end)

### <Supplemental Comment>: Issues and challenges on SDSI Policy of Malaysia

On the basis of the above observations and by way of conclusion to this paper, the following points are presented as the key issues and challenges for Malaysia's SDSI Policy at present.

1. A great number of governmental organizations have been mobilized as part of SDSI, with the Prime Minister's Department responsible for coordinating their activities. However, there is some overlap among programs implemented by different bodies. This causes duplication and precludes communities' capacity to absorb the initiatives on offer. There also appears to be a lack of good coordination among authorities, and draws unnecessary ramification and conflict among administrative works, while the intention and target of Program are not always able to understand sufficiently among local people. There is a need for more effective unification and coordination of initiatives, focusing on congruence of purpose and action.<sup>xv</sup>
2. While there are some merits of SDSI Policy implemented as top-down initiatives by the central government, it is also revealed that there is some discrepancies between the mode of implementation and the local circumstances, needs and demands of local communities. A desirable move should be encouraged more to lead to the community-centered modes of implementation and to allow more room for local peoples' initiative on the movement. <sup>xvi</sup>
3. It appears that Malaysian goods in the area of handcrafts, the predominant SDSI product type, have been still looked short in terms of design, appearance and originality if compared with the OVOP handcrafts from other Asian countries – such as the sophistication of handcrafts produced in China, the porcelain (such as “*Benjarong*”, woodwork and silk goods from Thailand, and “*batik*” in Indonesia, and so on. Technical processes must be enhanced, and the ways must be found to improve aspects such as subtlety and detail, originality and novelty of design, and visual presentation of both packaging and product. If these issues are not addressed, SDSI products might be disadvantaged in competition on a global scale, and the expansion of industrial activity might face difficulty in future, because the competition is likely to be particularly tough for products aimed at export markets.
4. In order to tackle the problem identified above, more concerted efforts must be made to participate in international-level initiatives such as exhibitions, to enable comparison with products manufactured outside Malaysia, learn from them, assess the reactions of buyers, and gain a better idea of demand patterns.
5. The SDSI Policy should be made to incorporate technical assistance and consultancy functions, at the same time as using case studies from more developed

countries to gain insight into manufacturing techniques, designs and approaches to product development and marketing.

6. To the extent that it is concerned with fostering small businesses in rural areas and developing local industrial infrastructure, it is inevitable and understandable that SDSI favors the Bumiputera citizens who constitute the majority of rural dwellers. In order to foster more dynamic local industry and revitalize rural areas, however, it is also necessary to ensure that programs are formulated and initiatives implemented in a way that transcends any divisions of race or ethnicity.
7. Presentation of the SDSI Policy by the government agencies responsible for it needs to be accompanied more academic and objective assessments. Provision needs to be made for the findings of research and objective examination to be fed back into the policy process. A related issue is the lack of comprehensive documentation on the Program as a whole and the obscurity of statistical data sources. (Something like an “SDSI White Paper” may be called for.)
8. This underlines the need for SDSI, as a movement, to extend beyond governmental organs. Local universities could become more heavily involved, enabling community-based engagement in tasks such as intellectual contribution, collaborative development of technologies, partnerships between industry and academia, and education in the field of business management.
9. The concepts of “industrial clusters” and “supply chains” are invoked as part of the basic framework for SDSI, but the development of a true industrial cluster requires the target region to possess a certain degree of industrial infrastructure, or infrastructure for the production of specific goods. In most cases, the rural areas of Malaysia do not possess sufficiently developed infrastructure of this sort. The types of goods produced in each region tend to be similar, production scale is inadequate, and there is little variety or inherent originality in products. Under such conditions, it would most likely be difficult to create “Clusters” and develop linkage between production and diversity in product development. SDSI policy may better conceptualized using more simple, community-level models. The cluster approach can be understood, however, if used simply in the sense of a campaign slogan calling for each discrete region to develop strong specialty products and distinctive and original product categories, the value of which can be realized in the global marketplace.

The above provision are the issues we have extracted with our research results even the analysis is limited in terms of the coverage fields and broadness of survey and available data to date. In that we observe many challenging problems and challenges with holding several future prospects of SDSI in Malaysia. (end of end)

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<sup>i</sup> The Oita OVOP International Exchange Promotion Committee publishes a monthly electronic news bulletin *Isson Ippin Kawaraban* that introduces various projects related to the One Village One Product being carried out in developing countries. The Ministry of Economy, Trade and Industry also provides support for such movements and initiatives, linking them to trade development policies for each nation. The 2009 White Paper on International Economy and Trade even discusses an “international OVOP movement” connecting OVOP in developing countries with Japanese aid programs (White Paper on International Economy and Trade (Summary), p.20) :

<http://www.meti.go.jp/english/press/data/>

<sup>ii</sup> “Wawasan 2020” is the main concept of Malaysian development to pursue the strategic goal for attaining the economic level of “advanced countries” until year 2020. See “ 9<sup>th</sup> Malaysia Plan 2006-2010” (Economic Planning Unit). pp. 34-43.

<sup>iii</sup> The research theme under the FY 2008 Ritsumeikan Asia Pacific University academic subsidy program was “A Case Study on Malaysian Local OVOP Type of Entrepreneurs and Industrial Development-”, and the similar research project themed “A Comparative Study on One Village One Product Entrepreneurship Patterns in Southeast Asia” was adopted as a JSPS ‘s (Japan Society for Promotion of Science) Grant-in-Aid for Scientific Research in 2009.

<sup>iv</sup> See Oita OVOP International Exchange Promotion Committee website:

<http://www.ovop.jp/en/>

<sup>v</sup> See “Sustainability of One District One Industry (SDSI) in Malaysia and Enhancing to Global Market” by ICU, Prime Minister’s Department (Presentation material at OVOP International Seminar 2007 at MITC-Melaka, 5-6 July 2007)

<sup>vi</sup> PNS(Perbadanan Nasional Berhad), MARA(Majlis Amanah Rakyat), BPMB(Bank Pembangunan Malaysia Berhad). These are semi government organs to support indigenous populations in local Malaysia.

<sup>vii</sup> "OVOP; Platform and Gateway to Global Market" (OVOP International Seminar in Malaysia 5 July 2007) ICU, Prime Ministers Office

<sup>viii</sup> In June 2009, a large-scale SDSI exhibition was held in Kota Kinabalu in the state of Sabah, under the initiative of that state’s government. The exhibition displayed a variety of local products and attracted a large number of visitors: *Daily Express*, 12 July 2009.

<sup>ix</sup> One Village One Product International Seminar in Oita (Oct. 20, 2006 Beppu, Japan) and OVOP International Seminar 2008 in Liyang Changzhu, China (Nov. 15, 2008)

<sup>x</sup> MECD “Direktori Pemamer Showcase SDSI 2008” 7-9 Nov. 2008, p.159.

<sup>xi</sup> Comments made during individual interviews recognized the importance of packaging and noted assistance received in this area. Results from the questionnaire itself, however, suggest that only a small number of respondents are receiving assistance and training in packaging. The importance of technical assistance was also highlighted, with some respondents, albeit small in number, reporting that they had developed new products with assistance from organizations such as SIRIM (cf. individual case studies).

<sup>xii</sup> Besides these analyzed data, in the questionnaire survey covers the other lots of items, such as motivation of start-up business, current and future business prospects, problems they are facing, and so on. However, these issues are handled in the main report “Research Report on SDSI Survey 2008” and “Proceeding of the SDSI Seminar in Kelantan July 27, 2009)

<sup>xiii</sup> This direction invites many voices of criticism, such as its effectiveness of economic policy because it might make losing independent sprits of rural Malays and invites too much inclination to government subsidies, policy distortion by favoring Bumiputra, and causing rampant wasting fund of subsidies and others.

<sup>xiv</sup> MECD Website “One District One Industry Programme (SDSI)

(the programme is based on the concept of developing and commercializing a product or

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service distinctive of a particular district. It is focused on developing a creative,

<sup>xv</sup> KKLW offers assistance programs similar to SDSI, but the relationship between such programs and SDSI is not made clear. SLDA, the State Land Development Authority, is also encouraging its member organizations to become involved in a “one district one product” campaign known as SAWARI, but again it is unclear how this is integrated with SDSI. There are also other similar assistance programs offered by different government ministries, agencies and authorities. These need to be integrated and unified in a meaningful manner.

<sup>xvi</sup> The author has detected many opinions from interviewed entrepreneurs who confessed that the lack of opportunities to reflect their voices and demands on the supporting programs. Especially at the time of Kelantan SDSI Seminar (August 27, 2009), many participants demanded to hear their voices when implementation of supporting policies and requested avoiding partial decision pattern to the government organs.

In the case of Oita, former governor Hiramatsu had organized a count of “Town Meeting” to implement OVOP policies to hear the voices among local people directly. That would be a good lesson for the Malaysia government to improve the SDSI policy to some extent.