

# Chapter 1

## Entrepreneurial Development Initiatives

### ABSTRACT

*This chapter begins with a brief historical background including the political and demographic delays followed by the economy and the changes of economic activities over the years; the poverty in Malaysia, including the history and measurements of poverty; and finally, an introduction to the Malaysian development policies and strategies. The next part of this chapter defines and understanding types and dimensions of poverty, followed by the origin of group based micro-credit programs focused on improving the socio-economic condition of the poor and low-income households. This chapter also presents the discussion regarding approaches of micro-credit, role of donors and investors, role of apex organizations, outreach of microcredit programs, impact of microcredit programs, and limitations of microcredit programs. Finally, this chapter presents the details of the programs and policies of the leading micro-credit organizations in Malaysia.*

### STUDY CONTEXT: THE COUNTRY OF MALAYSIA

Malaysia is one of the emerging economies with its neighboring countries like Singapore, Thailand, Brunei, and Indonesia. As the geographical location of Malaysia is strategic with competitiveness, it attracts foreign companies to invest (PwC, 2017). According to the Department of Statistics Malaysia (2016), foreign direct investment (FDI) of Malaysia at the end of September

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2017 valued RM558.7 billion. However, this modern concept of FDI did not exist previously and it caused many invaders to control Malaysia and its neighboring places. Early historians believed that during the early twenty first century, trading on the Strait of Malacca invigorated the economic and cultural linkages between China, South Asia, and the Middle East. At that time, Srivijaya was the most powerful kingdom ruling a large proportion of Peninsular Malaysia from the seventh to the fourteenth century. For Sabah and Sarawak, on the other hand, Brunei was the strongest political force until nineteenth century when the British colonization took place.

Malaysia was formed during the fifteenth century with the establishment of Malacca. At the end of the fourteenth century, Malacca, with its trading port and commercial and military power, became a commercial hub with cultural influences. In 1444, Muzaffar Shah advocated Malacca as a Muslim state. In the beginning of the sixteenth century, the European power was interested in the trading opportunity in Malacca. However, Portugal conquered Malacca in 1511. Throughout the sixteenth century, Portugal, Johor, and Aceh fought together. Finally, they agreed to establish a trade monopoly in the region. In 1641, the Dutch joined the battle and defeated the Portuguese and took control of this region (Library of Congress, 2016).

Later in 1785, the British entered this region and it was granted the island of Penang by the Sultan of Kedah. With the implementation of the free-trade policy, the island became the Peninsula's premier trade center. In 1819, the British East India Company and Tunku Hussain, a contender for the throne of Malacca, agreed that the British could settle in Singapore in exchange for formal recognition of Hussain as the Sultan of Malacca. Within a few years' time, Singapore became a central commercial hub because of its geographical location with support from free-trade policies (Library of Congress, 2016).

In 1826, British expanded their territory, joining the Peninsular territories of Malacca, Penang, Perai, Dindings (part of the state of Perak), and Singapore under a single administration, known as the "Straits Settlements". In 1870s, the British adopted a system of indirect rule over Malay states, which was the beginning of a centralized state. In 1896, the Malay rulers of three tin-producing states and Pangkor signed the Treaty of Federation to establish the Federated Malay States. Then, a different governing arrangement was made with other Malay states, which were more independent of British control than the Federated Malay States. In 1914, the Malay Peninsula was comprised of ten political entities, specifically the Straits Settlements, four Federated Malay States, and five Unfederated Malay States (Library of Congress, 2016).

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