

## Chapter 2

# Entrepreneurship in Malaysia

### ABSTRACT

*This chapter presents a brief description regarding the types and characteristics of entrepreneurial activities in Malaysia. This chapter further illustrates the programs and policies initiated to promote entrepreneurial activities in Malaysia, followed by entrepreneurship and economic development in Malaysia, informal entrepreneurship in Malaysia, as well as characteristics of informal micro-entrepreneurship. Finally, this chapter provides future directions for micro-enterprises to propose initiatives that focus on developmental programs and policy making in Malaysia. To introduce successful micro-credit programs, underlying organizations in emerging economies should be consistent in terms of cost-efficient operations without favoritism and political elements.*

### ENTREPRENEURIAL ACTIVITIES IN MALAYSIA

Entrepreneurship has a significant role in determining the progression of economy in a nation. In fact, it is one of the many essential factors that appear to aid in creating jobs and boosting the economic growth of a country. On top of that, entrepreneurship plays a crucial role in establishing small- and medium-sized enterprises (SMEs), apart from enhancing productivity. Therefore, it is utmost important for policy makers to devise effective programs and policies towards encouraging its fellow citizens in becoming successful entrepreneurs. As such, governments across nations have begun taking initiatives and implementing viable strategies to facilitate entrepreneurship by promoting

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entrepreneurship activities among their societies as entrepreneurship, unquestionably, is a solution in eradicating poverty.

The Malaysian government has reckoned the importance of entrepreneurship, and thus, has been providing necessary support to mould entrepreneurs. With that, promoting entrepreneurship appears to be one of the integral transformation agendas to achieve the high-income nation status by 2020. The government has introduced several policies, such as the New Economic Policy (NEP) and the Malaysia Plans (MP), through which entrepreneurial activities and cultures are given emphasis. The Malaysian government places special attention to entrepreneurship as a way to assist and to upgrade the industrial structure in the attempt to create industries for future generation. Most of these programs ultimately lead to increment in productivity for entrepreneurs and indirectly generate entrepreneurs with higher-income.

Entrepreneurship has varied roles across nations depending on the varying stages of economic development (Van Stel, Carree, & Thurik, 2005). Therefore, it is important to identify economic activities, which in turn, helps to determine the opportunities that lay within the economic system (Ahmad and Seymour, 2008). The Global Entrepreneurship Monitor (GEM) is a distinctive project, where a standardized methodology is applied to assess entrepreneurial activities across the globe. The GEM model, considering the national economic growth as a major dependent variable, provides information pertaining to the impact of entrepreneurship upon growth, aside from indicating entrepreneurship attitudes, activities, and growth, which are influenced by the many factors of entrepreneurial environments, for instance, availability of finance, government policies, government programmes in aiding new and growing firms, education and training, research and development transfer, commercial and professional infrastructure, internal market openness/barriers to entry, access to physical infrastructure, as well as cultural and social norms (Ahmad and Xavier, 2012).

Hence, it is crucial for the Malaysian government to participate in the GEM project as it reveals both positioning and improvement accordingly. For instance, the GEM has classified actions taken by entrepreneurs at various phases of their business duration, such as nascent entrepreneurship, new business ownership, Total Early-Stage Entrepreneurial Activity (TEA), and established business ownership, as depicted in Table 1.

Malaysia has been acknowledged as an Asian country that supports entrepreneurship by providing its people both finance and physical infrastructures (SME Corporation Malaysia, 2016), as projected in the

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