URBANIZE THE RURAL: New Direction In Developing Entrepreneurs For Sustainable Development

by

Prof Dr Sulaiman Sajilan
Centre for Rural Economic Development (C-RED)
Universiti Kuala Lumpur
‘Modernising a rural economy is the process of identifying and developing those sectors and firms which support its competitive situation relative to its neighbouring regions and to national and international peers.’

OECD 8th Conference on Rural Development in the Russian city of Krasnoyarsk
1960s-1990s

Rural development is the process of improving the quality of life and economic well-being of people living in relatively isolated and sparsely populated areas.

Rural development has traditionally centred on the exploitation of land-intensive natural resources such as agriculture and forestry.

2000s-

Rural development is to achieved a developed, attractive and profitable rural. Eradicate hardcore poverty.

Rural development is urbanize the rural: a conducive with excellence accessibilities to modern infrastructures, entrepreneurship, high income, preservation of environment and cultures.
In 2001, the Town and Country Planning Act 1976 (Act 172) was amended through Act A1129 (2001). The amendments included provisions to allow four levels of government involvement (Federal, Regional, State and Local Authority) in spatial planning, with the intention of establishing a more effective development plan system in Malaysia.

Faizah Ahmad1, Ibrahim Mohd2, Syra Lawrance Maidin3, Rosilawati Zainol4 & Norzailawati Mohd Noor, 2013

Rural development should based on sustainable development philosophy that highlighted the need to balance between economic growth, social wellbeing and environmental conservation.

Habsah Hashim a, Kamarul Bahrain Shuib, 2012
The era of a truly global economy makes everything much less predictable, and your communities have to be ready for macro economic trends over which they have no control.

In this respect, a new model of rural development with comprehensive and inclusive approaches is vital to achieve more innovation and modernising the rural economy.

Some rural communities face unique circumstances in terms of remoteness, transportation and infrastructure issues (especially in Sabah and Sarawak), limited access to regional economic development opportunities and limited information about government programs and services.

In this respect, the rural development programmes should more emphasizes in this regions with focus more on economic activities toward more sustainable development.
Rural Development In Malaysia: Future Direction According To Geographical Areas
The future direction for rural development plan will be based on current level of socio-economic development. The geographical areas will be as follows:

**Zone A:** More advanced rural areas cover states of Selangor, Malacca, Johore, Negeri Sembilan, Northern Perak and Penang.

**Zone B:** Relatively less advanced rural areas and cover vast areas include states of Pahang, Kelantan, Kedah, Perlis and Eastern of Johore.

**Zone C:** Cover state of Sarawak where more focus not only on infrastructure but also socio-economic activities due to scattered vast areas of relatively less advanced rural areas.

**Zone D:** State of Sabah also need more focus both on infrastructure and socio-economic activities that cover scattered vast areas of relatively less advanced rural areas.
Rural Development in Malaysia: Threats

**Threats to Rural Areas**
- Declining local fiscal capacity
- Demographic change
- Climate change effects
- Single industry towns

**Will there be a reversal migration from city to kampong (village)?**
The recent issues of depleting resources and competition from neighbouring countries on FDI have led to de-industrialization. Will people choose to survive with the economic hardship in cities or work on the land prosperity again?
The 2012 Krasnoyarsk conference resolutions from Innovation and Modernising the Rural Economy:

1. **Modernising the Rural Economy**: Based upon local strategies that are grounded in local competences and assets.

2. **Strengthening Rural Markets**: Increase competitiveness and hence sustainability, it has to be capable of producing goods and services that can be sold at a profit to other regions.

3. **Skill Building in Rural Areas**: Increasing the skill level of the local workforce; training need to be more responsive to local demand.

4. **Balancing Diversification and Specialisation**: Entrepreneurship is now widely seen as a driving force for modernising both urban and rural economies. More initiatives to foster indigenous entrepreneurial activity that can take advantage of local resource.
Rural Transformation: Urbanize The Rural

6 Main Focuses and 19 Transformation initiatives

Focuses
- F1 Rural Infrastructure
- F2 Rural Youth Development
- F3 Economic
- F4 Entrepreneurship
- F5 Human Capital
- Delivery System

Transformation initiatives
- T1 Intensified infrastructure development
- T2 Creating Rural housing scheme
- T3 Techno-hub for high income youth entrepreneurs
- T4 Creating High income model
- T5 Creating job opportunities
- T6 Upgrading rural small retail shops
- T7 One entrepreneur One Village
- T8 Creating Rural Premium Outlet
- T9 Expanding online business
- T10 High performance kindergarten
- T11 Expanding TVET to produce high income workers
- T12 Recognizing Skilled Certificate as tertiary education entry
- T13 Establishing UniMARA
- T14 Empower local community
- T15 Empower project monitoring joint committee
- T16 Empower local community in Sabah & Sarawak
- T17 Modernizing orang Asli (aborigines) communities
- T18 Empower rural development council
- T19 Rebranding rural ministry
There is close relationship between urbanization and economic growth. A new way of urbanization has emerged in China where farmers are urbanizing the rural areas instead of migrating to the large cities. In this Development, township and villages enterprises or entrepreneurs have been the locomotive of rural urbanization.


Recent writings on the factors influencing the competitiveness of regional and local economies have emphasized the importance of innovation in SMEs located in rural environments. Adopting a broad, evolutionary view of the innovation process, the study highlights important sectoral variations using a multidimensional index of innovation.

David North & David Smallbone, Journal European Planning Studies, Volume 8, Issue 1, February 2000
MacKenzie proposed fostering of **entrepreneurship as part of an integrated approach to rural economic development**. He proposed various strategies for simulating and supporting entrepreneurial enterprise for income generations and addressing rural poverty.

Lynn Ryan MacKenzie, 1992

By using the scenario analysis, Fuller-Love et.al., be able to develop foresight for the improvement of policies supporting rural entrepreneurship.

Nervs Fuller-Love; Peter Midmore; Dennis Thomas; and Andrew Henley, 1995

Gladwin et.al (1989) in his study on rural entrepreneurship pointed out that **skill in operating the business and selection of business are critical to ensure the sustainability of the venture.**


According to Wortman (1990) **rural entrepreneurship may the means to improve the quality of life in rural areas.**

Rural Entrepreneurship Research: An Integration into the Entrepreneurship Field
Rural Entrepreneurship Development: Issues and Challenges

- **Geography** – smallness and remoteness of rural areas make it difficult to develop economies of scale and critical mass.
- **Lacking of basic infrastructure**
- **Accessing venture or equity capital**
- **Accessing technology** – ICT network / internet
- **Low level skills in technical and managerial**
- **Accessing to domestic and global market**
Entrepreneurship policy and support is crucial to stimulate economic growth in urbanized rural.

- Developing skills of rural population and entrepreneurs
- Strengthen community resources for rural entrepreneurs
- Develop network to help rural entrepreneurs capture the resources
- Develop entrepreneurial culture

**Rural Entrepreneurship Development: Government Support**

- T1 Intensified infrastructure development
- T2 Creating Rural housing scheme
- T3 Techno-hub for high income youth entrepreneurs
- T4 Creating High income model
- T5 Creating job opportunities
- T6 Upgrading rural small retail shops
- T7 One entrepreneur One Village
- T8 Creating Rural Premium Outlet
- T9 Expanding online business
# Rural Entrepreneurship Development: The support systems

<table>
<thead>
<tr>
<th>Factors/Strategy</th>
<th>Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Critical Success Factors</strong></td>
<td></td>
</tr>
<tr>
<td>• Marketing</td>
<td>Develop market for the product</td>
</tr>
<tr>
<td>• Technology &amp; Innovation</td>
<td>Identify appropriate technology</td>
</tr>
<tr>
<td></td>
<td>Develop innovation</td>
</tr>
<tr>
<td>• Entrepreneurial Skills</td>
<td>Training on entrepreneurship skills</td>
</tr>
<tr>
<td>• Management of the business/company</td>
<td>Training on business development and business management</td>
</tr>
<tr>
<td><strong>Supporting Factors</strong></td>
<td></td>
</tr>
<tr>
<td>• Government Policy/Support</td>
<td>Provide right policy and support</td>
</tr>
<tr>
<td>• Capital/Financial</td>
<td>Capital made available with minimum requirement</td>
</tr>
<tr>
<td>• Other Factors (Infrastructure/premise)</td>
<td>Provide physical infrastructure and suitable premises</td>
</tr>
</tbody>
</table>
Ministry of Rural and Regional Development (KKLW) launched Rural Transformation Program in 2015 with the theme is Urbanize the Rural. One of the focus areas is entrepreneurship development in rural areas.

To achieve the above focus areas KKLW launched 16 Transformation initiatives with 4 initiatives related to entrepreneurship development:

- Upgrade and modernize rural shop-lot and business centre
- One Kampong One Entrepreneur (1K1U)
- Establishment of Rural Premium Outlet (RPO)
- Expansion online business in rural areas
Rural Entrepreneurship Development: Online business for rural youth

Collaboration between MDEC (Malaysian Digital Economy Corporation) with Universiti Kuala Lumpur and agencies and department under Ministry of Rural and Regional Development developed 1700 online business young entrepreneurs under e-Usahawan program.
Government support initiatives required:

1. **The availability of financial support**
   Rural Capital Bhd. Will be established by MARA with main functions are to manage loan facilities and provide advisory services for rural entrepreneurs.

2. **Development of incubators**
   Incubator centres will be established to develop technopreneurs in various industries that require adoption of new technology. INTEM located in Kepong was established by MARA and managed by Universiti Kuala Lumpur to provide incubation facilities in food industries.

3. **Support Network**
   Government under RMK11 intensify the development of infrastructure in rural areas include IT network. The establishment of Rural Premium Outlet (RPO) also provide market accessibility for rural products.
Rural Entrepreneurship Development: Creating a Business Environment

BUSINESS SUPPORT SERVICES & FACILITIES

• Finance
  The availability of financial support especially venture capital is a key to develop high growth rural entrepreneurs

• Support Network
  Capitalise internet as main network channel in getting capital, investors and access to source of technology and market

• Incubators
  Becoming most effective to develop entrepreneurs and support the high growth of rural companies.
Setting up Business Development Centre (BDC) within the existing facilities run by different agencies.

Objectives of BDC:
• To develop the technical and managerial know-how to potential rural entrepreneurs/youth.
• To train and nurturing existing rural entrepreneurs to update new innovative business model and managerial know-how.
• To encourage local higher institution and community colleges to cooperate with BDC in developing entrepreneur development programs for youth and local residents.
Rural Entrepreneurship Development: Conclusion

• Fostering Entrepreneurship as a Rural Economic Strategy;
• Involvement of government sectors, local authorities, NGOs and local people;
• Focus on maximize use of available resources; and
• Promoting local talent and creativity.
Thank you

UNIVERSITI KUALA LUMPUR
© Copyright of Universiti Teknikal MARA Sdn. Bhd.

Not for commercial use.
The company shall not be liable for any indirect, special or consequential damages arising out of or in connection with the use of this presentation and its content.