



UNIVERSITI TEKNOLOGI MARA

**REPORT ON**

**PERPUSTAKAAN UiTM SARAWAK**

**PROJEK PELAJAR**

**A STUDY OF SMALL AND MEDIUM  
INDUSTRIES IN SARAWAK**

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## EXECUTIVE SUMMARY

In the study, two sets of structured questionnaires were used. They were 'Form A' (for agencies and institutions which provide incentives and support services for SMIs) and 'Form B' (for the manufacturing establishments in the state). 26 agencies or institutions responded to Form A and 620 establishments responded to Form B.

The majority of the establishments are in Kuching (50.8%) and about one-third are located in the designated industrial estates in the state. A large majority of them belong to the Small Scale Industry whether the establishments are classified according to their existing paid-up capital or by employment size. 81% of these manufacturing establishments have less than 50 workers per establishment. Most of the establishments (70%) have existing paid-up capital of less than M\$500,000. Only about 7% have paid-up capital exceeding M\$2.5 million.

In terms of the ownership structure of these establishments, the majority (86%) are owned privately either as private limited companies, sole proprietorships or partnerships.

Eight main types of manufacturing industries have been considered of which the establishments in the Wood and Wood Products industry account for just over 25% of the total while slightly over a fifth are in the Food and Beverage industry.

The entrepreneurs are mainly Chinese Sarawakians with about 4% Malays and other Bumiputras. Most of them have started as apprentices as more than a quarter of them have only received primary education while another one fifth have lower secondary education. Very few are graduates or professionals. Due to their low educational background, they tend to go for sole proprietorships, partnerships or private limited companies. Most of the entrepreneurs choose to enter business because of the good prospects, the desire to be independent and the challenge of the business world. Some also inherited the businesses. Those with longer working experiences are the ones who have worked their way up as apprentices.

More than half (56.4%) of the entrepreneurs use their own savings as the main source of finance and very few (about 4%) of them have used or borrowed from government agencies.

## INTRODUCTION

### A. BACKGROUND OF THE STUDY

Sarawak has achieved a rapid rate of economic growth since attaining her independence some 26 years ago. Like other Malaysian states, Sarawak is also keen to establish a robust manufacturing sector. With the move to further industrialise the economy of the State, the State Government has provided various incentives or assistance especially to the Small and Medium Industries (SMIs) due to their role in creating job opportunities and improving income distribution between the rural and urban areas in the State.

The share of the secondary sector especially that of the manufacturing subsector to the Gross Domestic Product (GDP) is still small compared to that of the primary sector. Manufacturing activities had been growing at a relatively low and slow pace in the 1960's and early 1970's. In the late 1970's and throughout the 1980's, the manufacturing sector had shown an upward trend in terms of GDP contribution. For instance, the GDP at producers value, at constant prices (1978=100) clearly shows this trend. In 1978, the manufacturing sector contributed M\$196 million. 1985 showed a steady increase to M\$622 million and in 1988 it increased to M\$794 million. (Annual Statistical Bulletin, Sarawak, 1988: Department of Statistics, Sarawak Branch)

The manufacturing activities in the early 1960's and 1970's were geared towards the fulfilment of the demands of local market employing low level technology with less sophistication in product designs and also producing fewer varieties of products. However, though the sector is still young to Sarawak, in terms of potential, this sector provides the greatest opportunities for future development of the State.

The promotion of SMIs is an important strategy for achieving the objectives of the New Economic Policy (1970-1990). In addition, the Industrial Master Plan is being implemented to move Malaysia towards achieving greater industrialisation and possibly the Newly Industrialised Economies (NIEs) status. The SMIs' inability to compete and their weak economic structure have made them vulnerable to the adverse economic conditions vis-a-vis the Larger Industries (LIs) and the Multi-National Corporations (MNCs).

SMIs occupy an important place in the economy of Malaysia in general and Sarawak in particular. This is particularly so due to the following factors:

## INDUSTRIAL PROFILE

### A. INTRODUCTION

Altogether 620 establishments responded to the survey. This is 79.2% of the total 783 establishments (provided by the Statistics Department of Sarawak). The majority of the establishments are located in Kuching, the capital of Sarawak.

The list of 783 establishments provided by the statistics Department of Sarawak included the establishments which have employment size of 10 workers and above. However during the survey, some of these establishments seem to have less than 10 workers. It is possible that over the years some of the establishments are actually getting smaller.

This chapter includes the location and types of manufacturing industries, the industrial status and whether they export their products. It also attempts to classify these establishments into small, medium and large according to their existing paid-up capital and employment size.

### B. LOCATION OF THE INDUSTRIES

Most of the establishments are in Kuching (inclusive of Kuching City North and South and KRDC areas). In fact out of the total 620 establishments, 370 or nearly 60% are in Kuching. The second largest number is in Sibiu and the least is in Bintulu. The distribution of the establishments are as follows:

1. Kuching	370
2. Bintulu	17
3. Sibiu	151
4. Miri	47
5. Rural Areas:	35
Sarikei	5
Sri Aman	9
Simunjan	5
Oya-Dalat	3
Mukah	3
Bau	4
Serian	6
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TOTAL	620
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