

THE BUSINESS DEVELOPMENT PLAN REPORT FOR PENGERANG INDUSTRIAL AREA: THE FINANCIAL SUPPORT ASPECT

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Abstract

The Pengerang area in Johor will become the downstream oil and gas value chain upon the completion of the Pengerang Integrated Petroleum Complex (PIPC) project in 2019. A research was conducted by Universiti Kuala Lumpur MITEC in collaboration with UPEN (Johor State Economic Development Unit) and a Business Development Plan report was produced for the Pengerang area to encourage and facilitate the residents of Pengerang in their business ventures.

This study addresses the financial support element of the Business Development Plan report. There are many financial agencies such as MARA, TEKUN, PNS, AIM, Bank Rakyat, PUNB and SME Bank that can provide micro and macro financing for business startup and expansion purposes.

Keywords: Pengerang; Business development plan; Financial support;

1.0 INTRODUCTION

The Pengerang area in Johor will become the downstream oil and gas value stream upon the completion of the Pengerang Integrated Petroleum Complex (PIPC)[1]. The PIPC consist of two major projects which are the RM 5 billion Pengerang Deepwater Petroleum Terminal (PDPT) and the PETRONAS RM53 billion Refinery and Petrochemical Integrated Development (RAPID). Despite the current decline in crude oil price, PETRONAS is committed to

the RAPID project and it is expected that the PIPC will be operational in 2019 [2]. The PIPC development will generate over 12 thousands new jobs in the Pengerang area and therefore the population will double by 2020. This population increase will create many new business opportunities to cater for the demands of the expanding community [1], [3], [4].

Universiti Kuala Lumpur Malaysian Institute of Industrial Technology in collaboration with UPEN

(Johor State Economic Development Unit) did a study on the business opportunity generated by the Pengerang development. The objective of the study was to provide a comprehensive business development plan in assisting the residents of Pengerang who are interested in starting a business venture.

The outcome of this study was a Business Development Plan Report for the Pengerang Industrial area. The report consists of four scopes which are optimal business categories, financial support, value chain and training providers for related business ventures [3]. This paper will focus on the financial support element of the Business Development Plan report for Pengerang.

2.0 METHODOLOGY

The information obtained for this study was from the brochures, pamphlets, websites and personal interviews of staff from various financial institutions in Malaysia. The data was then filtered and organized to suit the Pengerang community demography data and findings from the Optimal Business scope of the Pengerang Business Development Plan [3].

3.0 RESULTS AND DISCUSSION

Upon completion, the PIPC development in Pengerang will create over 12,000 oil and gas related jobs [1], [2]. This will therefore increase the population demography of the Pengerang from 15,169 to over 28,000 by the year 2020 as shown in table 1 [1], [3].

Table 1. Pengerang Population by 2020.

Year	Pengerang Residents	Oil and Gas workers	Total
2010	15169	0	15,169
2015	16215	50,000	66,215
2020	16765	12,000	28,765

The Pengerang population expansion will thus generate higher yearly household expenditure. Table 2 shows a 100% increase in the yearly household expenditure for the Pengerang population to include both residents and oil and gas workers by the year 2020 [3].

Table 2. Yearly household expenditure for Pengerang Population by 2020.

Year	Pengerang Residents + Oil & Gas workers
2013	RM 97,324,800
2020	RM 173,000,000

This increase in population and household expenditure creates numerous business opportunities in the Pengerang Industrial area. In this study, it was determined that there are five main business sectors that will give maximum impact on the Pengerang economic development. These five business sectors are Food and Beverages, Retail, Transport & Hospitality, Communication and Healthcare [3]. Each business sector can be divided into micro business and macro business as indicated in table 3.

Micro business is categorized as a business that requires a small amount of startup or expansion capital such as food stalls and flea market operators. Entrepreneurs can obtain micro financing up to the value of RM 50,000 from various financial institutions. Macro business on the other hand requires larger capital which can be up to RM 10 million.

Table 3. Micro and Macro business from the main business sectors.

Business Sector	Micro Business	Macro Business
Food & Beverages	Farmer, food hawkers, Burger stalls, Village Food Industry.	Modern Farmers. Ice Factory, Wholesalers
Retails	Farmers market, Flea market, Tailor, Stationary and photocopy center.	Convenience store, Supermarket, Minimarket, Cloth factory
Transport & Hospitality	Homestay, Laundry shop, Food stalls, car and motorcycle workshop	Hotel, Fine dining restaurant, Fast food restaurant, Car rental, Taxi company, Bus company
Communication	Hand phone accessories shop, Top-up stall	Hand Phone shop, Computer shop, Cyber café.
Healthcare	SPA, Traditional massage center, Islamic Therapy center	Health Clinic, Specialist Hospital, Pharmacy

Financial Support Agency

There are various financial support agencies which provide financial aids for business startup and expansion in Malaysia. Selected institutions were identified in this report as suitable financial support providers for the Pengerang population which consists of 82.5% Bumiputra [3]. These financial institutions stated below provide many financial services and products to Bumiputra entrepreneurs for both micro and macro business.

MARA or Majlis Amanah Rakyat is an agency under the Rural Development Ministry (KKLW). Its function is to enhance the achievement of the Bumiputra in entrepreneur, education and investment activities.

TEKUN is a government agency under the Entrepreneur Development and Cooperation Ministry with the aim of providing quick and fast financing for Bumiputra business ventures.

PUNB or Perbadanan Usahawan Nasional Berhad is an esteem entrepreneur development agency in Malaysia. It aims is to development professional Bumiputra entrepreneurs in strategic and high impact business.

PNS or Perbadanan Nasional Berhad is an agency under the Ministry of Finance and its main function is to develop the franchise industry in Malaysia.

BANK RAKYAT is established on 28 September 1954 and is now the largest Islamic Cooperative Bank in Malaysia. Bank Rakyat provides numerous innovative products to include commercial financing, saving and investment products to various spectrums of customers.

AIM or Amanah Ikhtiar Malaysia is a private Trust body established in 1987. AIM is the product of a research project by Universiti Sains Malaysia (USM) lead by Prof. Gibbons and Prof Kasim. AIM provides micro financing to the poor to start a business activity in the effort to get them out of poverty [6].

SME BANK or Small Medium Enterprise Bank is an institution that provides financial support and coaching to small and medium enterprises in Malaysia.

Agrobank is a government owned bank under the ministry of Finance and institution which provides financial services and support to the agriculture related industry.

Financial support for Micro Business

Statistics shows that the mean household income for the rural community in Malaysia is RM 3,831 per month for the year 2014 [5]. Base on this data, we foresee that the majority of the Pengerang residents will be more incline to participate in micro business.

Some proposed micro businesses for the residence of Pengerang with the initial capital of up to RM 50,000 are shown in table 4 [3].

Table 4: Initial Capital for Micro Business.

Micro Business	Initial Capital
Farmers market	5,000
Market stall	8,000
Food stall	6,000
Homestay	10,000
Laundry	26,000
Insurance Agency	20,000
Cyber Cafe	30,000
Gas shop	35,000
Bicycles dealer	50,000
Car rental service	50,000
Hand phone accessory	50,000
Tailors	50,000
SPAs	50,000
Stationary and photocopy	50,000

There are many financial support agencies providing fourteen financial aid schemes suitable for the Pengerang residents interested in micro business. The micro business financing value range from as low as RM 1,000 and can reach up to RM 50,000. Table 5 summaries the micro financing schemes from various financial agencies.

Table 5. Micro business Schemes from Financial Agencies.

Agency	Schemes	Value (1000 RM)	Business
TEKUN	Micro Financing	5 - 10	All
	Small Financing	10 - 50	All
	Veteran Entrepreneur	1 - 50	All

AIM	I-Srikandi	6 – 19.9	All
	I-Wibawa	5	All
	I-Wawasan	20 – 50	All
	I-Penyayang	1 - 5	All
BANK RAKYAT	Skim Belia Niaga	5 - 50	All
PNS	Franchise Financing	20 - 50	Franchise
	Business in Transformation	25	Pre-Franchise
PUNB	Proper Usahawan Muda	5 - 100	Telecommunication, Education, Clothing & accessories, Food, Cosmetics, Photocopy, Printing, Stationaries, Automotive, Hardware and construction.
MARA	PUTEK	3 -500	Electrical & Electronic, Automotive, Welding & Metal Fabrication, Motorcycle, Mechanical, Aluminium Technology, Cake & Pastries, Computer and Telecommunication.
SME BANK	Young Entrepreneur fund	20 -100	All
	Rural Economic Financing	20 - 50	Manufacturing, Services, Retail, Medical, Law, Insurance, Accounting, Education, Tourism and Contractor F class.

Financial Support for Macro Businesses

Some Pengerang residents will have the capability and experience to be involved in macro business such as restaurants, chalets, supermarkets and health clinics. For these entrepreneurs, there are more financial agencies that can give macro financing. Over 20 financial schemes from various institutions are identified to provide macro financing up to the value of RM 10 million are available for qualified entrepreneurs.

The initial capital for macro business proposed for the residence of Pengerang range from RM 80,000 for Photo shop until RM 2,500,000 for Chalets owners [3]. The majority of these macro businesses (85%) required an initial capital of less than RM 500,000 as indicated in the table below.

Table 6: Initial Capital for Macro Business.

Macro Business	Initial Capital
Hardware	300,000
Convenience Store	200,000
Supermarket	460,000
Car spare part shop	420,000
Car dealer	1,350,000
Car workshop	430,000
Gas Station	500,000
Good Movers	100,000
Motels	400,000
Chalet	2,500,000
Fast Food Restaurant	2,000,000
Beauty Saloon	100,000
Electrical Good	270,000
Beauty Product	100,000
Gold Jewelers	1,000,000
Optometric	580,000
Telecommunication	250,000
Photo Shop	80,000
Sport Store	340,000
Landscape	120,000
Pet store	150,000
Book store	167,000
Furniture Store	500,000
Carpet store	165,000
Clothe store	180,000
Shoe store	500,000
Pharmacy	223,000
Health Clinic	160,000
Dentist	500,000

For the entrepreneurs interested in macro business opportunities, there are many financial agencies that can give macro financing. Over 20 financial schemes from various institutions are identified to provide macro financing up to the value of RM 10 million are available for qualified entrepreneurs. The summary of

the macro financing schemes from various financial institutions is as table 7.

Table 7. Macro business Schemes from Financial Agencies.

Agency	Schemes	Value (1000 RM)	Business
MARA	Incubator Technology (INTEP)	500 - 5000	Automotive, Building, Mechatronic, Plastic, Biochemical and Biotechnology.
	SPPP	250 - 500	Services, Commerce, Manufacturing, Transportation.
	Commercial Financing	250 - 500	Premise purchase, Premise development.
	SPIKE	500	Construction, Services, Electrical work.
	SJUM	500 - 2000	Selected Bumiputra entrepreneurs.
	PNS	Business in Transformation	500
Franchisor Financing		100 - 200	Franchise
Franchisor Executive		50 - 1000	Franchise
PNS	Retail Prosper	100 - 1000	Retailing
	Wholesales Prosper	250 - 5000	Wholesalers, Distributers.
	PKS	250 - 500	IT, Electrical, Electronic, Computers, Biotech, Pharmacy, Food Tech, Automotive.

TEKUN	Medium Financing	50 - 100	All
	Entrepreneur Development	100	All
SME BANK	PKS Development	Min 50	Preferred industries identify by the government and banks
	Graduate Entrepreneur Fund	20 - 500	All except Primary agriculture industry and Real Estate
AGRO BANK	i-enhancer	50 - 10000	Agriculture
	Food Fund (3F)	10 - 10000	Upstream and downstream industries
	IKS & PKS	50 - 250	Agriculture
	PKK	500	Agriculture

Entrepreneurs interested in micro or macro financing will have to follow the SOPs for application process as required by the various financial agencies.

Discussion

For micro business that requires a small amount of startup or expansion capitals up to RM 50,000 there are 14 financial schemes available from various agencies as indicated in table 5. 10(71%) of these financial schemes will provide the maximum RM 50,000 financial support for various types of micro business ventures to cover the five business sectors of Food and Beverages, Retail, Transport & Hospitality, Communication and Healthcare. Therefore, the majority of Pengerang residents who are interested in starting a micro business should not have difficulty in obtaining financial assistance.

The majority of the macro businesses (85%) shown in table 6 required an initial capital of RM 500,000 and less. The financial schemes as in table 7 that provide financing up to RM 500,000 and more are 15 or 75% of total schemes available. Thus, Pengerang entrepreneurs interested in macro business should not have difficulty in getting financial support for their business startup and expansion.

4.0 CONCLUSION

The PIPC development in Pengerang will definitely have an impact on the Pengerang population with

an increase to 28,765 by 2020. These in turn will create numerous business opportunities to supply for the demands of the expanding population. The Pengerang residents should take the lead in embarking in business ventures to fully benefit from this expanding economic growth.

The Business Development Plan report for Pengerang gives much valuable information to Pengerang entrepreneurs in making the correct decision on the potential business ventures that they can participate in. The report identified over fifty six optimum businesses as potential business opportunities in the Pengerang area.

Various Financial institutions were also identified which can provide financial services and financial products to the Pengerang residents who are interested in starting or expanding a business. These agencies are MARA, TEKUN, PUNB, PNS, AIM, Bank Rakyat, SME Bank and Agro Bank which provide over fourteen schemes for micro financing and over 20 schemes for macro financing. Thus finance constraint should not be a hindrance for the Pengerang entrepreneurs to start a business.

Data on potential suppliers for the various optimal businesses were also included in the report. The report also listed 26 training agencies that can deliver training for entrepreneurs who requires additional knowledge in the technical aspect or management aspect of their business.

Responsible authorities such as UPEN has taken the initiative to disseminate these information to the community by organizing an exhibition in the Punggai, Pengerang area recently. Therefore, the Pengerang entrepreneurs should be able to go into a business venture with assistance from various financial and training agencies available.

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