

'Najib's 10pct bumi figure heavily massaged'

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BUDGET 2015 Prime Minister Najib Razak's assertion yesterday that the bumiputera's effective control of corporate equity at 10 percent is unsubstantiated and appears "heavily massaged", says an analyst.

"This figure appears to be heavily massaged as there has been no rigorous study that has come to this conclusion," Centre of Policy Initiatives director Lim Teck Ghee told Malaysiakini yesterday.

"If you include government-linked corporations (GLCs) which are almost entirely bumiputera-controlled in the equation, it is clear bumiputera control of these is much more than that," Lim said in response to Najib's budget speech.

"Incidentally, data from the government's own Malaysia Plan documents show that even using the disputed par value approach, bumiputera ownership of shares in limited companies increased from 19 percent to 22 percent in 2008, while the non-bumiputera share declined from 41 percent to 36.7 percent during the same period," he said.

Since then, Lim said, bumiputera share of corporate equity is expected to have increased much more, particularly when the weight of the GLC holdings is included.

Najib told Parliament unveiling Budget 2015 that the bumiputera corporate equity rate had gone up from 2.4 percent in the 1970s to 23.5 percent in 2011.

However, no specifics were provided on how bumiputera allocation had been made.

BR1M, tax cut effects negated

Commenting on the overall budget, Lim said the increase in allocation in Bantuan Rakyat 1 Malaysia (BR1M) and tax reductions would not do much to help the lower income group.

This is because the increase would be negated by higher costs of living.

Lim further described the biggest beneficiaries of the 2015 budget as politicians and senior civil servants managing the funds.

"The corporate and income tax deduction and the increase of BR1M is negated by the withdrawal of subsidies and higher cost of living arising from a bloated civil service," he warned.

Najib (left) announced a one percent reduction in corporate and income tax, and a BR1M

top-up of as much as RM300, from RM650 to RM950.

And while the budget also listed initiatives and allocations to boost bumiputera participation, Lim pointed out that Najib in his speech did not say how the allocations for bumiputera entrepreneurs are to be allocated.

He said he and his colleagues had made some recommendations on this matter in the past to ensure the manner of distribution is done more effectively, and stressed they are relevant till today:

Enterprises owned by the GLCs must be managed by competent professionals with expertise in the business of the company under their charge. Senior management positions should not be determined on the basis of ethnic backgrounds but based on merit and professional achievement;

The government should cease allocating equity to individual bumiputera during initial public offerings (IPOs). The allocation of shares to bumiputera before IPOs tend to promote the Ali-Baba relationships that only serve to undermine investor confidence and foster ill-will;

Bumiputera trust agencies, such as the ASN and ASB, should be the primary beneficiaries of IPOs allocated to this community. At the same time, there should be equal determination by the government to increase the share participation of the Indian and East Malaysian bumiputera communities through similar community-based trust agencies;

Government initiatives to promote enterprise development on the basis of affirmative action will undermine entrepreneurial endeavours, which have emerged primarily among SMEs, without state support;

The government should focus its attention on promoting key economic sectors and SMEs as a means to develop Malaysia's economic potential. The government should particularly tap into the potential of the new middle class to create thriving enterprises and find means to support such endeavours;

Racially oriented affirmative action and the promotion of Malay-owned businesses have created serious intra-ethnic Malay cleavages while also hindering the creation of a competitive economic environment. The government should cease such policies;

In calculating the respective ethnic shares of the corporate equity, there is need to apportion the share of GLCs as well as nominee companies according to the ethnic composition of the country. This will provide a fairer and more objective computation compared to the current methodology; and,

Government policies to enhance Malay bumiputera and other ethnic minority participation in commerce and industry are better achieved through capacity building efforts such as investment in human resource development, and skills training rather than through forced equity restructuring.

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