

Review how bumiputra equity is measured

WITHOUT a doubt there are many weaknesses in the way the authorities measure bumiputra participation in the corporate sector. These weaknesses are so serious that one wonders whether a purpose is served at all by attempting to measure bumiputra equity participation in the corporate sector.

It is terribly unfortunate that the 30% target for bumiputra participation in the corporate sector, measured so inaccurately has become politically charged so as to almost decide whether economic policy making is successful or not.

The most basic of weaknesses is that ownership is based on the par value of companies in Malaysia which effectively represents the original capital put into a company, it takes no account of future losses or future retained profits. A much better measure will be shareholders' funds, which represents the net book value of assets attributable to shareholders or in the case of listed companies, the

market value of these companies.

But for reasons known to only itself probably related to political expediency - the government prefers to stick to the par value of companies.

The other thing is that the stakes of government-owned companies are not included under bumiputra on the reasoning that the government represents everyone in the country. This can be overcome by de-segregating government ownership in proportion to the racial composition of the country.

Again, one wonders why such simple measures have not been taken since the introduction of the New Economic Policy in the seventies, and whose tenets continue to have a huge impact on economic policy-making.

What perhaps grates the most is that as a result of economic policies that seek to right this perceived redress - which is so inaccurately measured - companies are regularly required to satisfy 30% bumiputra

equity participation each time they have to get government approval on restructuring or expansion plans.

And what galls even more is that if bumiputra investors have already been brought in before at a concessional rate to satisfy that 30% bumiputra equity requirement and if they have now sold out, the whole process has to be repeated again - and again.

That is surely a terribly unfair arrangement which the government should have rectified long ago.

It is high time that the bumiputra equity target requirement be dropped, not just because the measurement is hugely flawed but because it does not benefit the vast majority of bumiputras who don't have the money to subscribe for the shares or the patronage to be allotted them.

It's better to remove such debilitating blocks to business and improve the overall climate for value creation in the broad economy.

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