

TECHNICAL EFFICIENCY IN MALAY MANUFACTURING FIRMS

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ABSTRACT

The emergence of Malay entrepreneurs is in tandem with government policy to create Bumiputera Commerce and Industrial Community (BCIC), as stated in the New Economic Policy (NEP), 1971-1990. The Malays form major composition of Bumiputera entrepreneurs. Despite of many privileges received by the Malay entrepreneurs, it is always a claim that their businesses are less efficient. The Malay firms are said to encounter many problems in doing business such as lack of fund, lack of skilled workers, using obsolete technology and limited marketing channel. This paper attempts to investigate this claim through measuring technical efficiency for 264 Malay manufacturing firms surveyed in 2001/2002 in Peninsular Malaysia. They are involved in several types of manufacturing industries. In measuring technical efficiency, Data Envelopment Analysis (DEA) will be adopted. Further, this paper looks at the determinant of efficiency using Tobit model. The results from this study show that the majority of Malay firms are operating inefficiently. More efficient firms are found in the metal and fabricated metal products. The important factors that determine positively level of efficiency are percentage of R&D expenditure, percentage of training expenditure and level of technology. Nevertheless, not all types of industry portray these variables as efficiency determinants. The heavy and export-oriented industries like metal and fabricated metal products are seemed to benefit more from these variables and they are also more efficient than the other types of industry.