



**EXPLORING THE BUSINESS OPPORTUNITIES FOR YEMENI  
INVESTORS IN MALAYSIA**

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**MASTER OF BUSINESS ADMINISTRATION**

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**Faculty of Technology Management and  
Technopreneurship**

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## DECLARATION

I declare that this thesis entitle “Exploring the Business Opportunities for Yemeni Investors in Malaysia” is the result of my own research except as cited in the references. The thesis has not been accepted for any degree and is not concurrently submitted in candidature of any other degree.

Signature :  .....

Name : Abdullah Mahfoudh Salem Baadhem

Date : 01\03\2013

## **DEDICATION**

I dedicate this work to my beloved family and to the souls of Martyrs and Injured in the Arab Spring

## **ACKNOWLEDGEMENT**

I praise and thank Allah for granting me strength and courage to complete this project successfully. I am grateful to many people for their support and advice during the preparation of this thesis.

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## ABSTRACT

Yemeni merchants were the first Arab people to enter Malaysia in the middle age era. Since that time, the Yemeni business people have started building trade ties between Malaysia and Yemen. The purpose of this study was to explore the business opportunity for Yemeni business people in Malaysia. Based on the researcher observation, friends, and network referral, there are a total of 136 Yemeni businesses in Malaysia can be seen. The researcher distributed self-administrated questionnaires to the entire population. The response rate was 89.7%. The data were analyzed by using SPSS 20.0. Data analysis used descriptive analysis and Pearson correlation to test the hypotheses. The respondents placed strong agreement on the items that were meant to measure the scales. Overall mean value of economic development was 4.45, and the overall mean value of political stability was 4.42. Location attractiveness's overall mean value was 4.36 and the overall mean values for infrastructure and resources availability were 4.39 and 4.38 respectively. The results of the hypotheses testing confirmed that all the stated hypotheses were accepted. The highest correlation was found between political stability and success of Yemeni business people in Malaysia. Pearson correlation was .299 and the relationship between the two variables positive and significant. The second highest correlation of .280 was found between location attractiveness and success of Yemeni business people followed by economic development with correlation of .140. Infrastructure and resources availability correlated positively and significantly to the success of Yemeni business people at .118 and .104 respectively. The opportunity for Yemeni business people was found in service sector where the government placed great dependency on this sector to drive the economic growth. In service sector, tourism and travel where found to be the sector were the Yemeni people can invest in and grow their wealth.

# CHAPTER 1

## INTRODUCTION

### 1.1 Introduction

Malaysian economy is growing and is relatively opened state-oriented and newly industrialized economy. The Malaysian government plays an essential role in guiding the Malaysian economy. However, in the last decade this role has been decreasing due to the requirements of the international and regional agreements. In 2011, the Malaysian economy was classified as the third largest economy in South East Asia region after Indonesia and Thailand. Globally, the Malaysian economy ranked 28<sup>th</sup> in terms of Purchasing Power Parity (PPP) with Gross Domestic Production (GDP) of \$279 billion and a growth rate of 5.2% (The World Bank, 2012). The large contributor for the GDP is the service sector contributing as much as 58%. Malaysia is also the world's largest Islamic banking and financial center. The government supports in the economic life through owning and operating some sovereign wealth locally and internationally. The Malaysian economy constitutes major economic sectors such as science and technology, financial services and banking, oil and gas, manufacturing and tourism. Recently,

Malaysia attracted a huge number of tourists from all over the world. The Malaysian government plans to attract more than 25 million tourists in the year 2013-2014. From the Arab world alone, the government aims to attract 400 thousand tourists mainly from the Arab gulf and other rich Arabian countries. Besides being a center of attraction for tourists, the country is also the world's largest exporters of semiconductor devices, electrical goods, solar panels, and information and communication technology (ICT) products (Grimley, 2012).

There are few factors that are considered by investors when they choose to invest in a particular country. The GDP is one of the most important factors of country attractiveness. Besides GDP, political stability, economic developments, law and judicial system in the country, taxes, availability workforce, and the trend of economy are important indicators to aid investors in Malaysia decision for investments. As mentioned earlier, the country GDP was \$279 billion with annual growth in the last two years 2010 and 2011 of 7.2% and 5.2% respectively. The largest contributors for the GDP is the service sector with contribution greater than 58% followed by the industrial sector by 30% and the agriculture sector by almost 12% (Factbook, 2011).

In order to achieve vision 2020, many plans have been put in to action. The most important one is the New Economic Model (NEM) which has been announced by the Prime Minister of Malaysia Najib Tun Razakon 30 of March, 2010. Besides NEM the government is targeting to achieve the tenth Malaysian plan 2011-2015. NEM is planned to be fulfilled through an Economic Transformation Programme (ETP) which consists of key pillars intended to push Malaysian toward fulfilling the vision of 2020 and

establishing developed nation. National Economic Advisory Council Report (NEAC), (2010) pointed out that the ETP is driven by eight Strategic Reform Initiatives (SRIs) which constitutes the basis of the relevant policy measures . SRIs aim to revive the private sector, building educated and capable workforce, and increasing the competitiveness of the local companies. SRIs also take growth in account through enhancing the source of growth and ensuring its sustainability. Other initiatives are targeting the public sector as well;they aim to build knowledge-based economy and infrastructure (NEAC, 2010).

The main reason for Yemeni businessmen to choose Malaysia as a place for investment is the stability that the country is enjoying. The situation in Middle East generally and in Yemen particularly is not encouraging. The Arab Spring and the aftermath events were bloody yet scary for business people. The absence of security and stability constituted a major risk for business people. Due to these reason, business people begin to look for safer places to invest their money. The potential of doing business in Malaysia is large due to strong and growing economy of the country. It is a fact that the first Arab merchant to land in coast of Melaka was the Yemeni merchant in the Middle Age Era. Currently, the Yemeni business people exist almost in every city in Malaysia, Yemeni restaurant are all over Malaysia. Besides restaurants, the Yemeni business people also invest in perfume industry, as the perfume shops can be seen in the places where there is density of tourists and lively places such as Bukit Bintang in Kuala Lumpur.

Recently, there is an obvious increase in number of the Yemeni people who own and operate small and medium tourism companies. Malaysia is a attractive , shiny country and the tourism is a promising sector. The Malaysian government focuses on decreasing the dependency on export by supporting and investing in other sectors. Tourism is one of the sectors that the government focuses on. Many programs were launched such as student tourism programme, education tourism and Malaysia my second home. The objectives of these programs are to promote Malaysia as a place for tourism and education.

This study aims at exploring the business opportunity for Yemeni business people in Malaysia. In the following sections, the researcher will to discuss the background of the study and formulates the problem of the research as well as state the objectives of the study.

## **1.2 Research Background**

Malaysia can be classified as a middle income nation where the GDP per capita is estimated to be higher than \$7,900. The Malaysian economy is open and the country is one of the major exporters for some goods such as electrical appliances, electric parts and components, palm oil and natural gas. The country is also competitive; and is ranked 18<sup>th</sup> out of 135 economics (International Finance Corporation, 2012) in term of ease of doing business in the world. The GDP was satisfactory in the year 2011 at 5.2% and estimated to drop to 4.6 in 2012 (World Bank, 2012).

The advancement and development of the country can be seen through the movement from raw materials producer during the 1970s to multi-sector economy that grows in constant annual rate of 7.3% during the 1980s and 1990s. In the aftermath period of the Asian crisis in 1997-1998, the Malaysian economy continued to grow at an annual rate of 5.5%. The percentage of poverty decreased during this period from 12.3% of the population in 1984 to 2.3% in 2009 (World Bank, 2012).

In 2010, Malaysia launched the New Economic Model which aims at reaching high income status by 2020 while ensuring that growth is also sustainable and inclusive. The NEM envisions economic growth that is primarily driven by the private sector and which moves the Malaysian economy into higher value-added activities in both industry and services. To achieve these goals, human capital in Malaysia have to be more competitive, a leaner public sector, a better knowledge base, smarter cities, and greater efforts to ensure environmental sustainability (NEAC, 2010).

NEM was launched by the current Prime Minister of Malaysia Najib Tun Razak on 30 March, 2010. The plan aims to double the income per capita by 2020. It also aims to move the affirmative action from ethically based to need based. This movement helps the country to be more competitive and market-investors friendly. The Prime Minister highlighted the objectives of NEM by transforming the economy to one of the high income and quality growth by 2020 (the Star, 2010). In 2010, the income per capita was estimated to be \$7,000 the plan targets to bring the income per capita to 15,000 by 2020 (NEAC, 2010).

The major three keys of the plan as stated by the current Malaysian Prime Minister are "high income, sustainability and inclusiveness". The goal is to stimulate economic growth by increasing productivity in all sectors of society, mainly due to an improved system of affirmative action, with an eye on sustainability. Among other reforms to achieve this goal, NEM wants to expand the ability of the private sector and bridge the financial gap between the rich and the poor Malaysians. The plan is to replace the New Economic Policy (NEP) .



Figure 1: Goals of the New Economic Model. Source NEAC, 2010

In the parliament on June 2010, the Prime Minister highlighted the Tenth Malaysia Plan (10<sup>th</sup>MP). In this plan a major focus was paid to five strategic key points to fulfill the vision of 2020. These are as follows:

1. Increase the value in country economy.
2. Improve knowledge abilities and innovation, and inculcate first-world minded.
3. Handle continuously socioeconomic inequalities.
4. Improve level and ability of living quality.
5. Strengthen the institution and country's implementation. (10MP, 2010)

Malaysia was the first country to create Halal products that are allowed to be consumed by the Muslim society. Besides Halal product a Halal business concept was born in Malaysia. Investors are attracted to conduct business in this field as their conduct is free of Riba and other forbidden transactions and deals in Islam. This sector is expected to attract Muslim investors who wish to conduct such kind of business (Muslim Consumer Group, 2012).

The political and economic ties between Malaysia and other Muslims countries were strengthened in 1971 when Tunku Abdul Rahman, the Prime Minister of Malaysia in that time, became the first Secretary-General of the OIC (Organization Islamic Conference). However, the volume of trade between Malaysia and other Muslim countries and particularly Arab oil countries is still small and has not yet reached its potential. In terms of the trade relationship between Yemen and Malaysia, it is worth mentioning that Yemeni investments are the largest among Arab and Middle Eastern investments. One of the large scale investor in Malaysia is the group of Hayel Saeed which started its operation in Malaysia in 1989(Al-Motamar, 2011, March 12).

According to the fifth Prime Minister of Malaysia Datuk Seri Abdullah Bin Haji Ahmad Badawi, there are similar trade history between Yemen and Malaysia.

*“Malaysia and Yemen share a similar history in international trade. Both are situated on trade routes used by early Muslim traders. Over the years, our search for growth and development has taken us along differing paths. It is my hope that today’s occasion will serve as an opportunity for our business communities to reacquaint themselves so that we*