

**Analysis of “One Village One Product” (OVOP)  
or “Satu Daerah Satu Industri (SDSI)” in Kelantan**

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The purpose of the study was to determine the effectiveness of One Village, One Product or in Bahasa Malaysia, “Satu Daerah, Satu Industri (SDSI) policies. The study investigates the success factors of Small and Medium Enterprises (SMEs) start-up and evaluation of SDSI policies, to clarify the business behavior and operational problems of rural base SDSI firms, and study on the effectiveness of SDSI and its relevancy in the state of Kelantan. In addition, this study analyzed the background of SDSI firms and entrepreneurs, their business condition and prospects, the evaluation of SDSI policy, and its future direction.

## **1. Introduction**

SDSI policies created by the Malaysia government aim to assist local entrepreneurs in their business. Tracing back prior the establishment of SDSI policies in Malaysia, this activity can be found in voluntary activities by residents, rather than activities led by central or local governments. It started in 1961 in Japan when their people in tiny village started to produce agriculture products which were strongly recommended to produce at that time. The movement subsequently evolved into second stage which set its target on human resource development, and then into third stage which placed emphasis on

improvement of the living quality. Japan introduces “One Village, One Product” (OVOP) with the objective is to provide an important model of success, encouraging local residents to unearth economic resources within the regions with their aims to develop local industry with the global outlook. Given the fact that the OVOP schemes have been adopted as a major policy by China, Philippines, Malaysia, Cambodia, Mongolia and Thailand. Thses scheme also has been implemented in various African countries in their own context as part of economic assistance from Japan.

## **2. The OVOP movement in Asia.**

It is considered that China was the first nation outside Japan to realize the potential of the OVOP movement. Shanghai initiated a movement under the slogan “One Hamlet, One Product” (OHOP). Philippines launched the “One Barangay, One Product” (OBOP), while Malaysia launched “Satu Kampung, Satu Produk” (SKSP). Thailand also launched “One Tambon, One Product” (OTOP, which was initiated in 2001 and implemented throughout the country.

Although there may be differences in the forms of application, all of the above regions are actively enhance the quality of local products, raise awareness of residents and exploit market opportunities including exporting. The reason behind active use of these movements is that the Asian economy is now on the rising stage and its conditions are becoming more or less similar to those Japan’s experienced during the country’s high-growth periods

## **3. SDSI program in Malaysia**

SDSI (satu daerah, satu industri) program was initially introduced as “Satu Kampung, Satu Produk” (SKSP) in the year 1992. After that in the year 2002, this programmed being developed as “Satu Kampung, Satu Industri” (SKSI) and one year later it has been change to “Satu Daerah, Satu Industri” (SDSI) that covers broader scopes. During that time, the concept of SDSI inclines towards product development and districts oriented services that has been commercializes to attract tourists to come and visit certain districts.



On that particular time, SDSI program focusing on cultural development, villagers' creativity and their innovation as their socio-economy in community, but then this concept has been change from just voluntary activities by residents to broader business oriented, that can create valuable value chain for the communities surrounding.

With this concept, SDSI no longer been classified as part time jobs and for those to have part time income or as one of the poverty eradication program, but it has been recognized as one type of business that has the ability to generate high income especially for the rural entrepreneurs.

#### **4. The SDSI concept**

The primary concept of SDSI is to determine the product or services that have high potential to be developed in certain districts. Since there are different kind of products that have been produced in different districts, the process need to be carried on in order to discover the valuable products and services that have potential to be developed in the future. Secondary concept is the establishment of marketing and promotion assistance, marketing information, rebranding process and business oriented output management. The SDSI new concept is using clustering technique in order to support all the business value chain from raw material, to the output stages and then to the distribution and marketing process.

#### **5. SDSI features**

SDSI features are a small and medium enterprise that generates economic impacts to the community such as:

- Utilization of local resources
- Generation of earning opportunity to local community
- Creation of jobs opportunity
- Creation direction and spin-off industries
- Utilization of youth force resources

## 6. Research objectives

The objectives of this study are:

- To study the business background of SDSI firms and entrepreneurs in Kelantan in terms of business field, their demographic profile and their start-up pattern of business.
- To determine the SDSI business conditions and business prospects in relation to the financial issues, human resources, and marketing, technology, material and transportation issues.
- To evaluate the SDSI policy from firms such as their knowledge on SDSI, the availability of SDSI supports, their satisfaction and expectation towards SDSI policies
- To determine the future direction of SDSI such as demands and administrative guidance, and support program needed.

## 7. Methodology

This research was conducted to the 20 SDSI entrepreneurs with different business background taken from JPP (*Jabatan Pembangunan Persekutuan Kelantan*) data base. The survey was conducted using structured questionnaires. The main items that being included in the section one of the questionnaire are the profile of the SDSI firms, such as type of firm, business field, size of firm, employee, and sales. The second section of the questionnaire focuses on the profile of the entrepreneurs such as education background, motivation and choice of start up. The third section of the questionnaire focus on the business prospects which contains of the evaluation of current business and future prospects. The fourth section of questionnaires was about the evaluation of SDSI policy such as knowledge of SDSI, evaluation of support and the questionnaires were administrated and collected by interviewers. Personal interviews were also conducted to add value to the questionnaire survey. The data collected was then tabulated and analyzed using SPSS software.



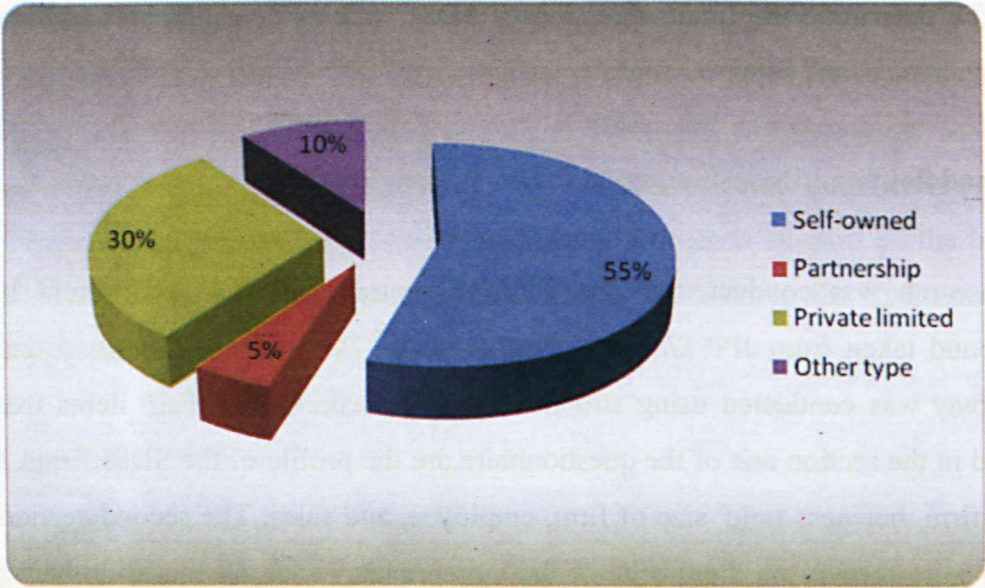
8. Research findings

8.1 Form of Business

Table 1: Type of Company

Type of Company	Percentage
Self-owned	55%
Partnership	5%
Private limited	30%
Other type	10%
Total	100%

Figure 1: Type of Company



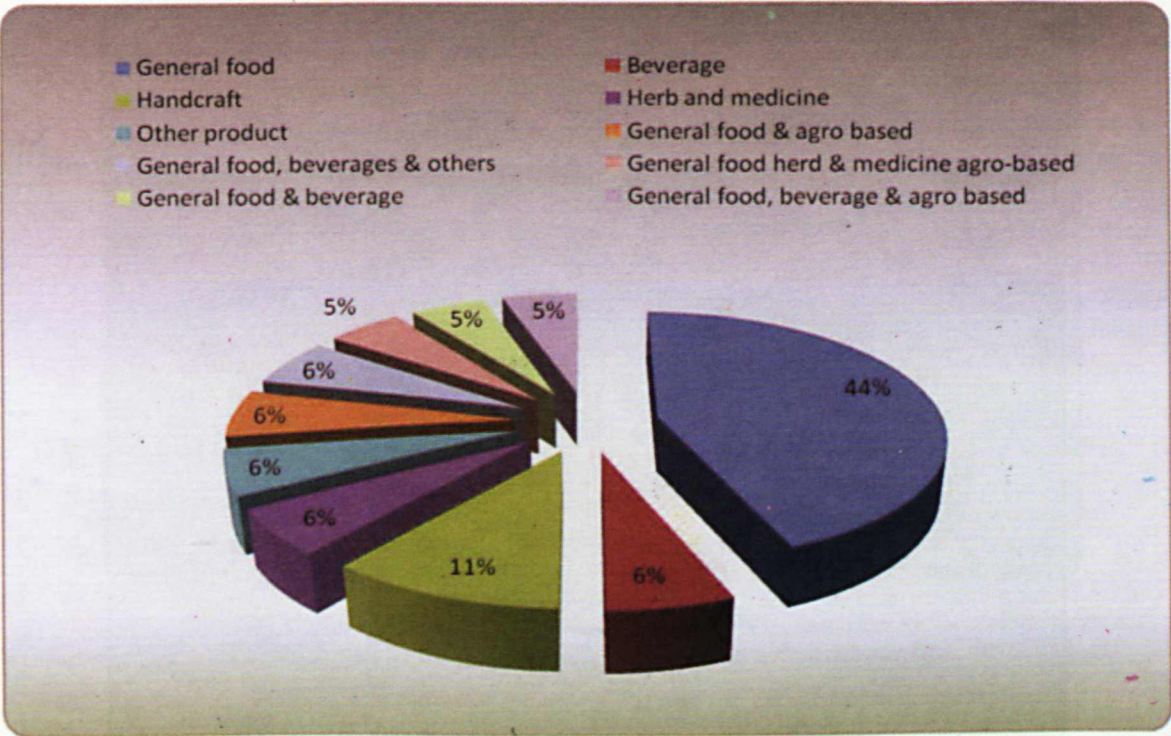
The table 1 and figure 1 above show that 55% of businesses are self-owned or self proprietors, the other 30% are registered under private limited company and another 5% are in the forms of partnership. This form of business can be categorized that SDSI in Kelantan are small in their operation.

8.2 Type of Business

Table 2: Type of Business

Type of Business	Percentage
General food	44%
Beverages	6%
Handcraft	11%
Herb and medicine	6%
Other product	6%
General food & agro based	6%
General food, beverages & others	6%
General food herd & medicine agro-based	5%
General food & beverage	5%
General food, beverage & agro based	5%
Total	100%

Figure 2: Type of Business





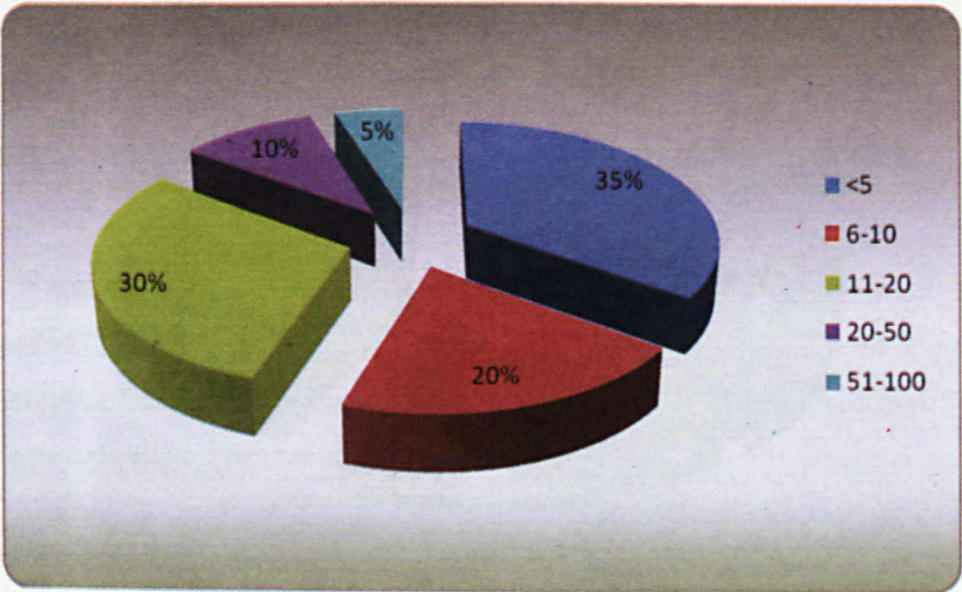
The survey result indicates that 44% of the SDSI in Kelantan are in the general food manufacturing, 11% are in handicraft business, 6% are in producing beverages, 6% produce herbs and medicine, 6% produce general food and agro-based, 6% produce general food, beverage and others, 5% produce general food, herb & medicine and agro-based, 5% produce general food and beverage and 5% produce general food, beverage & agro-based. This data shows that most business SDSI in Kelantan are more focus on general food and handicraft.

8.3 Number of employees

Table 3: Number of Employees

<i>Number of Employees</i>	<i>Percentage</i>
<5	35%
6-10	20%
11-20	30%
20-50	10%
51-100	5%
Total	100%

Figure 3: Number of Employees



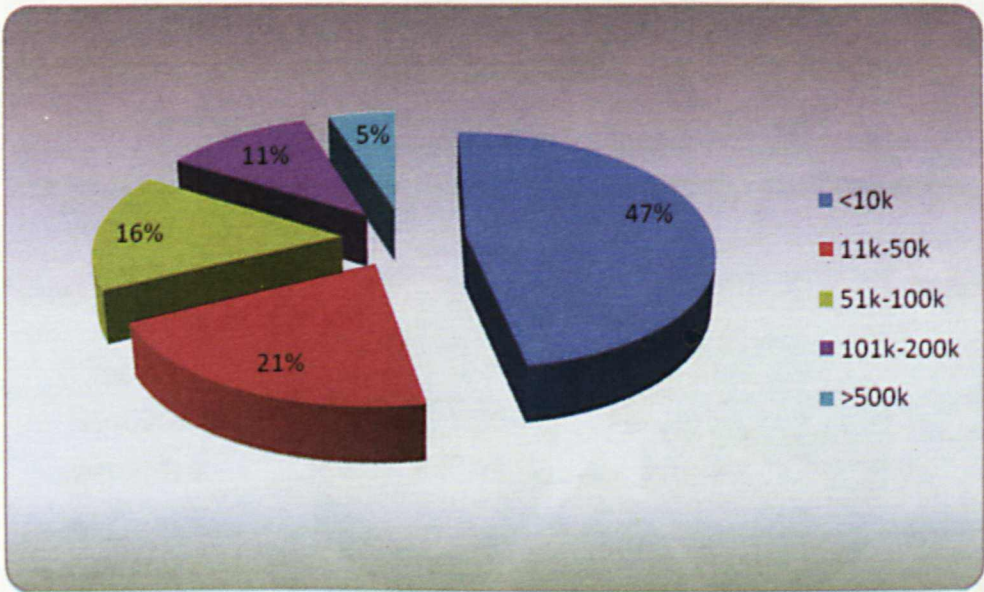
One of the criteria to measure the size of business by the SDSI firms refer to the number of employees. The study in Kelantan shows that 35% of the firms fall under the micro business categories with 5 or less workers. 20% of the firms have workers between 6 to 10 workers, 30% have workers between 11 to 20, 10% have workers between 20 to 50, and 5% have workers between 51 to 100.

8.4 Paid-up capital

Table 4: Paid-up capital

<i>Paid-up capital</i>	<i>Percentage</i>
<10k	47%
11k-50k	21%
51k-100k	16%
101k-200k	11%
>500k	5%
<b>Total</b>	<b>100%</b>

Figure 4: Paid-up capital





Other criteria to measure the size of firms based on paid-up capital. The study shows that 47% of the SDSI firms in Kelantan have a paid-up capital of less than 10,000 ringgit, 21% have between 11,000 to 50,000 ringgit, 16% have between 51,000 to 100,000 ringgit, another 11% have between 101,000 to 200,000 ringgit and only 5% have paid-up capital above 500,000 ringgit. Again this data indicates that the most of the SDSI firms fall under the micro and small enterprise.

8.5 Average annual sales

Table 5: Average annual sales

Average annual sales	Percentage
<10k	25%
11k-50k	20%
51k-100k	10%
101k-200k	15%
201k-500k	20%
501k-1million	5%
>1 million	5%
Total	100%

Figure 5: Average annual sales

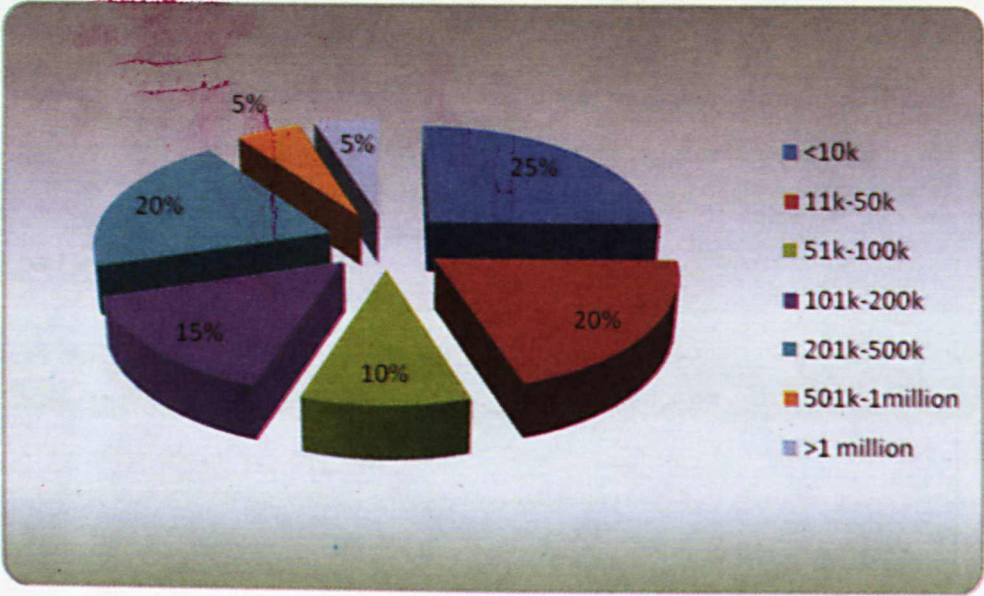


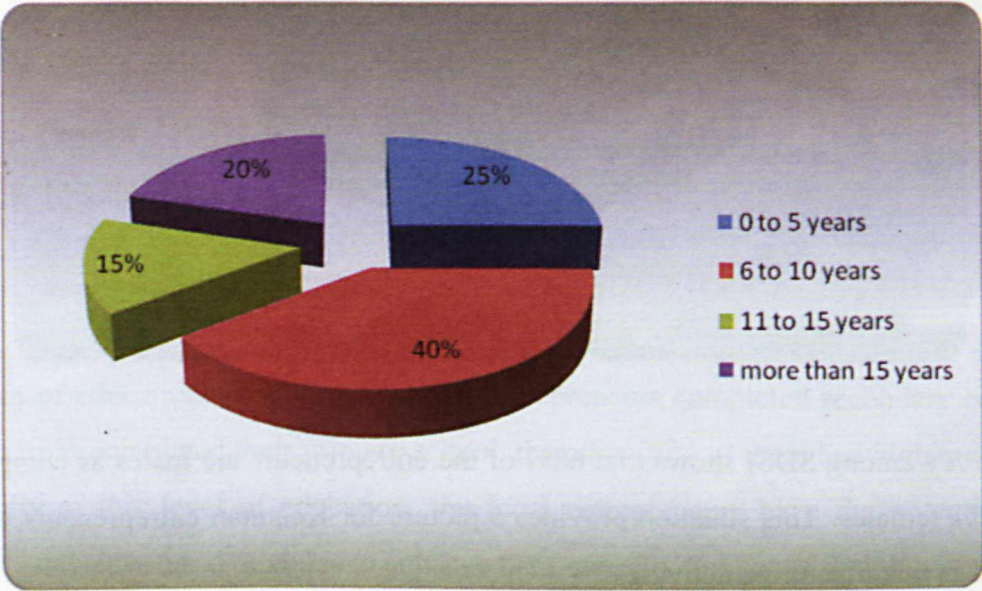
Table 7 shows that 55% of SDSI firm generates annual sales of less than 100,000 ringgit. Only very small numbers of firms generates annual sales of more than 1 million ringgit. Again this survey result shows that the scales of operations among SDSI in Kelantan are still very small.

8.6 Year of current business start-up

Table 6: Year of current business start-up

<i>Year of current business start-up</i>	<i>Percentage</i>
0 to 5 years	25%
6 to 10 years	40%
11 to 15 years	15%
more than 15 years	20%
<b>Total</b>	<b>100%</b>

Figure 6: Year of current business start-up



In general, most SDSI in Kelantan are young, with more than 65% of them are in operation less than 10 years. 35% of SDSI firms are in operation more than 35 years. This



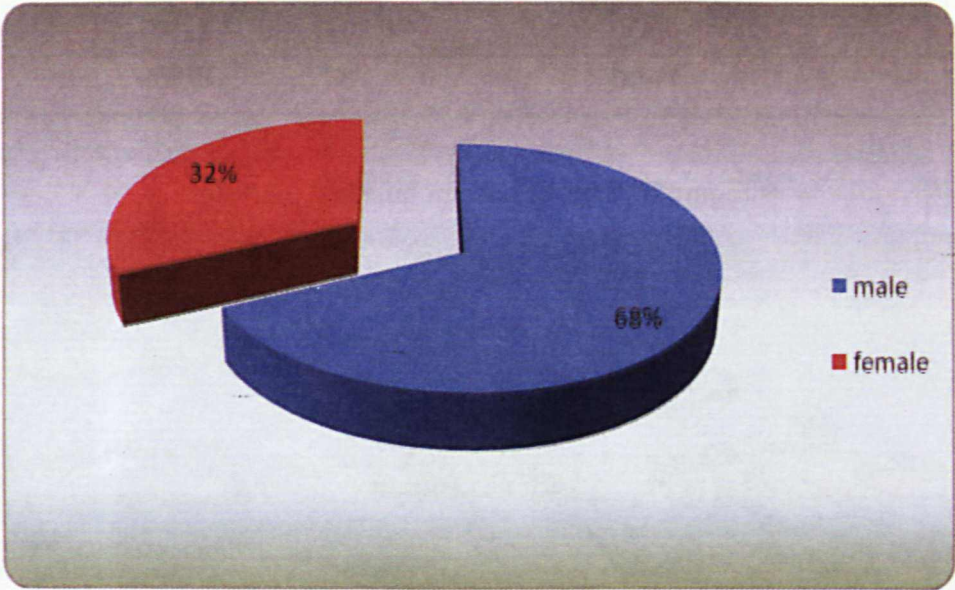
data shows that the SDSI movement in this part of the region is still new. These indicators also, provide information that relates to the size of the business.

8.7 Gender

Table 7: Gender

<i>Gender</i>	<i>Percentage</i>
male	68%
female	32%
<b>Total</b>	<b>100%</b>

Figure 7: Gender



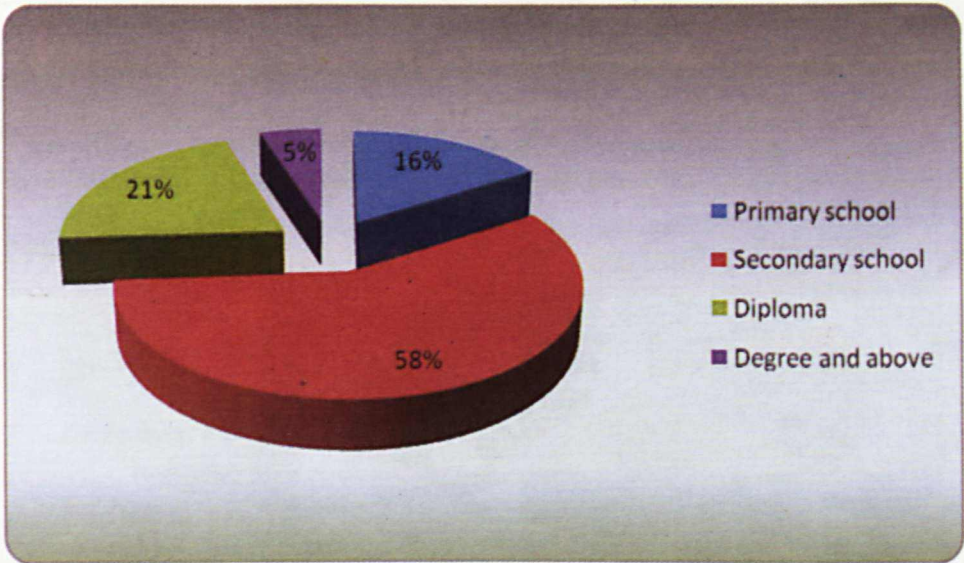
This survey among SDSI shows that 68% of the entrepreneurs are males as compared to only 32% females. This situation provides a picture for Kelantan entrepreneurs who are engaged in manufacturing activities.

8.8 Level of education

Table 8: Level of education

<i>Level of education</i>	<i>Percentage</i>
Primary school	16%
Secondary school	58%
Diploma	21%
Degree and above	5%
<b>Total</b>	<b>100%</b>

Figure 8: Level of education



In terms of educational background, most entrepreneurs completed secondary education (58%) , 16% completed their primary school, the other 26% of them had higher education. Generally at this level of education, the local entrepreneurs have the potential to be trained using structured modules to enhance their capacity to operate their business.

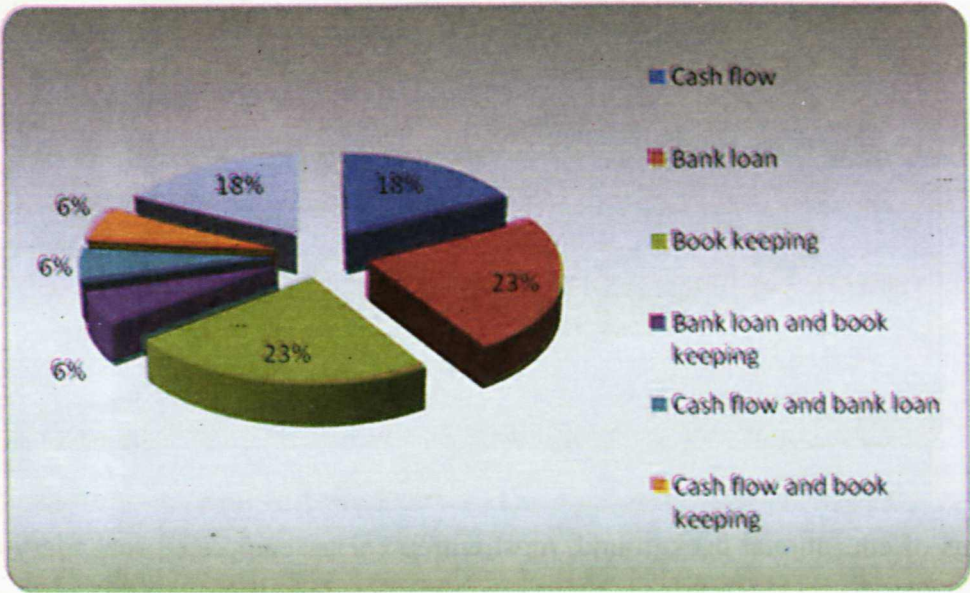


8.9 Financial issues

Table 9: Financial issues

<i>Financial issues</i>	<i>Percentage</i>
Cash flow	18%
Bank loan	23%
Book keeping	23%
Bank loan and book keeping	6%
Cash flow and bank loan	6%
Cash flow and book keeping	6%
Others	18%
<b>Total</b>	<b>100%</b>

Figure 9: Financial issues



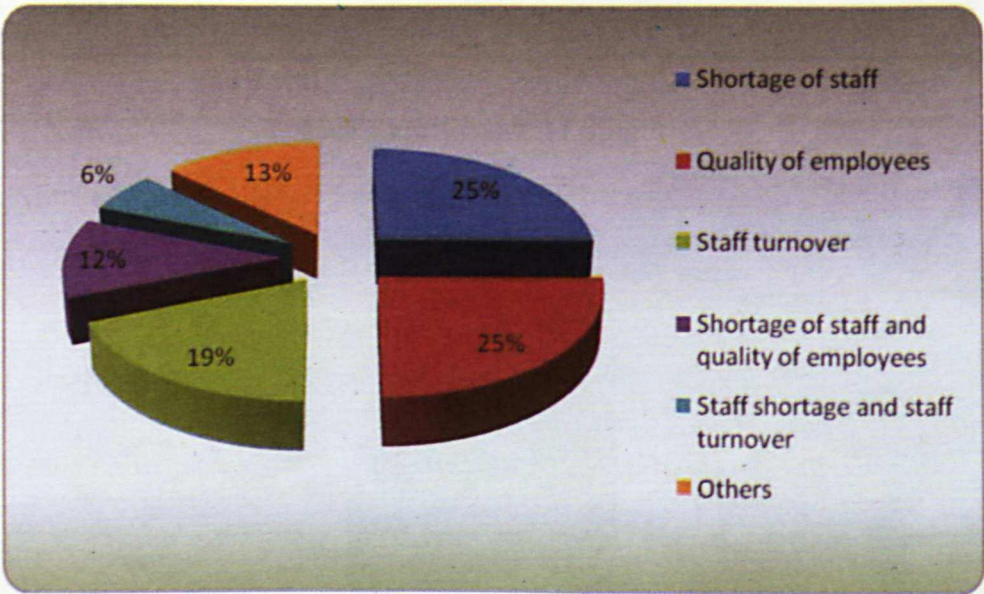
The major financial issues encountered by entrepreneurs are dealing with book-keeping (23%), difficulty in getting bank loan (23%), and managing their cash flow (18%). These findings indicate that getting funds and financial management is considered as major constraints in operating the businesses.

8.10 Employment issues

Table 10: Employment issues

<i>Employment issues</i>	<i>Percentage</i>
Shortage of staff	25%
Quality of employees	25%
Staff turnover	19%
Shortage of staff and quality of employees	12%
Staff shortage and staff turnover	6%
Others	13%
<b>Total</b>	<b>100%</b>

Figure 10: Employment issues



Employment is considered as another issue that needs to be addressed by SDSI entrepreneurs. 25% of the respondents claim that they are having problem with the quality of employees and also shortage of staffs, 19% respondents are facing the staff turnover problem, 13% respondents are having problem with regards to both staffs shortage and quality of employees, and another 6% respondents are having problem with both staffs shortage and staffs turnover. The findings indicate that the quality of staffs and the shortage of quality of employees considered as major issues in running the business.

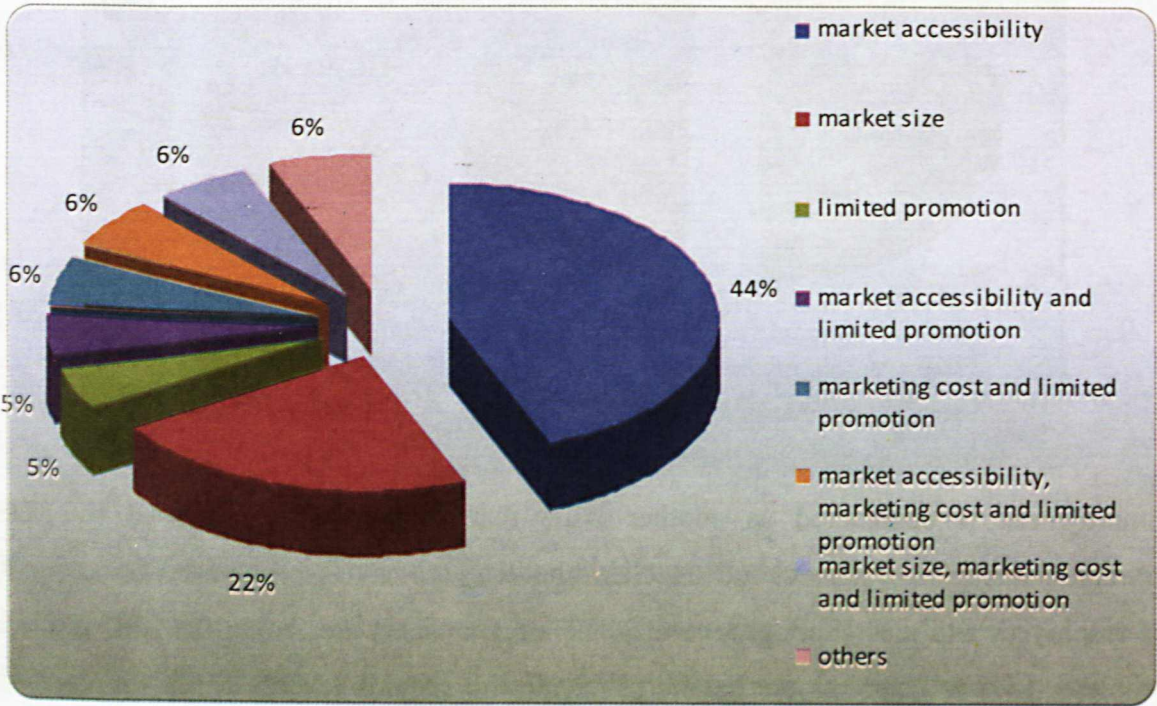


8.11 Marketing issues

Table 11: Marketing issues

Marketing issues	Percentage
Market accessibility	44%
Market size	22%
Limited promotion	5%
Market accessibility and limited promotion	5%
Marketing cost and limited promotion	6%
Market accessibility, marketing cost and limited promotion	6%
Market size, marketing cost and limited promotion	6%
Others	6%
Total	100%

Figure 11: Marketing issues



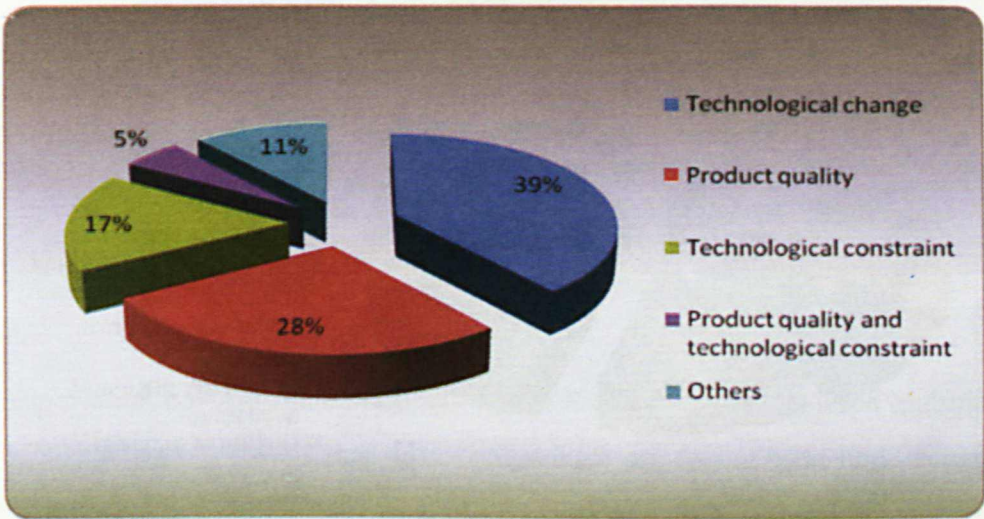
The major marketing issues are the accessibility to the market. 44% of the respondents state that accessibility is the major problem. Other marketing issues are the market size, and limited promotion. The finding of the studies shows that the market accessibility and market size are two critical factors facing the local SDSI entrepreneurs.

8.12 Technical issues

Table 12: Technical issues

<i>Technical issues</i>	<i>Percentage</i>
Technological change	39%
Product quality	28%
Technological constraint	17%
Product quality and technological constraint	5%
Others	11%
Total	100%

Figure 12: Technical issues



In terms of technical aspects of business, two critical issues were identified. One is the problems with technological change and the others production of high quality products. Since the SDSI business in Kelantan are small in their size would it difficult for them to utilize advance technology in their business.

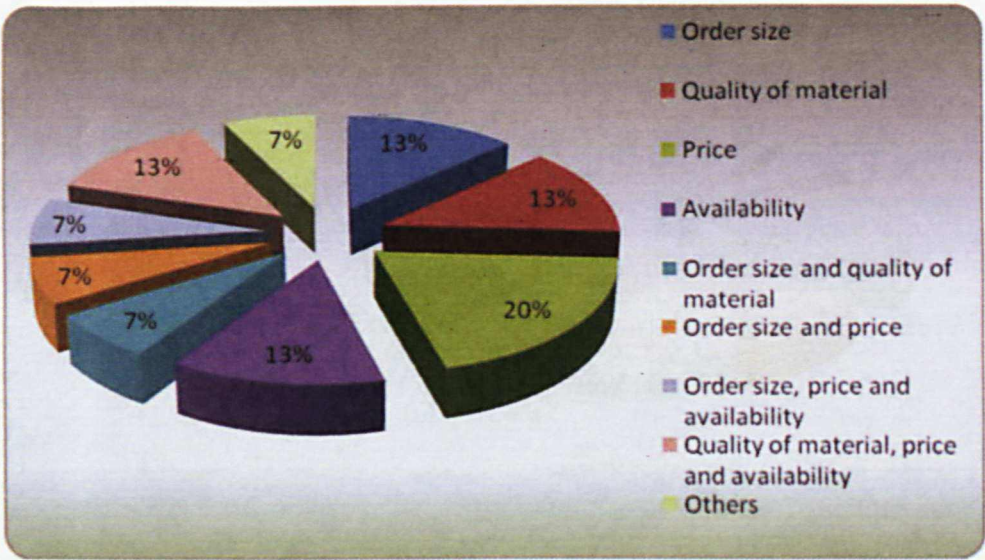


8.13 Material procurement issues

Table 13: Material procurement issues

<i>Material procurement issues</i>	<i>Percentage</i>
Order size	13%
Quality of material	13%
Price	20%
Availability	13%
Order size and quality of material	7%
Order size and price	7%
Order size, price and availability	7%
Quality of material, price and availability	13%
Others	7%
<b>Total</b>	<b>100%</b>

Figure 13: Material procurement issues



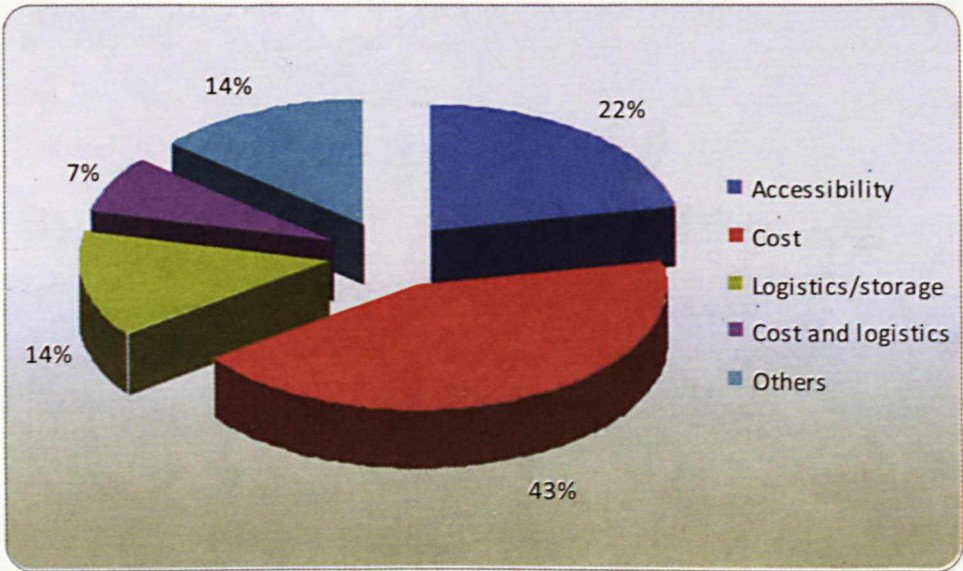
The price of the raw material and the quality of raw material are the major issues facing the local SDSI entrepreneurs. This situation will effect the entrepreneurs ability to predict the cost of production and the pricing of their products in order to be competitive.

8.14 Transportation

Table 14: Transportation

<i>Transportation</i>	<i>Percentage</i>
Accessibility	22%
Cost	43%
Logistics/storage	14%
Cost and logistics	7%
Others	14%
<b>Total</b>	<b>100%</b>

Figure 14: Transportation



The transportation cost for business operation in Kelantan are considered high due to the location. So the survey shows that 43% respondents are facing with high transportation cost, 23% of them are facing with assessibility problem. High transportation costs would burden the entrepreneurs and this situation will make them less compatitive.

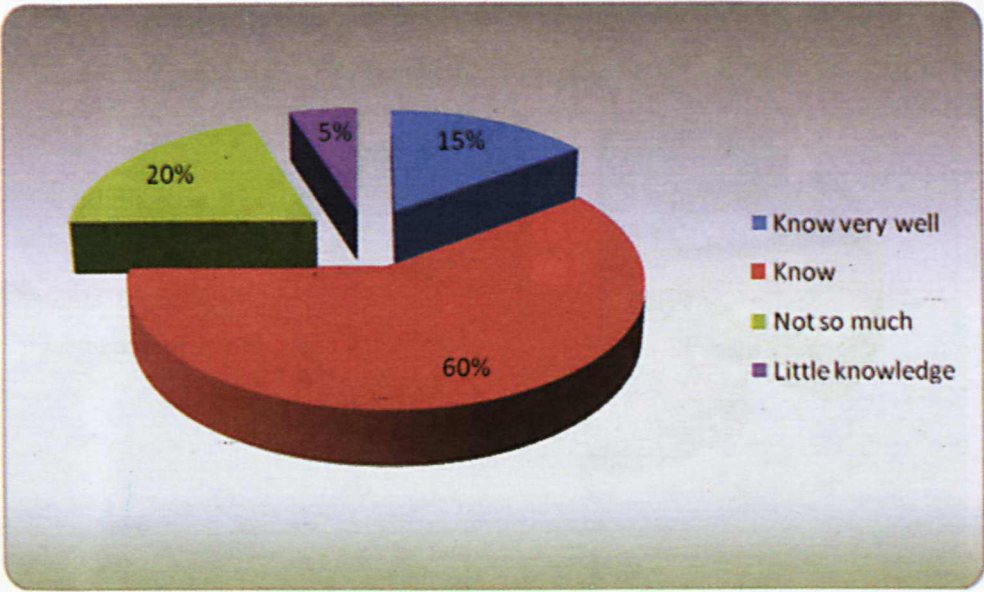


8.15 Knowledge on SDSI

Table 15: Knowledge on SDSI

<i>Knowledge on SDSI</i>	<i>Percentage</i>
Know very well	15%
Know	60%
Not so much	20%
Little knowledge	5%
<b>Total</b>	<b>100%</b>

Figure 15: Knowledge on SDSI



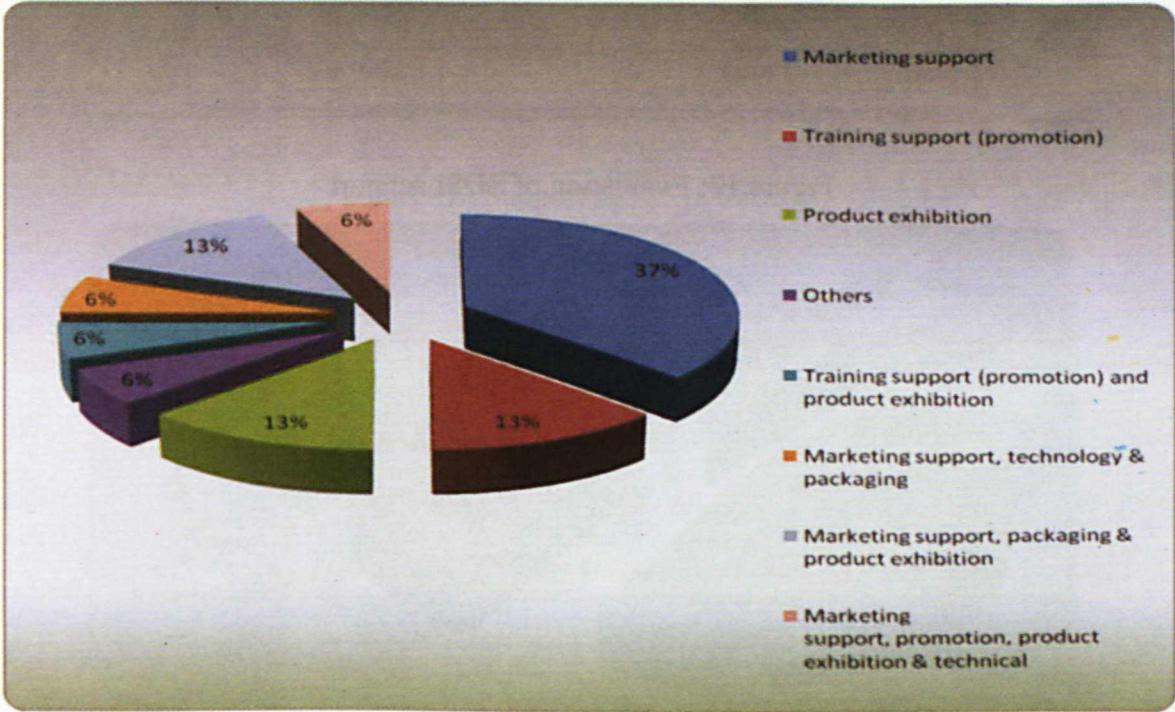
Seventy five percents (75%) of SDSI entrepreneurs are familiar with the SDSI programs and policies. Many of them participate in the promotional programs organised by government support agencies. The high percentage about the knowledge of SDSI among entrepreneurs could also be due to aggressive promotional activities by the government.

8.16 Type of support system for SDSI programs

Table 16: Type of support system for SDSI programs

Type of support from SDSI program	Percentage
Marketing support	37%
Training support (promotion)	13%
Product exhibition	13%
Others	6%
Training support (promotion) and product exhibition	6%
Marketing support, technology & packaging	6%
Marketing support, packaging & product exhibition	13%
Marketing support, promotion, product exhibition & technical	6%
Total	100%

Figure 16: Type of support system for SDSI programs



Most government agencies provide various types of support programs to enhance entrepreneurs' capability to run SDSI business. The survey shows that 38% respondents



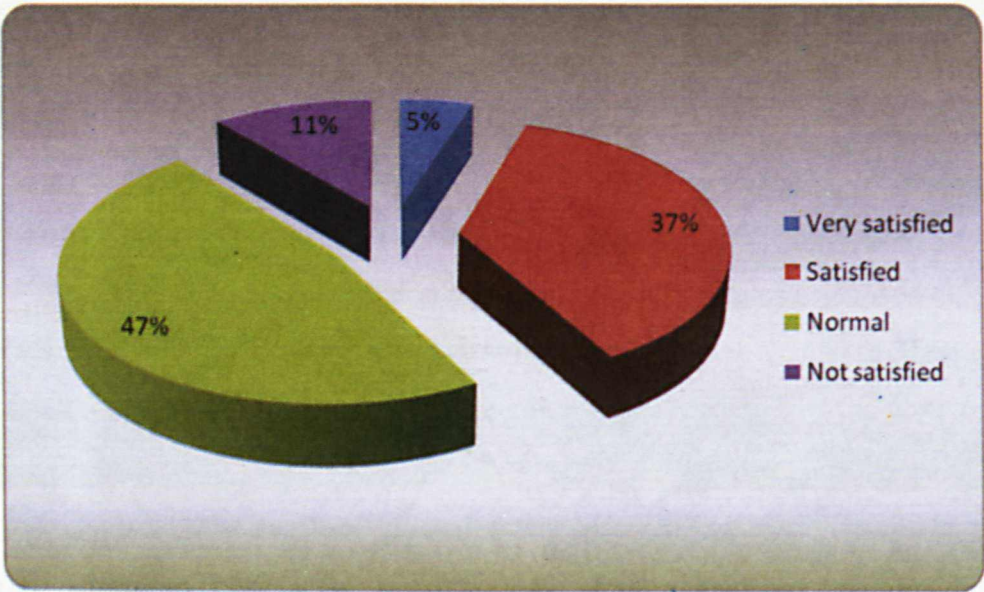
obtain marketing support, 13% respondents obtain training support (promotion), 13% respondents obtain product exhibition support, 6% respondents obtain training support (promotion) and product exhibition, 6% respondents obtain marketing, technology and packaging support, 13% respondents obtain marketing, packaging and product exhibition support and other 6% respondents obtain promotion, marketing, technical and product exhibition support. This findings show that marketing and marketing related activities are the major support needed by local entrepreneurs.

8.17 Evaluation of SDSI support

Table 17: Evaluation of SDSI support

<i>Evaluation of SDSI support</i>	<i>Percentage</i>
Very satisfied	5%
Satisfied	37%
Normal	47%
Not satisfied	11%
<b>Total</b>	<b>100%</b>

Figure 17: Evaluation of SDSI support



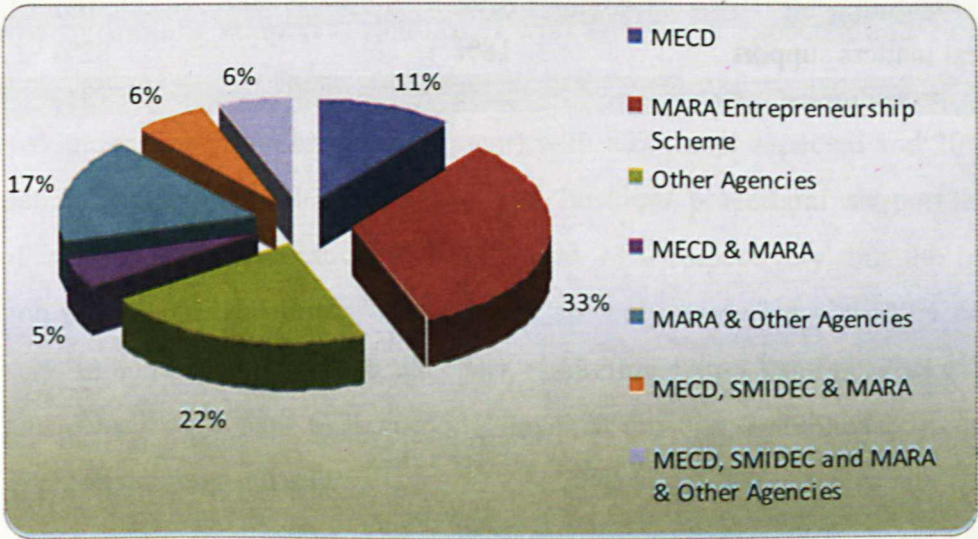
Satisfaction level among SDSI entrepreneurs with regard to support system by the government can be considered as high. 42% of the respondents express their satisfaction for the support given to them. Only 11% of them express their dissatisfaction. This could be due to the timeliness and the bureaucratic process that they need to address.

### 8.18 Support agencies for SDSI

Table 18: Support agencies for SDSI

<i>Support agencies for SDSI</i>	<i>Percentage</i>
MECD	11%
MARA Entrepreneurship Scheme	33%
Other Agencies	22%
MECD & MARA	5%
MARA & Other Agencies	17%
MECD, SMIDEC & MARA	6%
MECD, SMIDEC and MARA & Other agencies	6%
<b>Total</b>	<b>100%</b>

Figure 18: Support agencies for SDSI





The analysis of the support received by SDSI entrepreneurs indicates that 11% of SDSI firm obtain support from MECD, 33% from MARA, 6% from MECD and MARA, 17% from MARA and Other Agencies, 6% from MECD, SMIDEC and MARA , 6% from MECD, SMIDEC, MARA and Other Agencies. This study shows MARA and MECD plays an important role to help SDSI firms in developing their business.

### 8.19 Expectation of SDSI Support Systems by Entrepreneurs.

Table 19: Expectation of SDSI Support Systems

Assistance policies	Much appreciated	Most expected
Financial support	6%	94%
Marketing support	33%	67%
Training support (Technology)	14%	86%
Training support (Management)	20%	80%
Training support (Book- keeping)	9%	91%
Training support (Packaging)	8%	92%
Training support (Promotion)	29%	71%
Product exhibition	50%	50%
Technical matters support	18%	82%
Business procedural support	27%	73%

Figure 19: Expectation of SDSI Support Systems

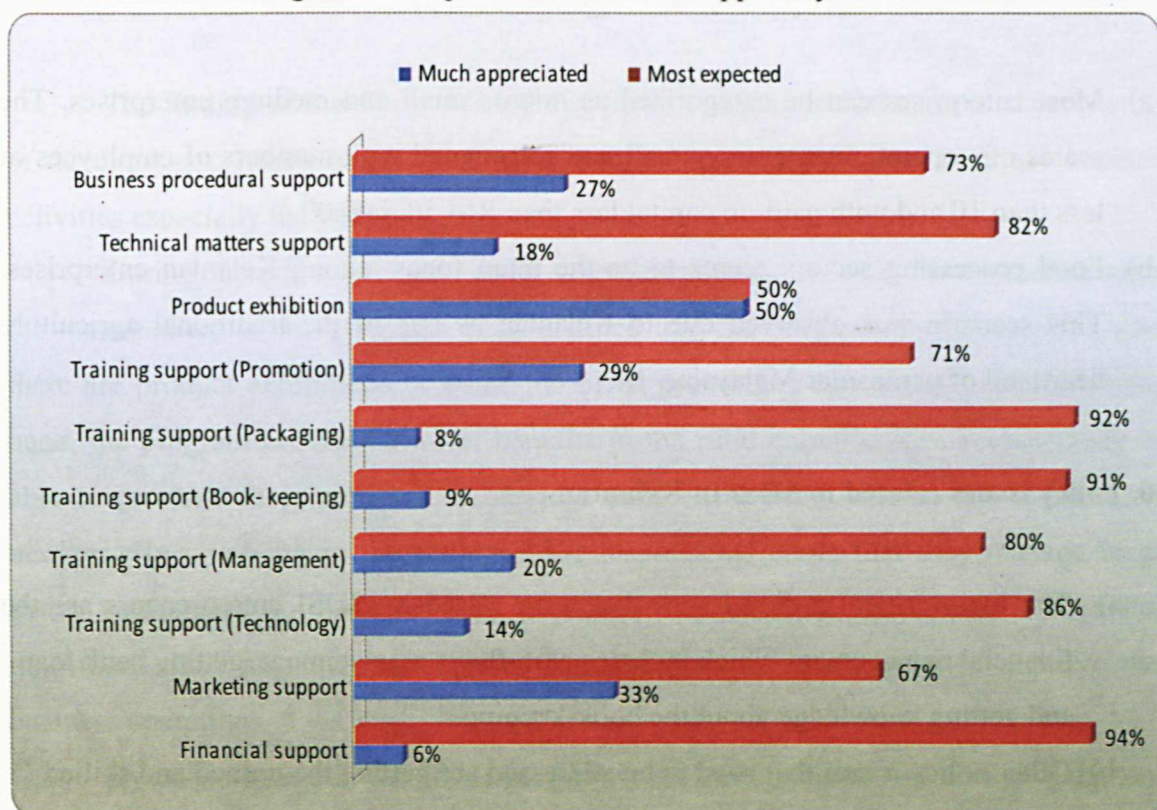


Figure 19 above shows that the highest importance is placed on initiative in the area of finance 94% most expected and 6% much appreciated. Next is training support (packaging) with similarly high figures of 92% most expected and 8% much appreciated, then training support (book-keeping) with 91% most expected and 9% much appreciated. It followed by training support (technology) with 86% most expected and 14% much appreciated, then technical matters support with 82% most expected and 18% much appreciated and training support (management) with 80% most expected and 20% much appreciated. Training support (promotion) and business procedural support attract a degree of interest and appreciation with 71% and 73% respectively, but the levels of expectation placed on such forms of assistance are only moderate with 29% and 27% respectively. In contrast as shown in the chart, marketing support and product exhibition are not particularly high with 67% and 50% level of most expected and 33% and 50% level of appreciation respectively.



## **9. General observation from the data analysis**

- a) Most enterprises can be categorized as micro, small and medium enterprises. The scales of operations are very small and self-owned with numbers of employees of less than 10 and with paid-up capital less than RM 50, 000.00.
- b) Food processing sectors seems to be the main focus among Kelantan enterprises. This scenario was observed due to Kelantan as one of the traditional agriculture heartland of peninsular Malaysia.

## **10. Policy issues related to SDSI in Kelantan**

- a) The main critical policy issues that were raised by SDSI entrepreneurs are the financial management which includes cash flows management, getting bank loan and getting knowledge about the book-keeping.
- b) Other policy issues that need to be addressed are getting the trained and skilled employees.
- c) On the marketing activities, the issues are market accessibility, getting the market shares and getting product to the retailers' shelf space.
- d) Technical issues are technological change, method to the adoption of latest production technology that will enlarge the quantity and also to improve the quality of products that meet the markets need. Most of the entrepreneurs in Kelantan are using older technology in producing their products and services.
- e) Material procurement issues that were raised by the entrepreneurs are related to the process of getting raw materials, the price of those materials, fluctuation of the prices that makes small producers unable to maintain their product costs, order size, quality of materials and also the problem of the availability of products when needed.
- f) Transportation issues also are the main problems faced by the local entrepreneurs such as transportation costs because entrepreneurs unable to pay the high transportation cost due to the increases of the fuel price and distance between the supply chains.

## 11. Concluding Remarks

The finding of the study showed that SDSI program in Kelantan is at early stage of development. Many issues need to be addressed to further enhance those business activities especially the support programs.

During interview sessions, many respondents express their dissatisfaction about the management of the program. They claimed that the program only successful when there are product exhibitions or when the SDSI promotions are launched. On the other hand, the program provides a lot of benefits to the rural entrepreneurs because they are able to promote their products or services domestically and also to the international markets. By involving in the program, the respondents claim that they manage to get better equipments to produce their products. For example they manage to obtain machineries and also training support from the government in order to improve their business operations.

By participating in the SDSI programs, the entrepreneurs are able to gain other benefits such as the information about SDSI business, training to be more productive, creative and skill development, product packaging and other form of marketing and promotion activities. In addition, SDSI programs also provide advisory and financial supports. Local SDSI entrepreneurs need to be more proactive to take advantage from the opportunities created through government intervention.

## 12. References

([http://www.meti.go.jp/policy/trade\\_policy/ovop/data/projecten.pdf](http://www.meti.go.jp/policy/trade_policy/ovop/data/projecten.pdf))

([http://www.ovop.jp/en/ison\\_p/haikei.html](http://www.ovop.jp/en/ison_p/haikei.html))

(<http://www.thaitambon.com/English/AboutTTB.htm>)