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**ASSESSMENT ON BUSINESS VENTURES BY NATIONAL  
FISHERMEN'S ASSOCIATION**

**BY**

**SERIFAH HABIBAH ABD. MAJID**

**ADVISOR**

**DR. SAAD AL HARRAN  
DEPARTMENT OF ECONOMICS**

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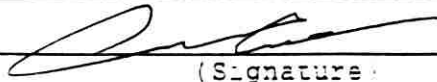
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under my supervision. The relevant comments made on the paper during its presentation have been incorporated in the present version of the paper to my full satisfaction.

I have pleasure in recommending that the graduate committee may approve the paper in partial fulfilment of the requirements for the degree of Master of Economics.

Name of Supervisor: DR SAAD AL-HARRAN

Date: 31-7-1993



(Signature)

DR. SAAD AL-HARRAN  
LECTURER  
KULLIYAH OF ECONOMICS AND MANAGEMENT  
INTERNATIONAL ISLAMIC UNIVERSITY

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## Summary

Fishermen's association movement is considered new in Malaysia. It was only established in 1970s while National Fishermen's Association (NFA) was only formed in 1985. After six years involved in business ventures, based on consolidated financial performance, NFA managed to sustain profit continuously. Diversification of economics activities is the main factor contributed to increase in profit. The economic projects implemented by NFA increased from 4 projects in 1986 to 11 projects in 1991. In 1986, the profit was only RM9,200 and it increased to RM3,172,075 in 1991. However, based on individual project, only 5 projects managed to sustain profit continuously. One of the projects, Supply of Plastic Crates, never make profit since it was started. In order to improve the economic performance, NFA should consider to improve three aspects, that are management, monitoring and follow up and proper identification of the project. In addition, NFA should find ways and means to attract more fishermen to join the association. With full support from fishermen, there is potential for the association to emerge as an influential and profitable association in the future.

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## INTRODUCTION

Although fisheries in Malaysia is only one of the sub-sectors under agricultural sector, it plays significant role in providing employment opportunities, source of food and foreign exchange. There are number of strategies and programmes have been implemented in order to sustain the role of this sub-sector. One of the strategies is the formation of fishermen's association. Fishermen's association is considered a new movement to unite and coordinate the fishermen's activities in fisheries sector. It is formed according to the Fishermen's Association Act 1971. Although the Act was passed by the Parliament in 1971, it takes a long time to convince fishermen to join the association, even until today not all fishermen are member to this association. At the early stage of implementing this act, there were a lot of criticisms because the formation of fishermen's association will be a threat or rival to the fishermen's cooperative society which was established in 1948. Under the Fishermen's Act 1971, the membership is confine to those who are engaged in the fishing activities while for the Fishermen's Cooperative Society membership is open not only for fishermen but also for others such as farmers and traders. With the formation of fishermen's associations, any assistance to the fisheries sector such as subsidies and selection of the

fishermen to attend courses can be channelled through it .

The purpose of this paper is to analyse and assess the performance of the business projects implemented by the National Fishermen's Association (NFA). It is hoped that based on result of the analysis, recommendations can be made to assist NFA to improve its performance. The paper is divided into four sections. First section is about the general background which covers the definition of the Fishermen's association; background of the National Fishermen's Association including administration and management; and methodology of the study. Second section highlights the Malaysian Fisheries industries; policies and strategies regarding the fisheries sector; and brief explanation on the function of the existing institutions for fishermen. Section three is the analysis of the performance of the business projects under National Fishermen's Association. Finally recommendations and conclusion will be made.

## SECTION 1

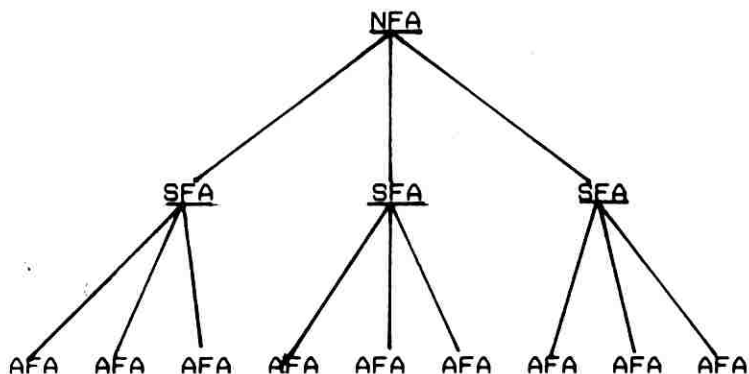
### General Background

#### Definition

According to the Fishermen's Association Act 1971, there are three categories of fishermen's association as follows:

- i. Area Fishermen's Association (AFA)
- ii. State Fishermen's Association (SFA)
- iii. National Fishermen's Association (NFA)

Area fishermen's association refers to an association of persons of not less than fifty in number formed in accordance with the provisions of the Fishermen's Act 1971 with the object to promote the economic and social interest or well being of those persons. State Fishermen's Association is a confederation of any two or more Area Fishermen's Association while National Fishermen's is a confederation of two or more State Fishermen's Associations. The relationships of these three categories of associations is illustrated as follows:



Membership of the association is open to any person who is resident within the operative area of an Area Fishermen's Association and has attained the age of 18 years if he is engaged in fisheries activities such as catching, harvesting, culturing, processing, handling; or sixty percent or more of his total income from the fishery industry.

#### Association That Have Been Formed

In 1991, there were 11 States and 61 Area Fishermen's Associations have been formed. In terms of membership, there were about 49,240 fishermen have registered as members of fishermen's associations.

#### Background of the National Fishermen's Association

National Fishermen's Association was registered on the 30th of November 1985. For management and administration

purposes, NFA is supervised by a Board of Directors where 18 fishermen are selected as members of the board. Besides that, the Minister of Agriculture also appointed 3 senior government officers as advisors to the NFA. They are:-

- i. The Director General of The Fisheries Department;
- ii. The Director General of The Fisheries Development Authority;
- iii. The Deputy Director General of Agricultural Bank.

For the purpose of conducting and supervising the business operations, 4 working committee have been set up:-

- i. Committee for Administration and Welfare;
- ii. Committee for Input;
- iii. Committee for Aquaculture and Deepsea Fishing;
- iv. Committee for Marketing/Fish Products.

To commence and implement the projects that have been passed by NFA Annual General Meeting (AGM), NFA employed 102 staff members including 13 seconded officers from Fisheries Development Authority (LKIM).

To enable NFA to implement all its projects, a launching grant amounting to RM5 million was given for the period of 1986 -1990. Besides that, NFA also received payment for

shares and annual fees from its members.

### Objectives

According to the Act, Fishermen's Associations can be formed with the objective of developing the economic and social interests or wellbeing of its members. In order to achieve its objective the associations shall have the power to:

- (a) manage and operate financial aid schemes, provide credit and capital resources to its member;
- (b) to promote member education and training including circulation of information on matters of interest to members;
- (c) to organise exhibitions, fairs and displays;
- (d) to organise fishing operations or aquaculture; the assembling, storage, processing; distribution and disposal of members' products;
- (e) to provide health centres, nurseries, thrift institutions, insurance, mutual aid and other welfare programmes;
- (f) to assist in investigations and collection of statistics of the fishing industry;
- (g) to provide bouys and other navigational aids and fishing harbour facilities;
- (h) to mediate in disputes involving a member or members arising in the fishing industry;

- (i) to organise the participation of members in any programmes for the conservation of fishery resources;
- (j) to operate and provide transportation facilities to enhance fish marketing activities;
- (k) to provide marketing, storage, drying, warehousing and other facilities; and
- (l) to facilitate capital formation and investment among members through the establishment of companies or equity participation in trading and business ventures.

Since it was formed, the main activity of NFA is business ventures. However, in 1991, certain amount of the total profit was allotted to a trust fund which was established for welfare purposes.

#### Methodology

The study is done based on secondary data which is gathered from various publications. The main source of data and information is gathered from National Fishermen's Association Annual Report for the period of 1986 till 1991. Since the association was formed in 1985, business activities only started in 1986. For 1992, the report is still confidential and it has to be tabled to the AGM which is scheduled in July this year.

### Constraint

There will be various time period in the analysis. It is cannot be avoided because not all projects started at the same time. In 1986, NFA started four projects, followed by three projects each year for 1987 and 1988 respectively and finally one project in 1990. For 1986 projects, the analysis will be six years, followed by five and four years for projects implemented in 1987 and 1988 respectively and only two years for 1990 project.



## SECTION 2

### Malaysian Fisheries Industries

#### Background

The contribution of the fisheries sector to the Gross Domestic Products (GDP) increased slightly from 2.4% in 1988 to 2.6% in 1990. The value of fish production increased from RM1,465 million in 1988 to RM1,960 million in 1990. The total export earnings also increased from RM507 million to RM630 million in the same period. However, the number of person engaged in fisheries sector declined from 88,963 in 1988 to 88,494 in 1990.<sup>1</sup> The rapid development in manufacturing sector which offer better opportunities and better wage attract more fishermen to leave the fisheries industry.

#### Government Policies and Strategies

Under National Agricultural Policy (1992-2010),<sup>2</sup> fisheries sub-sector will be encouraged and supported with adequate incentives, infrastructure and programme. Further expansion of fresh and processed product will be focused in developing this subsector. The fisheries products will cater for expanding local and foreign markets. The exploitation of fishery resources will be undertaken on sustainable basis. A concerted promotion of farmers' and fishermen's organization

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<sup>1</sup>.See Annual Fisheries Statistics 1990 Vol. 1

<sup>2</sup>.See National Agricultural Policy 1993, page 10 and 20.

into viable self-financing bodies, engaging in agriculture and related enterprises will be done in order to broaden the role of agricultural sector in Malaysian economy.

Since Sixth Malaysia Plan (SMP) period (1991-1995) falls under Second Outline Perspective Plan (SOPP) period (1991-2000), the strategy and thrust of the fisheries development during this period will be the same. Strategy and thrust of the fisheries development during this period is also in line with the NAP. Due to the depletion of inshore resources, the rejuvenation and conservation of fisheries resources will be emphasized to ensure sustainable development and environmental preservation. Overfishing in the inshore zones will be strictly controlled and at the same time, deep-sea fishing will be intensified. In addition, potential areas for aquaculture will be identified for development by the private sector.

## The Existing Institution for Fishermen

### **Department of Fisheries**

The Fisheries Department is responsible for the overall management and protection of fisheries and matters related to them. The primary objectives are:

- i. to increase fish production to meet the domestic demand;
- ii. to increase fishery commodity export;
- iii. to maximise the income of fishing units;
- iv. to sustain the level of production from inshore fishery resources;
- v. to expand deep-sea fishing;
- vi. to accelerate the growth of aquaculture;
- vii. to increase the value of fishery products.

### **Fisheries Development Authority of Malaysia (LKIM)**

The Fisheries Development Authority's objectives are:

- i. improve the social and economic situation of fishermen;
- ii. expand and develop the fisheries industry.

### **The Fishermen's Cooperative**

The Fishermen's Cooperative Society was established according to one of these Ordinances:

- i. Cooperative Societies Ordinance, 1948 of Malaya;
- ii. Cooperative Society Ordinance, 1958 of Sabah;
- iii. Cooperative Society Ordinance of Sarawak.

One of the principal objects or main functions of this cooperative is concerned with fishery production, credit, marketing or processing or any such commercial and trading ventures. After the commencement of the Fishermen's Association Act 1971, there shall not be any registration of any fishermen's cooperative society.

### **The Fishermen's Association**

The Fishermen's Association is formed according to the Fishermen's Association Act 1971. The objective of this association is to promote the economic and social interest or well being of its members. To achieve this objective, the association can involve in managing and operating financial aid scheme, promoting education and training among members, organising exhibition, fishing operation and aquaculture, providing health centre and mediating disputes involving a member or members arising in the fishing industry.

**SECTION 3**  
**Business Activities**

Business Projects

Any economic projects implemented by NFA normally identified and selected by board of directors. However, before each project is implemented, NFA will carry out the feasibility studies. For the project that need detail technical information such as aquaculture projects, NFA will appoint consultant to carry out the study. On the other hand, for the project that only need marketing information, NFA will use its internal resource to carry out the study. For the project that have social obligation, NFA have to implement it, even though it is already known that there will be no profit will be collected. Until December 1991 NFA is involved in business activities as follows:

- i. Supply of Nets, Engines and Parts;
- ii. Marketing of Fish Products;
- iii. Cockle Rearing Projects at Lekir, Perak and Kuala Selangor, Selangor.
- iv. Diesel Selling;
- v. Ice Plant Projects at Chendering, Terengganu and Kuala Perlis, Perlis.
- v. Marketing of Fresh Fish;

- vi. Fishermen's Insurance;
- vii. Supply of Plastic Crates;
- viii. Fresh Fish Contract.

#### Background of Each Project

##### **Supply of Nets, Engine and Parts**

NFA started this project as a net supplier in 1986. In 1989, this project was extended to supplying of prawn/fish feed, aquacultural equipment and outboard engines.

##### **Marketing of Fish Products**

This project also started in 1986. The fish products that are distributed by NFA are fish chips, cuttlefish/squid satay, fish satay, salted fish, dried anchovy and smoked fish. All products are produced by members/families within the Fishermen's Associations.

##### **Cockle Rearing Projects**

There are two cockle rearing projects undertaken by NFA, that is at Kuala Selangor, Selangor and Lekir, Perak. For project at Kuala Selangor, NFA started its involvement in 1986. The project is jointly operated by NFA, the Selangor SFA and Kuala Selangor SFA. The project area is about 1,000 acres. NFA took over the management of the project at Lekir in 1986. The project area is about 500 acres.

### **Diesel Supply**

NFA started diesel supply to Area Fishermen's Associations (AFA's) in 1987. All AFA's which are involved in this projects are given a commission by NFA of 0.005 cents/litre.

### **Ice Plant Projects**

NFA is involved in the management of two ice plant projects. The projects are at Kuala Perlis, Perlis and Chendering, Terengganu. NFA started its involvement in the management of the plant in Kuala Perlis in 1987. The plant is able to produce 350 blocks of ice per day (weight of each block is about 320 Ibs). NFA is renting the plant from LKIM at the rate of RM2,500 per month. NFA started its involvement in the Chendering plant in 1987. The plant is owned by LKIM and is rented to NFA at the rate or RM8,500 per month. The plant is able to produce 1,000 tonnes of is block per day.

### **Marketing of Fresh Fish**

NFA started this project in February 1990 as trial project at agriculture wholesale market in Selayang, Kuala Lumpur. The actual activity only started in May 1990 at stall no 107A wholesale market in the same area.

### **Fishermen's Insurance**

This insurance scheme is for fishermen especially those who work on deepsea vessels and for boats or vessels. This scheme is required under fishing boat licensing regulation. NFA was appointed as Chief Agent for 2 insurance Companies, Mercantile and Malaysia British Assurance Pte. Ltd. In implementing this project, NFA appoints AFAs as its agents. The AFAs involved will be given 15% commission.

### **Supply of Plastic Crates**

Under this project, NFA rents plastic crates to fish traders who import fish from Thailand. NFA also sells plastic crates to local fish traders.

### **Fresh Fish Contract**

NFA was awarded a contract to supply fresh fish to army camps in August 1990. Under this project, NFA have to supply fresh fish to army camps in Federal Territory, Selangor, Negeri Sembilan and Malacca.