PESTEL’s Holistic Framework for Rural Development

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Abstract

Political, Economic, Socio-demographic (including Education), Technological, Environment, and Legislative (PESTEL) is the tool analysis to understand the current status and future needs of the external environment factors that people have. The PESTEL analysis is a strategic planning technique that provides a useful framework for analyzing the environmental pressures on rural people. The PESTEL aspects generating considerable interest in terms of the nature of it in a certain context of the study. There is limited knowledge of the holistic nature of PESTEL on the rural community and regional development in Malaysia. It is observed that there is limited support on certain PESTEL aspects that is important for some people based on different demographic profiles such as gender, age, income, occupation, etc. What people have and what aspects they want to have more. The outcomes of this study would contribute to the policymaker, such as the Ministry of Rural and Regional Development (MRRD), and raise the attention at the national as well as the international levels, particularly in the change management era in Malaysia and Indonesia. Particularly in the Covid-19 pandemic faced by the world recently.

Keywords: Rural People, PESTEL, Legal, Rural Development, Policy, Malaysia, Indonesia

1. INTRODUCTION

PESTEL analysis is a process or tool used by policymakers, marketers, researchers, and related stakeholders to analyses, evaluate monitor, and track factors affecting the company or organization; including authorities, that are macro-environmental (external environment) situation and reality. The outcomes of the analysis are used in the detection of risks and vulnerabilities in strengths, weaknesses, opportunities, and threats (SWOT) analysis, which would also stand for the Political, Economic, Socio-demographic (including Education), Technological, Environment, and Legislative, or Legal (PESTEL).

As in Malaysia, the Rural Transformation Programme (RTP) focuses on Rural Transformation Centre (RTC) and continues to be one of the critical agendas for the Government of Malaysia, particularly under the National Blue Ocean 4 Strategy (NBOS4). The Rural Transformation Centre (RTC), was first launched in Gopeng, Perak and was held on February, 18th 2012 (currently known as RTC Perak). It is the pioneer project of the rural transformation program. Other RTCs are RTC Kota Bharu (Kelantan), which only started the operations on May 14th, 2012, and RTC Kuala Linggi (Malaca) which only started the operation on Nov 10th, 2012. Other RTCs such as in Johor, Kedah, Sarawak, and others were launched later. The finance and banking agencies are operating on the same premises such as Tabung Ekonomi Kumpulan
Usaha Niaga (TEKUN), Agrobank, Bank Simpanan Nasional (BSN), and the Yayasan Pembangunan Ekonomi Islam Malaysia (YaPEIM). However, is that benefit the rural community as much as it benefits indigenous people? What will be the new direction in the PESTEL related and based on our newly appointed 7th Prime Minister to the rural community as well as the indigenous peoples of the land?

The PESTEL analysis is a strategic planning technique that provides a useful framework for analyzing the environmental pressures on the people or an organization. The political analysis involves characteristics of politics or parties or politicians, particularly the era of Dato’ Seri Najib, Tun Mahathir, and recently Tan Sri Muhyiddin Yassin. The economy is a science that studies human behavior as individuals and in groups using the economic resources or factors of production are limited to producing goods and services to meet human needs are infinite, and also the status of the economy. Socio-demographic is characterized by a combination of sociological and demographics relating to population characteristic and the analysis of the technology involves activities such as the use in agriculture, medicine, and quality of life. Environment highlights issues pertaining to surrounding and everything that affects community areas. Legislative relates to the enactment of laws that refer to any related laws connected to the rural people and regions pertaining to its area of development, economic, social activities, etc.

PESTEL is proposed to be used as a strategic planning technique that provides a useful framework for analyzing all key aspects in particular details, align with Ahmad et al. (2015). It covers the PESTEL pressures affected the rural community. The holistic analysis enables the researcher to investigate the current status, gaps, and future expectations of all specific areas. The understanding of the PESTEL analysis, which would also relate to the legal analysis would assist the policymaker in terms of reducing not only the rural poverty but also the impact of laws, policies, and institutional frameworks on rural communities. Based on previous studies (e.g. Hazita et al., 2011), it is understood that rural communities have often lacked access to social services such as healthcare and primary education, and less focused on the rural community including the indigenous peoples. This study is to meet the personal and collective goals to improve their overall quality of life, focusing on the impact of PESTEL on the rural community.

The research questions developed based on the observations of the emerging phenomenon that asking on the rural people the current status of PESTEL and their future requirements and needs in these aspects. It also raises questions related to the current scenario of Covid-19 on the effect and hope.

2. RESEARCH OBJECTIVES

The research objective is to discover the current status of Political, Economic, Socio-demographic (including Education), Technological, Environment, and Legislative, or Legal (PESTEL) of the rural people in Northern Part of Malaysia

3. RESEARCH METHODOLOGY

The quantitative research method selected for this research study is appropriate given the problem statement and objectives for the research study. Thus, the study utilized a survey method to gauge the information and to generalize the findings to the total population. A
survey method allows the researcher to collect data from many respondents, and to measure many variables. The population is materials, events, or individuals that have the same characteristics (Creswell 2005: Hair et al. 2007). The population is important in any research because it determines the area of the research problems. Selecting the population has to be done precisely and accurately to ensure the research objectives are achieved. The population of this study is the rural people in the Northern Region.

4. RESEARCH FINDINGS

4.1 Reliability Test

For both current and future PESTEL, the Cronbach Alpha is acceptable as shown in Table 1

Table 1: Item-Total Statistics on PESTEL

<table>
<thead>
<tr>
<th>No.</th>
<th>Variable</th>
<th>α</th>
<th>Current</th>
<th>Future</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Economic</td>
<td>.576</td>
<td>.711</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Socio-Demographic</td>
<td>.643</td>
<td>.718</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Education</td>
<td>.587</td>
<td>.712</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Technology</td>
<td>.612</td>
<td>.692</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Environment</td>
<td>.690</td>
<td>.722</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Politic</td>
<td>.596</td>
<td>.698</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Legal</td>
<td>.634</td>
<td>.698</td>
<td></td>
</tr>
</tbody>
</table>

4.2 Demographic Profile

Age

The age of the respondents' profile is categorized into six age groups. The data reveals that 5.45% were aged under 18 years old. For the age group of 18 to 30 years old, a total of 24.45%, 27.88% of respondents were aged between 30 to 40 years old (majority) and 21.82% of respondents were placed in the 40 to 50 years old. The percentage of 12.73 were the respondents between 50-60 years old. The least number of respondents were over the age of 60 years

Education Level

When asked about the respondent’s qualification, a number of 6.18% had primary/ UPSR qualification for education level, SRP/PMR was 29 (17.47%), and respondents who hold MCE/SPM was 39 (23.49%). The respondents hold STPM/Certificate/Diploma was 41 (24.7%). As for the Bachelor's degree was 19.88%, masters/ doctoral was 2.00%, and others was 5.42%. Figure 4.3 depicts the details of the respondents' level of education.

4.3 Findings
Table 2: Response on Current Economic Situation

<table>
<thead>
<tr>
<th>Descriptions of findings</th>
<th>Identification of Label</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Need to rely on the savings. Prepare for the worse situation. Use most of the savings and it shrinking. Costs increasing.</td>
<td>Savings Costs</td>
<td>11</td>
</tr>
<tr>
<td>Somewhat complicated / somewhat difficult. The income has been decreased due to Covid19. Limited movement and business activities, with fewer transactions.</td>
<td>Income Transactions</td>
<td>9</td>
</tr>
<tr>
<td>Investment is important. Make short term and long term investments. Buy property and shares</td>
<td>Investment Shares</td>
<td>9</td>
</tr>
<tr>
<td>Not affected much as salary received as normal, still can last / can be managed.</td>
<td>Management</td>
<td>6</td>
</tr>
<tr>
<td>The company fired most of the workers, could not cope with the debts and other commitments</td>
<td>Retrenchment Unemployment</td>
<td>5</td>
</tr>
<tr>
<td>Change from small business (offline) to selling goods online. Doing more business and jobs to survive.</td>
<td>Online business Doing more jobs</td>
<td>5</td>
</tr>
<tr>
<td>Reduce expenditure and electricity and water consumption. Financial management needs to be efficient. Reduced daily expenditure, manage liabilities, debt, commitment, and others.</td>
<td>Utility usage Burden Liabilities Debts Financial management</td>
<td>4</td>
</tr>
<tr>
<td>Felt stress and confined at home, feeling unsafe when leaving the house. Less quality of life.</td>
<td>Quality of life Stress</td>
<td>3</td>
</tr>
</tbody>
</table>

Table 3: Response on the effect of Covid-19

<table>
<thead>
<tr>
<th>Descriptions of findings</th>
<th>Identification of Label</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes. The bad condition of the economy, social and health. Lost job and loss of income. Rely on help from the Government. Use your savings. No companies offering jobs. Difficult to get customers and loss many of them. Implement SOP and it is costly.</td>
<td>Loss of Job Loss of Income of customers SOP Costly</td>
<td>20</td>
</tr>
</tbody>
</table>
price hike and have to do new normal. Sometimes scared to go to work and meet people.

Slightly affected. Students did not face a negative impact, only movement control and not good Internet at home. Buy only necessary goods (savings) and financial management.

The study online had to spend to buy data to continue e-learning.

New normal Scare Movement control Internet technology Costly

13

Slightly affected. For a wedding planner, less business since the restricted wedding ceremony. Many dependents and cannot accommodate them with monthly income.

Health condition, stage 4 cancer and depends on SOCSO money.

Lead family Health condition Source of income

4

4.4 The Impact of PESTEL

Social Support

Since the COVID 19 hit Malaysia on Mac 2020, the government has taken swift action under special financial provision announce by Prime Minister to slow down household income effect especially among youth. Other than students enjoy a one-off RM50 incentive for Internet data to support learning through the "Google Classroom" method during the two-week movement control order (MCO), the government also provide RM1000 to RM1600 to B40 and M40 household and RM800 with a single status. Also set aside was RM100,000 for the Malaysian Youth Council (MYC) to help disabled youth as well as those who are homeless and in need under the Relawan MBM program. Malaysian Athletes Welfare Association allocated RM100,000 to support and provide assistance to former athletes during the enforcement of the MCO (Povera, 2020).

To help youth able to have proper life values, the government announced the reintroduction of the Home Ownership Campaign which provide various incentives, which starting from June 1, 2020, to May 31, 2021, stamp duty exemptions for the purchase of homes costing between RM300,000 and RM2.5 million subject to a developer's discount of at least 10% (Agustin, 2020).

One of the issues on racism exposed in social media needs to be controlled and eliminated. This includes insults the country leadership, ethnic sensitivities, theological mockery, disdain for national symbols, and rebellious attitudes. The negative vibe mushrooming over years and no proper policies yet taken place. The term of the right to speak was wrongly express and right to insult and spreading fake news, especially on social media. Therefore, for a better future for our generation and our country, the government needs to introduce a specific amendment to enforce the Malaysian culture mole by upholding our Rukun Negara spirit through education, language, unification, advertisement, entertainment, celebration and many more. To step into a new era of the digital generation, schools/universities/industries with uni-race identification must be eliminated and multi-racial based institution system must be strengthening and enhance a platform for the cultural melting-pot.

Other than that, Hossain et al. (2018) discussed factors of unemployment can be categorized in terms of market condition, competition with foreign workers, mismatching skills among the
unemployed. From the hypothesis of the analysis, the respondents in this study agree with the statement that they are less knowledgeable in their study. Field. On the graduates’ attribute, the respondents were strongly agreed that they were too choosy about the position offered by an organization. In terms of employability skills, most of the respondents strongly stated that they are lacking of employability skills. Other than that, because of overqualification and too many skills required in the market makes it difficult for fresh graduates to obtain a job and this is classified as job mismatch.

Omar et al. (2018) emphasized the local planning authorities and other relevant parties should ensure that public facilities provided in rural areas are under published planning standards and current requirements. To encourage usage, public facilities must be located at strategic locations, close to residential areas, and easily accessible by the public. Stakeholders such as rural youth should be engaged to hear their views to ensure that public facilities provided meet their needs and requirements as well. Based on the data collected from the youth population living in these areas, the majority of them are aware of the existing public facilities. It was found that public facilities including multipurpose hall, public library, mosque, temple, and church are provided in both study areas but their usage among the youth was rather discouraging, except for mosque, musolla, and church.

Economy for Action Plan

People’s survival depends on the government strategy in the domestic economy and well plan over foreign direct investment (FDI). Unfortunately, the COVID 19 was hit negatively on our domestic business environment, especially to the micro, small, and medium enterprise (MSME) players and also international business and foreign investment here in Malaysia. This resulted in an unexpected unemployment situation, affected by the impact of the pandemic. A total of 826,000 Malaysians are unemployed as of May reported Malaysian Institute of Economic Research and Malaysian Employers Federation, which estimated that up to 2 million by the first quarter of next year (Danisha Hakeem, 2020). Therefore, to absorb the impact, the government announced RM1.5 billion incentives for hiring purposes which are expected to benefit some 300,000 through the incentive of RM800 a month for each worker under the age of 40 hired. This includes, increase youth skills who have lost their jobs can claim training allowances of up to RM4,000 under SOCSO even if they do not contribute to the Employment Insurance System. Prime Minister Muhyiddin Yassin announced a stimulus package of RM35 billion to help the economy rebound from the effects of Covid-19 and the subsequent Movement Control Order (MCO), which for months saw most companies shut down under restrictions on public activities (Robin Agustin, 2020).

Technology

Initiative toward youth resilience on technology awareness also is an important concern by the government over rapid automation and information communication technology era. Global environment moved toward Industrial Revolution 4.0 (IR4.0), e-wallet adoption and digitalizing social, economy and information, make Malaysian youth need to ready for the massive wave wait ahead. In response to the situation, few swift actions taken by the government to prepare our youth to move simultaneously with changes happen on global stages.

Rapid change needs more commitment, not only from government but also private sectors to get involved in providing appropriate facilities and infrastructure especially technology-based, so that rural and urban populations are not separated from huge information communication
technology gaps. This philanthropist module is not yet part of our Malaysian culture even a lot of incentives such as tax exemption and many more offered by the government. Knowledge wise without proper tools only producing wasted-talent among our youth. Initiative as mention above such as techno-entrepreneur micro-digital must operate shoulder to shoulder between public-private partnership and training on digital marketing and online financial system must be considered as a new element to be value-added on offered programs and academic syllabus from primary level and ups to tertiary courses.

Environment for Wellbeing

Rashid et al. (2019) discussed that the gap of urban and rural income has been reduced from year to year due to several current policies implemented by the government to improve the wellbeing of peoples, but the effects of the development of urban areas have spread out unintentionally to the rural areas physically and economically. Moreover, Chin et al. (2019) examined urban Malaysians' perceptions of air pollution at their place of residence, their awareness of the causes and impacts of air pollution, their opinions on air pollution, and their willingness to pay for environmental protection. Around two-thirds of respondents were generally positive about air quality where they live, believing the air to be either "not polluted at all" or "somewhat polluted but causes no harm". As such, many Malaysian citizens may not be perceiving a real threat to their health from air pollution. The results found that respondents with experience of respiratory illness in their family were more willing to pay to protect the atmosphere compared with those without. It stated that the economic growth of Malaysia is currently more important than environmental protection, hence to protect the environment, Malaysia needs economic growth. As the result, more than half of the respondents are willing to contribute part of their income, willing to pay more money for cleaner petrol, and willing to accept cuts in their living standard for the sake of environmental protection. In addition to that, it reflected the willingness-to-pay towards environmental protection through government taxation.

Legislation for Harmonization

Scandals in recent years in Malaysia, such as the 1MDB, may have reduced public faith in government [73]. Although the findings showed least important on the legislative aspect, it has the connection with other aspects as Keshminder (2018) stressed that the citizens of Malaysia can expect an improved quality of life as more green cities, green jobs, better air quality, healthier society, and a sustainable future is projected (Haris, 2015). The transformation that is about to take place provides more liberty to firms to find solutions to reduce emissions, which automatically promotes EI. The GTMP is expected to provide a more sectorial approach to encourage EI and advocate more advanced sustainable manufacturing concepts and practices (i.e., life cycle thinking) through the policies and legal to promote green economic growth. If this proposed transformation is materialized, the benefits are twofold. First, the level of emission will be greatly reduced as the enforcement has moved beyond the prevention and control approach to the adoption/creation of improved EIs that can reduce more emissions. Second, the encouragement and life-cycle thinking approach towards EI will generate multiple economic benefits (i.e., green products, investment, green jobs, and others) and drive green growth as propelled under the Eleventh Malaysian Plan (2016-2020).

Key Findings stated the results suggest that Malaysia is implementing more superior environmental policies to promote eco-innovation. Command and control-based approach is slowly being replaced with a guided self-regulation approach and cradle-to-cradle principle.
The evidence suggests several shortcomings where the large industries are not given adequate focus under the environmental agenda and a holistic eco-innovation framework is yet to emerge.

5. CONCLUSION

Statistically, the International Monetary Fund (IMF) expects the increase in unemployment to be affected by the adverse economic effects of the COVID-19 pandemic, with the rate currently expected to rise to 4.9 percent in 2020 and dropping to 3.4 percent in 2021 (IMF, 2020). Even less than 1 percent of households in Malaysia live in severe poverty (Nordea., 2020). Therefore, the 11th Malaysia Plan defines a route to advanced economic status and greater inclusion across a variety of development concerns such as equality, inclusiveness, environmental sustainability, growth of human resources, and infrastructure (Nordea., 2020). With a lot more initiative and program plans by the government with the involvement of private sectors, youth in Malaysia is believed able to bring up our nation to the next level with sustainable life and economic advancement.

Other than that, Manggat et al. (2018) discussed the impact of infrastructure development in the rural areas is not only focused on the physical development but at the same time, concerns the efforts in improving the quality of life of the rural communities. The infrastructure development in the rural areas requires collaboration and integration between all related parties especially the development planner and the community social workers. The collaboration of the related parties and the rural communities are essential in achieving success in the rural community development programs. The key findings that required better policy implementation highlighted by the study in terms of the lack of basic facilities show that the country or region can be categorized as underdeveloped and is left behind by progress and modernization. The inefficiencies in the provision of basic infrastructures such as roads, clean water supply, electricity supply, and communication systems can affect the quality of life of the rural communities and reduce the gap between rural and urban areas community. The important roles of the community social workers need to be viewed as aligned with the role of other development planners so that these parties can work together to improve the rural communities' quality of life.

Rural areas are full of natural resources such as canes, bamboos, woods, clays, pines, and other handicraft goods. One of the government's main objectives is to increase the living of rural people. This objective could be achieved through job vacancies, rural economic activities, and increasing revenue. The various programs were being implemented and there are many sponsorships were given by the government through the rural development projects. The intensity of the government to increase the rural people living and a whole is obvious.

The research result showed that rural people were expecting the government to provide economic development opportunities rapidly. This is due to their intentions were based on the Government's effort through providing the facilities, business opportunity, information exposures, and training for economic development and rural people's living. Also, the result showed that the necessity to increase the living is through information technology and it was proved that the people were not capable to use the technology properly. The approach that can be used is conducting the training that is related to information technology, computer, and the internet. The training is used to inform the rural people about the related information that is useful for economic development and the job opportunities that were being provided. Rural people were expecting that many PESTEL infrastructure and monetary injection could be
Youth need to participate more in information technology training, self-improvement programs, entrepreneurship programs, etc.

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