Wealth creation can't be left to chance

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Similarly, Mr Sam Goi invented a machine to make popiah and prata skins mechanically. Sam, you may like to know, is a Singapore Polytechnic graduate.

Start-up companies have a better chance of success if the key founding partners combine complementary skill sets. Outstanding industrial companies, such as Hewlett-Packard and Sony, were founded by partners who complemented each other. One in technology and the other in commerce.

Successful entrepreneurs tell me that the infant mortality rate among start-ups is highest in the initial two or three years. Without a product or service ready for the market, tight cash flows is a constant challenge for the fledgling start-up.

EQUITY BETTER THAN LOANS

Despite the herculean efforts of the Economic Development Board's (EDB) Light Industry Service Unit in the 1970s, the EDB found it heavy going to process and approve more than a dozen loans to small and medium-sized enterprises (SMEs) each year.

As bureaucrats we were risk averse. So at a lunch with our Chancellor, Dr Tony Tan, then in his capacity as chairman of the Association of Banks, I proposed that our four Singapore banks join the EDB in implementing the Light Industries Finance Scheme (LIFS).

The Ministry of Finance through the EDB would extend a line of credit to the banks for on-lending to SMEs with the lending bank sharing half the risk. When I left the EDB three years later, the LIFS portfolio of 3,000 loans incurred a non-performing loan (NPL) ratio of only 3 per cent lower than the overall NPL ratio of the banks.

The LIFS succeeded because it was decentralised. The LIFS loans, though necessary, are not sufficient for seeding growth. To seed the growth of new industries and enterprises, the state has to play an entrepreneurial role taking risks alongside the private sector.

Those who take a dim view of state capitalism should ask themselves where Singapore would be without the Ministry of Finance providing equity capital to SIA, Keppel Corporation, SembCorp, ST Engineering and, indeed, even DBS Bank.

Few people remember that the ministry was a founding shareholder in the Mandarin and the Shangri-La hotels.

A MODEST PROPOSAL

My modest proposal is for the Ministry of Finance to extend a S$100 million grant to the EDB to invest in the equity of, say, 100 knowledge-based start-up companies germinated in our four universities and six polytechnics.

Incidentally, the EDB, established in 1961, was also given a grant of S$100 million to seed the economic growth of Singapore. That it has succeeded is for all to see.

My plea is for the Ministry of Finance to continue seeding our economy by sharing the risk through equity participation alongside private enterprise.

For a small state like Singapore, this to me is a viable strategy to compete with the giant BRIC — Brazil, Russia, India and China — economies, with their abundance of natural resources and manpower.

In a highly competitive knowledge-based global world economy, our universities are the only strategic assets we have. If we fail to mobilise our universities, Singapore will quickly revert back to the stagnant trade burdened economy of the 1950s.

My generation recall with a shudder the joblessness, slum housing, bad sanitation and petty street crime of our growing up years.

Without a knowledge-based growth strategy, all the glitz and glamour of the new Singapore we enjoy today will simply be a mirage, a footnote in world history.

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