

# Adequacy of Financial Facilities for Small Businesses in Malaysia: Preliminary Findings

Moha Asri Abdullah\* and Siti Khadijah Ab. Manan\*\*

*SMEs are highly viewed as crucial towards achieving a more equal income distribution and regional economic development, an upgrading skills of managers and workers, strengthening linkages in the economically diverse activities, transferring technology know-how, and complementary role to large and multinational corporations. Even though, there are as many as over 14 ministries and more than 36 government agencies and institutions that are involved in providing support programmes out of which some focus specifically for small businesses, the accessibility of these supports to the targeted businesses and how far small businesses make use of them are indeed difficult to ascertain. In this regard, a survey was carried out on 201 small businesses across all economic sectors in Klang Valley, Malaysia from June to December 2007. The study reveals a number of interesting findings: the majority of businesses receive the assistance; the assistance received by businesses is also quite diverse. The finding also indicates that among small businesses whose received the financial facilities, huge proportion of them acknowledged that financial facilities provided were inadequate to their need. These funds and schemes should be catered in the market for various needs of small businesses, i.e. at each stage of their life span i.e. start-up, expansion and rehabilitation.*

Field of Research: Financial Facilities, Small Businesses and Adequacy

## 1. Introduction

The development of small businesses is viewed as highly importance to the Malaysian economy. This is due to the fact that the growth-potential of Small businesses in general and, on technology-based export-oriented small businesses in particular could provide catalysis for further drive in the Malaysian industrialisation process. It is within this framework that government support programmes for small businesses are potentially viewed as being highly important towards enhancing small businesses.

\*Prof. Dr. Moha Asri Abdullah, Department of Economics, Faculty of Economics and Management Sciences, International Islamic University Malaysia email: [mosria@gmail.com](mailto:mosria@gmail.com)

\*\*Siti Khadijah Ab. Manan, Department of Economics, Faculty of Economics and Management Sciences, International Islamic University of Malaysia email:

This is because the development of small businesses will provide room for a counter-balancing force which could reduce an existing imbalance, industrial base and hence leading to widening the pattern of domestic manufacturing activity. It is therefore accepted that in order to achieve a more balanced industrial structure the promotion of small businesses should be effectively integrated into the mainstream of industrial development. In particular, small businesses would have the potential to reduce the dependency on large foreign-owned investments, which predominantly control many industrial sub-sectors in the country. Therefore, Small businesses once again are essential in contributing towards developing a much wider structure of the manufacturing-based activity in the Malaysian economy.

In this view, the strenuous effort by the government in promoting and developing the small businesses through various programmes had contributed to a significant increase in the number of such enterprises. At present, the Census of Establishments and Enterprises 2005 captured a total of 523,132 business establishments of which 516,855 or 98.8 percent are small businesses while large enterprises made up the remaining. Of the total small businesses, the majority of them (449,004 or 86.9 percent) engaged in service sector, 37,866 (7.3 percent) in manufacturing and 29,985 (5.8 percent) in agriculture sector (SMIDEC 2006). In terms of contribution to the economy, the Census of Establishments and Enterprises, Department of Statistic (DOS) Malaysia confirmed that small businesses employed over 3 million workers (51.5 percent of the total employment), generated about RM154 billion (47.3 percent) of the total value-added, produced RM405 billion (32 percent) of the country's total outputs and generated 19 percent outputs for export (SMIDEC, 2005). As far as the contribution of each sector to the economy is concerned, service sector contributes significantly to employment and GDP (33.9 percent and 19.7 percent respectively) while manufacturing sector contributes quite a significant percentage to employment (14.5 percent) and export (11 percent).

The government provides a comprehensive set of financial assistance directly and indirectly through several ministries, institutions and agencies to facilitate and assist the small businesses in getting the required financing and these allocations cover the financing needs of the small businesses throughout the three stages of their life cycle namely start-up, expansion and rehabilitation. Literature tends to suggest that there has been a wide-range of financial facilities available for small businesses with more than 14 ministries and 37 agencies involved. Thus, this paper attempts to address the issue by examining the availability, accessibility and adequacy of financial facilities for small businesses in Malaysia through a discussion on a preliminary finding from a case study on 201 small businesses which were conducted in Klang Valley recently. The second part of the paper highlights the issues in the area of financial facilities made available in the literature elsewhere before financial supports and facilities in Malaysia are highlighted. A method of the study, a discussion on preliminary findings and a concluding remark would be presented subsequently.

## **1.1. Availability and Accessibility of Financial Facilities for Small Business**

While the availability of finance is unquestionably important, their accessibility is even crucial as the experience of many countries indicated that limited access to finance inhibit small businesses' growth and their attainment of success. Accessibility to finance is defined as getting adequate and affordable financing over a suitable timescale (Tagoe et. al. 2005). The properties of access to finance, as explained by the authors, include (i) access – getting or not getting credit, (ii) adequacy – getting the full amount of credit as required, (iii) affordability – getting the credit at an affordable rate of interest and (iv) duration – getting long-term credit as opposed to short-term. The following sub-sections give a general outlook on the issue of Small businesses' accessibility to financing.

Smaller businesses, as opposed to larger publicly held businesses typically depend on external financing for liquidity. Studies have noted that banks are the major source of external finance (such as Van Auken et. al. 1989, Berger and Udell 1998, European Commission 2005). Berger and Udell (1998), for example, in their study on small business finance in the US, concluded that small businesses rely heavily on commercial banks and finance companies to provide capital. This is due to the limited availability and accessibility of small business financing in the market. Larger businesses may resort to public equity in addition to more easily accessed credits from banks. Smaller businesses on the other hands could either forced to insider financing (personal or family savings) or external financing (banks or financial institutions) with higher costs and shorter terms of financing.

The reliance of small businesses on banks' finance is not an uncommon fact as the same scenario happen in Europe and many parts of the world. A survey by European Commission in 2005 indicated that 79 percent of European small businesses get their financing from banks. This proved the importance of banks as the provider of finance and at the same time signaling the reliance of small businesses to banks' finance (European Commission, 2005). Although banks play an important role in providing finance to small businesses, previous empirical findings indicated that the credits are not easily accessible and the problem is common around the globe. A study by Boocock and A. Wahab (2001) on the comparative experience of small businesses in UK and Malaysia indicated that the businesses face the same difficulties in raising funds from bank despite differences in financial infrastructure in both countries. The same problem is faced by the small businesses in other parts of the world and the reasons are manifold. Studies (such as Mulhern 1995, Sentilhes and Nilforoushan 2003) on the familiar problems encountered by small businesses throughout Europe indicated that the main reason for their limited access to credit is the inability of the businesses to provide collateral needed to obtain lower cost, long-term loans. Similar study in Africa

found that weak financial base of the small businesses, their inability to provide collateral as required by banks and high interest rate are the main reasons for the businesses not to get the same access to finance opportunities as large businesses (Beyene, 2002).

Garcia-Fontes (2005) reported an outcome of a survey by World Bank Investment Climate for China and it was found that small businesses in this Asian continent obtain only 12 percent<sup>1</sup> of their working capital from bank loans. The survey attributed the limited access to; the lacking of adequate credit system to small businesses, high rating requirements for small businesses loans, lack of collateral to support small businesses repayment ability, lack of credit rating assessment for small businesses, lack of small businesses transparent and audited financial records and banks' favoring of large loans by larger businesses. Other studies attributed the lacking of accessibility to the discrepancy in the amount of information available on the small businesses and the reasons for the discrepancy are mainly; i) smaller businesses are typically not publicly held and thus not subject to Securities and Exchange Commissions' public disclosure regulations, and ii) small businesses often do not have audited financial statement therefore their financial standings are not disclosed (Berger et. al.1998 and Gregory, Rutherford and Oswald 2005). This discrepancy had caused the inability of capital providers to distinguish the quality of businesses hence charging them with higher rates of interest to protect their investments. Adding to the problem is the ownership structure of the businesses. Studies (such as Van Auken and Neeley 1996, Coleman 2000) revealed that businesses organized as sole proprietorship expose the providers of capital to potentially higher level of risk as the repayment risk depends on a single owner; hence they are charged with higher interest rates and higher collateral requirement. Other forms of ownership such as partnership and corporation have their repayment risks spread among greater number of owners, thus they have better ability of having external source of income, greater collateral and more equity capital.

Lacking of accessibility to bank's finance could mean inadequacy of financial resources to the small businesses. Many previous studies on critical success factors for small businesses have indicated that access to finance was among the necessary factor for success and development of small businesses (James 1986, Gaskill, Van Auken and Manning 1993, Young and Welsh 1993, Yusuf 1995, Van Auken et. al. 1996, Sarder, Ghosh and Rosa 1997, Monk 2000, Fogel 2001, Mambula 2002, Basel II 2003). This is practically true as difficulties in acquiring finance often result in illiquidity and cash flow problem especially during early years of operation. Without sufficient capital, they are unable to develop new products, conduct research and development (R&D), investing in information and communication technology (ICT), get more working capital for growth and meet the growing demand of the market. Such problem would also result in businesses not being able to pursue market opportunities, impede their growth and development as well as making them vulnerable to failure.

## **1.2. Availability of Financial Facilities for Small Business in Malaysia**

The small businesses particularly small business ventures could get access to financing via funds and schemes for small businesses provided directly by the government. These funds and schemes aimed mainly at nurturing and developing the enterprises, are available in the form of soft loans, grants, equity financing and venture capital. They are administered by several ministries and agencies with a total disbursement of RM67.56 billion and an outstanding balance of RM6.3 billion as at end-2006 (SMIDEC 2006). The ministries in charge with financing and development programmes include the Ministry of Entrepreneur and Co-operative Development (MECD) and Ministry of Science, Technology, and Environment (MOSTE).

Among the participating agencies through which the small businesses may get loans, grants and equity financing include; Bank Negara Malaysia (BNM), the Development Financial Institutions (DFIs), Credit Guarantee Corporation (CGC), Majlis Amanah Rakyat (MARA), Perbadanan Usahawan Nasional Berhad (PUNB), Perbadanan Nasional Berhad (PNS), Malaysia Debt Venture Berhad (MDV), Malaysian External Trade Development Corporation (MATRADE), Malaysian Biotechnology Corporation Berhad (MBC), Malaysian Technology Development Corporation (MTDC), Multimedia Development Corporation (MDeC), MIMOS Berhad (MIMOS), Malaysian Industrial Development Finance Berhad (MIDF) and Small and Medium Industries Development Corporation (SMIDEC). In addition, micro-credit schemes for micro-enterprises are channeled through Bank Simpanan Nasional (BSN), Bank Pertanian Malaysia (BPM), Yayasan Tekun Nasional (YTN) and Amanah Ikhtiar Malaysia (AIM) (SMEinfo, 2007). The followings are the main agencies through which government funds in the form of loans, grants; equity and venture capital financing are channeled. The breaks down of the offered products are displayed in appendices.

Bank Negara Malaysia (The Malaysian Central Bank) provides several special funds for small businesses, aimed at ensuring that the enterprises in specific sectors would have access to banks' credit at reasonable costs as well as to stimulate increases in productive capacity (Bank Negara Malaysia, 2005). The specialized funds<sup>2</sup> currently in existence include; Funds for Small and Medium Industries (RM6.75 billion), New Businesses Funds 2 (RM2.85 billion), Funds for Food (RM1.3 billion), Rehabilitation Fund for Small Business (RM200 million) and Bumiputera Businesses Project Fund (RM300 million). All these funds are channeled through participating institutions comprising banking institutions, Development Financial Institutions (DFIs) and ERF Sdn. Bhd; a subsidiary of BNM (SME Annual Report 2006 and Economic Report 2004/05). Besides those funds, loans are also available under the Asean-Japan Development Funds that receives funding from Overseas Economic Cooperation Funds (OECF) and the Export-Import Bank of Japan (JEXIM); now merged under the name of Japan Bank for International Cooperation (JBIC) (Economic Report 2000/2001).

Year	Loan Amount RM' billion	Loan Outstanding RM' billion	Number of Small businesses	Percentage of Tot. Buss. Loan
2005	2.3	12	5,222	50.2
2006	6.9	13.2	18,000	50.9

Source: SMIDEC 2006

The overall DFIs had also shown a marked increase in their financing to Small businesses. As indicated in Table 1, the amount of loan disbursed to the enterprises had increased triple from RM2.3 billion in 2005 to a remarkable amount of RM6.9 billion in 2006. Banking institutions require collaterals for the loans to be extended to the small businesses. As these enterprises are generally having more intangible assets, hence they are having insufficient or no collaterals to secure their loan applications. Realizing this problem, the government provides guarantee schemes under Credit Guarantee Corporation (CGC) to enable the enterprises with collateral problems to attain financing from the banks. The CGC, established on the 5<sup>th</sup> of July 1972, is aimed at assisting the small businesses that have inadequate or no collateral to obtain credit facilities from financial institutions by providing guarantee cover under several guarantee schemes.

No.	Type of Assistance	No. of Schemes		Allocation (RM' billion)		Percentage	
		2005	2006	2005	2006	2005	2006
	Year						
1.	Loans	49	59	8.5	11.3	66.93	64.83
2.	Grants	20	20	2.1	2.27	16.54	21.97
3.	Equity	5	2	0.6	0.08	4.7	2.19
4.	Venture Capital	7	7	1.5	1.57	11.8	7.69
5.	Loans & Equity	n/a	3	n/a	0.56	n/a	3.29
	Total	81	91	12.7	16.31	100	100

Source: SMIDEC 2006

Venture Capital (VC) funds were also established with the objective of assisting new comer in business particularly in the Information and Communication Technology (ICT) and high-tech sectors. Among the VC funds available are; i) funds managed by Malaysian Venture Capital Management Bhd (MAVCAP) for Small businesses involved in ICT, bio-technology as well as medical and health sciences, ii) the Malaysian Life Sciences Capital Fund (a biotechnology VC funds) co-managed by Malaysian Technology Development Corporation (MTDC) and Burill & Co, iii) MSC Venture One (MV1) VC funds to develop the ICT and multimedia industries and iv) VC Funds for

Agriculture jointly established by BNM, Khazanah Nasional and two banking institutions to develop integrated agriculture businesses (SMIDEC 2006). The tremendous effort of the government of Malaysia in nurturing, assisting and promoting small businesses by providing financing via several ministries, agencies and institutions is highly commendable. Statistics however, shows that the bulks of financing facilities are in the form of loan (see Table 2) and little are in the form of other equally beneficial (in certain cases more beneficial) financing such as equity or venture capital.

Year	Loan Amount RM' billion	Loan Outstanding RM' billion	Number of Small businesses	Percentage of Tot. Buss. Loan
2005	35.8	96	85,018	42.6
2006	39.6	104.6	84,000	44.5

Source: SMIDEC 2006

The table indicates that loans facilities constitute more than sixty percent of the total funds provided by the government to the small businesses. The equity and venture capital facility on the other hand constitutes less than twenty percent of the whole funds. In fact, the number of equity schemes is reduced in 2006 whereas the number of schemes for loan is increased in the same year. Could there be a specific reason for the insignificant offering of equity financing is an interesting issue to highlight. The small businesses may also meet their financing requirements from private sources such as banking institutions, leasing and factoring as well as venture capital companies. Nevertheless, the main providers of SME funding are banking institutions. These banking institutions, comprise of commercial banking and Islamic banking, offers two main types of financing namely conventional loan facilities and Islamic financing. Financing products available in such institutions include term loans, leasing and industrial hire purchase for asset acquisitions or business expansions; overdrafts, revolving credit facilities and factoring for working capital; letter of credit (LC), trust receipts, bankers' acceptance (BA), Export Credit Refinancing (ECR) for trade financing as well as guarantee facilities. Banking institutions had so far been the largest source of funding with loans and financing on the increasing trend (refer Table 3).

### 1.3. Research Methodology

Small businesses by all means are hard to define. Different establishments and scholars in many countries, developed and developing alike have used various definitions. Observation shows that there are over 55 definitions of small businesses in 75 countries around the world (Manuh 1989). Malaysia is not exceptional to this when different purposes related to their involvements of small businesses are concerned; however, a broad consensus seems to have emerged. A number of academic scholars

have adopted the same definition given by the World Bank (1986), the United Nations Industrial Development Organisation (1989) and the Asian Development Bank (1990). This stipulates that small enterprises employ fewer than 50 workers; medium-sized enterprises employ between 50 and 199 workers; and large enterprises employ 200 workers and more. Acknowledging the significant aspect of financial attributes in the small businesses, the study adopted a definition that includes an enterprise with sales turnover of RM25 million or below, and/or with the number of full-time employee of 150 and below be categorised as SME.

Having defined small businesses in the context of the study, two main research methods are applied. The first method is the use of written source and secondary information and data from previous studies conducted in small businesses, reports and publications from various sources such as scholars, policy makers, individuals, agencies and institutions. This method of research is particularly used for reviewing the literature on the role of Small businesses and financial facilities for small businesses. More significantly, it is used to highlight availability, accessibility and adequacy of small businesses towards financial facilities. The second method is the survey using a structured interview format with a set of questionnaire. This particular method is used to examine the level of availability, accessibility and adequacy for financial facilities for small businesses in Klang Valley. On the basis of the definition of small businesses stated earlier, the survey was conducted from June to December 2007. A total of 3,069 small businesses identified through combined lists of SMIDEC and SME info. Using simple random sampling technique, a survey was conducted from the list obtained. However, due to some constraints such as businesses had moved their sites outside Klang Valley; businesses were no longer in business; could not traced the exact premises; no cooperation from businesses/managers or contact persons; and more importantly their sizes were bigger than our adopted definition, 201 small businesses were investigated and interviewed using a set of specific questionnaire which was comprised of items relating to financial facilities and accessibility. It is pertinent to note that the accessibility is considered for the businesses who have gained benefits for the period of 2004-2006.

## **1.4. The Results and Findings**

### **1.4.1. Findings on Availability of Financial Facilities**

Indeed, a review of literature on financial support facilities for small businesses in Malaysia proved to have a broad range of assistance provided for them. Small businesses could easily choice the appropriate facilities that suit them most. In addition, the allocation for financial facilities has rather increased over the year. According to SMIDEC (2006), as at end of the first quarter 2007, the amount of outstanding loans had reached a total of RM107.3 billion which accounted for 44.9 percent of total

business loan. The amount is significantly higher compared to a total of RM70.5 billion outstanding loans or 33.1 percent in the year 2000 (SMIDEC 2006). The availability of various funds and schemes in Malaysia's financial setting should have indeed facilitated small businesses' access to finance as the enterprises have many sources from which they may choose the financing that suit them. In fact, the SME funding available in the market may cater their needs at each stage of their life span i.e. start-up, expansion and rehabilitation. Indeed, the cost of each facility is somewhat competitive while the amount is reasonable as well. Although the sources of finance seems abundant, a pioneer study on the accessibility of government-sponsored support programmes (including finance) for small businesses in the Klang Valley indicated that there exists a limited accessibility to such programmes as substantial proportion of the sampled enterprises did not benefit from the programmes (Moha Asri, 1999). Therefore, it becomes an interesting aspect to be examined in the next part.

#### 1.4.2. Findings on Accessibility of Financial Facilities

Type of business	Number	Percent
Recipient Business	177	88.1
Non-Recipient Business	24	11.9
Total	201	100.0

Findings show that a substantial proportion of small businesses do receive support facilities in general whereby 88.1 percent obtained such facilities. This support facilities include: financial and credit assistance; technical and training assistance; extension and advisory services; marketing and market research; and infrastructure supports This finding clearly indicates the higher level of accessibility of support facilities to small businesses in Klang Valley (Table 4). The substantial proportion of small businesses which gained assistance may reflect the emphasis of the government efforts to promote small businesses. Information on why the small businesses in the survey do not receive the support facilities provided reveals that a number of interesting reasons. It is observed that 19 out of 5 of the non-recipient businesses indicated that the support facilities were out of their reach. A significant proportion of the businesses also claimed that much of the assistance was not available due to certain requirements or criteria specified by the agencies concerned. Among these criteria include; a good track record; a guarantor; qualifications as well as experience. More interestingly, the finding reveals that the most attainable type of assistance is financial and credit facilities, either as a single or two types of supports.

Table 5 below, reveals that out of the 201 recipient businesses, a substantial proportion of them (32.7%) have accessed to only one single type of assistance mainly marketing and market research and infrastructure supports which forms a large percentage. In addition to this, the table also indicates that the number and percentage of the recipient businesses decreases with the number of the types of government assistance increases. It is observed that only six recipient businesses (2.3 percent) who have received all six types of support programmes provided by the government. This finding indicates that even though there is a greater outreach of support programmes received by businesses, a disproportionate percentage receives only one single type, or two types of assistance. On the other hand, a few businesses receive more than two types of support programmes and only 2.3 percent receive all types of supports, which are provided. The findings reflects that the government efforts to provide various and broad range of support programmes through the concept such as “one stop agency” where businesses only need to refer to one particular agency in order to obtain various types of supports seem do not appear in the outcome. Indeed, the finding also postulates that the most attainable type of assistance is financial and credit facilities, either as a single or two types of supports.

TABLE 5: SMALL BUSINESSES BY THE ACCESSIBILITY OF SPECIFIC TYPES OF SUPPORT FACILITIES	
Type of Support Facilities	Percent
<b>Single Recipient</b>	
- Finance and Credit facilities only	32.8
Sub-total	32.8
<b>Dual-Recipient</b>	
- Finance and Credit facilities + Managerial Entrepreneurial Assistant.	11.3
- Finance and Credit facilities + Technical and Training Assistance	4.5
- Finance and Credit facilities + Extension and Advisory Services	1.1
- Finance and Credit facilities + Marketing and Market Research	2.8
Subtotal	19.8

Continued Table 5...

TABLE 5: SMALL BUSINESSES BY THE ACCESSIBILITY OF SPECIFIC TYPES OF SUPPORT FACILITIES	
Type of Support Facilities	
Triple-Recipient	
- Finance and Credit facilities + Managerial Entrepreneurial Assistant + Technical and Training Assistance	8.5
- Finance and Credit facilities + Managerial Entrepreneurial Assistant + Extension and Advisory Services	2.3
- Finance and Credit facilities + Managerial Entrepreneurial Assistant + Marketing and Market Research	0.6
- Finance and Credit facilities + Managerial Entrepreneurial Assistant + Infrastructure Supports	1.1
- Finance and Credit facilities + Technical and Training Assistance+ Technical and Training Assistance	0.6
Sub-total	13.0
Four-Type Recipient	
- Finance and Credit facilities + Managerial Entrepreneurial Assistant + Technical and Training Assistance + Extension and Advisory Services	0.6
- Finance and Credit facilities + Managerial Entrepreneurial Assistant + Technical and Training Assistance + Marketing and Market Research	2.8
- Finance and Credit facilities + Managerial Entrepreneurial Assistant + Technical and Training Assistance + Infrastructure Supports	1.1
- Finance and Credit facilities + Managerial Entrepreneurial Assistant + Extension and Advisory Services + Marketing and Market Research	0.6
- Finance and Credit facilities + Technical and Training Assistance + Marketing and Market Research + Extension and Advisory + Marketing and Market Research	0.6
Sub-total	17.5

Continued Table 5...

TABLE 5: SMALL BUSINESSES BY THE ACCESSIBILITY OF SPECIFIC TYPES OF SUPPORT FACILITIES	
Type of Support Facilities	
Five-Type Recipient	
- Finance and Credit facilities + Managerial Entrepreneurial Assistant + Technical and Training Assistance + Marketing and Market Research + Marketing and Market Research	4.0
- Finance and Credit facilities + Managerial Entrepreneurial Assistant + Technical and Training Assistance + Marketing and Market Research + Infrastructure Supports	0.6
- Finance and Credit facilities + Managerial Entrepreneurial Assistant + Extension and Advisory Services + Marketing and Market Research + Infrastructure Supports	0.6
Sub-total	4.5
All Types-Recipient	
- Finance and Credit facilities + Managerial Entrepreneurial Assistant + Technical and Training Assistance + Extension and Advisory Services + Marketing and Market Research + Infrastructure Supports	2.3
Sub-total	2.3

### 1.4.3. Adequacy of Financial Support Facilities

TABLE 6: PERCEPTION OF SMALL BUSINESSES ON THE LEVEL OF ADEQUACY OF FINANCIAL SUPPORT FACILITIES OBTAINED		
Adequacy of Financial Support Facilities	Number	Percent
Adequate	21	11.9
Not Adequate	156	88.1
Total	177	100.0

The earlier finding on accessibility proved to be most attainable type of assistance for financial and credit facilities, either as a single or two types of supports. This is something positive as far as support programmes for small businesses are concerned. To further validate the issue developed in the literature on adequacy, respondents of small businesses who received the assistance or financial supports were asked on the adequacy of financial support facilities that they received or obtained from. As indicated in

Table 6, it is observed that only 11.9 percent out of 177 respondents acknowledged that financial support facilities received is rather adequate, thus substantial majority expressed inadequacy in terms of the amount of financial facilities they obtained. Among the reasons for insufficiency of financial support facilities include; lower amount than required, shorter duration and thus higher or uncompetitive rate of interest that they have to repay.

## **1.5. Concluding Remark**

This is the study that attempts to evaluate the availability, accessibility and adequacy of the support facilities small businesses of the country, with the Klang Valley was selected as the sample survey. It is found that a large proportion of small businesses gained access to the support programmes. However, it is found out that the businesses who gained the support facilities, a substantial proportion are not enjoyed all types of assistance. It is equally important to note that not all the businesses enjoyed equal privilege. Only a very small percent of businesses were provided more than two types of available assistance, while the others had only one or two types of supports. Though it looks like many received the support facilities, the study's assessment therefore is that many small businesses in the country do not gain adequate assistance despite the existence of numerous support programmes and various agencies being involved. Hence, it can be stressed that although the government has stated its strong commitment to and interest in promoting small businesses, the intention has not been translated into effective action as yet. Similarly, the accessibility and adequacy of most of the support facilities provided at the level of individual businesses are indeed limited and fragmented.

## **Endnotes**

<sup>1</sup> The survey reported that Small businesses in the nearby Asian region obtain higher percentage of working capital from banks i.e. 21 percent in Malaysia, 24 percent in Indonesia, 28 percent in Philippines and 26 percent in Korea and Thailand.

<sup>2</sup> Prior to these, other funds such as Bumiputera Industrial Funds (RM100 million), Industrial Adjustment Funds (RM500 million) and Fund for Small and Medium Industries (RM1.8 billion) were introduced and now they are terminated as they are almost fully utilized. However, the repayment and disbursements of the funds are still monitored by BNM.

## **References**

Berger, A. N and G. F. Udell 1998, "The Economics of Small Business Finance: The Roles of Private Equity and Debt Markets in the Financial Growth Cycle", *Journal of Banking and Finance* 22, pp. 873-897.

- Basel II 2003, "Position Paper on the Third Consultative Document, The Base Committee, European Association of Craft, Small and Medium Sized Enterprises", pp. 1-10.
- Boocock, Grahame and A. Wahab, Ismail 2001, "The Financing of Small Firms: Different Continents, the Same Problems", *New England Journal of Entrepreneurship* (Fall), 4(2), pp. 13-31.
- Coleman, S 2000, "Access to Capital and Terms of Credit: A Comparison of Men and Women-owned Small Business", *Journal of Small Business Management*, 38(3), pp. 37-53.
- Ministry of Finance Malaysia, 2000/2001, *Economic Report*, Percetakan Nasional Malaysia Berhad, Kuala Lumpur, pp. 133-135.
- European Commission 2005, "SME Finance: Investing in SME Lending". *European Banker* (December), pp. 12-14.
- Fogel, Georgina 2001, "An Analysis of Entrepreneurial Environment and Enterprise Development in Hungary", *Journal of Small Business Management* (January), 39(1), pp. 103-109.
- Garcia-Fontes, Walter 2005, *Small and Medium Enterprise Financing in China*, Universitat Pompeu Fabra, November, pp. 1-13.
- Gaskill, LuAnn Recketts; Van Auken, Howard E and Manning, Ronald A 1993, "A Factor Analytic Study of the Perceived Causes of Small Business Failure", *Journal of Small Business Management* (Oct), 31(4), pp.18-32.
- Gregory, Brian T; Rutherford, M. W.; Oswald, Sharon and Gardiner, Jorraine 2005, "An Empirical Investigation of the Growth Cycle Theory of Small Firm Financing", *Journal of Small Business Management* (October), 43(4), pp.382-392.
- James, Kenneth 1986, "Fiscal and Financial Factors Affecting Small and Medium Business Improvement in the ASEAN Region", *ASEAN Economic Bulletin* (March), pp. 153-167.
- Mambula, Charles 2002, "Perceptions of SME Growth Constrains in Nigeria", *Journal of Small Business Management* (January), 40(1), pp. 58-65.

- MIDA 2005, "SME Bank Hopes to Lend RM400 million in First Year", [www.mida.gov.my](http://www.mida.gov.my)
- Monk, Richard 2000, "Why Small Business Fail", *CMA Management* (July/August), 74(6), pp. 12-13.
- Moha Asri Abdullah 1999, "The Accessibility of the Government-Sponsored Support Programs for Small and Medium-Sized Enterprises in Penang", *The International Journal of Urban Policy and Planning*, 16(2), pp. 83-92.
- Mulhern, Alan 1995, "International Note on the SME Sector in Europe: A Broad Perspective", *Journal of Small Business Management* (July), 33(3), pp. 83-87.
- Sarder, Jahagir Hussain; Ghosh, Dipak and Rosa, Peter 1997, "The Importance of Support Services to Small Enterprise in Bangladesh", *Journal of Small Business Management* (April), 35(2), pp. 26-36.
- SMEInfo 2006, <http://www.smeinfo.com.my>, as retrieved on 20<sup>th</sup> September 2008
- SMEInfo 2007, <http://www.smeinfo.com.my>, as retrieved on 20<sup>th</sup> September 2008
- Sentilhes, Gregoire and Nilforoushan, Keyvan 2003, "Capital Needs in French SMEs: Strategic Investment Opportunities in Companies in the 5 to 100 million Euro Revenue Range", *Aurel Leven Next Stage Private Equity* (March), pp. 1-12.
- Van Auken, Howard E and L. Neeley 1996, "Evidence of Bootstrap Financing Among Small Start-up Firms", *Journal of Entrepreneurial and Small Business Finance* 5(3), pp. 235-249.
- Van Auken, Howard E and Carter, Richard B 1989, "Acquisition of Capital by Small Business", *Journal of Small Business Management* (April), 27(2), pp. 1-9.
- Young, Earl C and Welsch, Harold P 1993, "Major Elements in Enterprenuerial Development in Central Mexico", *Journal of Small Business Management* (Oct), 31(4), pp. 80-85.