

## **Sme Lending Of The Northern Corridor Economic Region: Access And Needs**

Jorlah Muhammad<sup>1</sup>, Zamri Ahmad<sup>2</sup> and Suhaimi Shahnon<sup>3</sup>

*Small and medium-sized enterprises (SMEs) are recognised as an important sector of the economy but the finance market does not respond sufficiently to the financing needs of SMEs, particularly those located in the economically less dynamic regions of the country. The SME community has been traditionally perceived as a high-risk, high cost-of-service market segment. As such, they have been facing difficulties in accessing private sector financing. SME financing is a long unresolved problem that is too important to ignore. The issue of insufficient availability and access to financing for SMEs is of particular relevance to the country's funding institutions as they hold key responsibilities in creating favourable conditions for the country's economy (Ayyagari et.al 2008). Hence the objectives of this paper are to examine the availability and accessibility of financing for SME business development and to create awareness for value of private funding institutions' support for SME business development financing. The study covers 124 small medium enterprises located in the Northern Corridor Economic Region (NCER) as our research sample. From the survey, questions regarding the business financing, recent evolution in financial institutions and upcoming financing intentions are answered. The financing covers short term, medium, long term financing, financing from leasing company and government programs.*

**Keywords:** SME lending, access and need, Northern Corridor Economic Region (NCER).

### **1. Introduction**

Small and medium-sized enterprises (SMEs) are recognized as an important sector of the economy but the financial markets do not respond sufficiently to the financing needs of SMEs, particularly those located in the economically less developed regions. SME lending is perceived as a high-risk and a high cost-service market segment (Duc et. al 2008, Berry et.al 2004, Vos et. al 2007). As such, SMEs have to face with difficulties in getting financing from private financing institutions. Although the problem of getting financing is a long unresolved problem but it is too important to ignore (Walker 1989). The issue of financing availability and accessibility for SMEs is of particular relevance to the country as SME hold key responsibilities in creating favourable economic conditions and employments (Riding & Haines 2001, Riding et. al 2006, Abor & Biekpe 2007, Wu et.al 2008, Smallbone & Walter 2001, Salleh & Ndubisi 2006). This critical problem needs to be solved if Malaysia wishes to achieve SMEs target contribution to GDP of 37 percent in the year 2020 (SMIDEC 2009 and Malaysia SME Annual Report

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Jorlah Muhammad<sup>1</sup> and Zamri Ahmad<sup>2</sup>, School of Management, Universiti Sains Malaysia, Penang and Suhaimi Shahnon<sup>3</sup>, Graduate School of Business, Universiti Sains Malaysia, Penang.

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2006). Contribution of SMEs to GDP in 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008 and 2009 are 28.8, 28.5, 28.3, 28.2, 28.6, 29.0, 29.4, 30.4, 30.8 and 31.2 percent respectively (Malaysia Statistic Department, 2009).

Despite there has been continued discussions about SMEs financing, it is still not easy for SME to get access to financing because financial markets are increasingly aware of the high risk involved in the SME financing. Financial markets are emphasising more to make profits and at the same time they continue to restructure the financing sector and changed the lending framework for SME financing (Bodenhorn 2003, Walker 2010). This has somehow influenced the accessibility of SMEs financing and as a result they lose more and more “public functions” in making finance accessibility to a wide range of economic sectors, the most crucial and important support and facilitator of economic growth. This is because profitability in lending has become the main focus of private lending institutions.

The objectives of this paper are to assess the needs and availability of financing by SMEs in the NCER and assess the existing public and private SME financing practices and support for SMEs business development. This paper will answer the questions of why SMEs are facing difficulty in getting financing, how did SMEs funding their businesses and where did the funds come from?

## 2. Literature Review

Financing constraint faced by the SMEs has been widely discussed by researchers all over the world. Several studies are conducted in order to understand all the related factors that influence the financial constraint and financial gap faced by SMEs (Abor and Biekpe 2009, Salleh and Ndubise 2007, Wu et. al 2008, Bodenhorn 2003, Berger et. al 2007) . Information asymmetric is the main problem that influences lending decision by financial institutions (Berry et.al, 2004). Most of SMEs have difficulty in providing business information like account statements, business transaction records and business plans due to improper record keeping (Carpenter and Peterson (2002), Janssen and Wtterwuldghe (1997), Hutchinson and Xavier (2006). Le, Venkatesh, and Nguyen (2006), Tagoe, Nyarko, and Anuwa-Amarh (2005), O'Connor, (2000). However Berger and Udell (1998) found that the availability of SME business information is depended on the size and the phase of the development of SMEs. According to their financial growth cycle model, the volume of business information is parallel with the size and phase development of SMEs.

Studies conducted by Scott (2004), Berger and Udell (2006), Berger et.al (2007) argued that only big financial institutions are likely to grant loans to SMEs. Beck et. al (2010) then studied loan financing from relationship perspectives and found that relationship lending is a better lending approach and should be adopted by financial institutions in loan processing. The longer the period the firms maintain business account with the banks, the more chances that the firm should be able to secure future loan as the bank knows them better.

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Due to the difficulty in accessing financing, SMEs have to resort to obtain financial supports and aids from different sources (internal financing, government programs and services). Cosh and Hughes (1994), Hall, Hutchinson and Michaelas (2000), Carpenter and Peterson (2002), Janssen and Wtterwuldghe (1997), Hutchinson and Xavier (2006) highlighted that pecking order theory are applied by most of the SME's managers in order to determine their financial sources. The pecking order theory shows that SMEs will try to obtain internal financing by borrowing from family members and friends and if the fund is insufficient then only they will try to obtain from financial institutions.

SME Annual Report 2005 stated that about 84 percent of the SMEs in Malaysia relied on internal funds of which they are sourced from family members and friends. Only 16 percent of the SMEs obtained funds from banking and financial institutions. Majority of the SMEs faced problems to obtain funds from banking and financial institutions due to lack of collateral. Similar results also shows from the survey done by the Malaysia Department of Statistic (2006) where only 13.7 percent of the SMEs obtained funds from financial institutions and government.

Government programs and services are among the best financial aids that should be obtained by SMEs because the government has placed SMEs at the highest priority development programs. Despite offering various government programs and services, loans accessibility and efficiency are still in the discussions. A study done by Asri (1999) found that the accessibility of government programs by SMEs is still low and limited. Government programs are still lacking in diversification and awareness among SMEs.

### **3. SMEs in Northern Corridor Economic Region**

The Northern Corridor Economic Region (NCER) covers four states in the Peninsular Malaysia – Perlis, Kedah, Penang and Northern Perak. Five growth corridor will be created according to the NCER blueprint which consists of Island Corridor, Coastal Corridor, Central Corridor, Hinterland Corridor and Butterworth-Baling-Kulim-Pengkalan Hulu-Grik Corridor. According to the blueprint, the NCER will focus on the agricultural, manufacturing, logistics and tourism sectors of the north. The NCER initiative started from 2007 and will span to the end of the 12th Malaysia Plan period ie 2025. There are a number of objectives behind the NCER initiative. Firstly, the programme is part of the Government's commitment to helping the region maximise its economic potential and closing the development and income gap between the different regions in Malaysia. Secondly, the Malaysian economy aims to move towards higher value-add and knowledge-based economic activities to drive further increases in per capita income which is inline with the Malaysia New Economic Model. The NCER has the potential to make Malaysia a regional leader in a number of these subsectors(Northern Corridor Implementation Authority 2008, Tenth Malaysia Plan 2010, Ismail 2008).

#### **SMEs in Perlis**

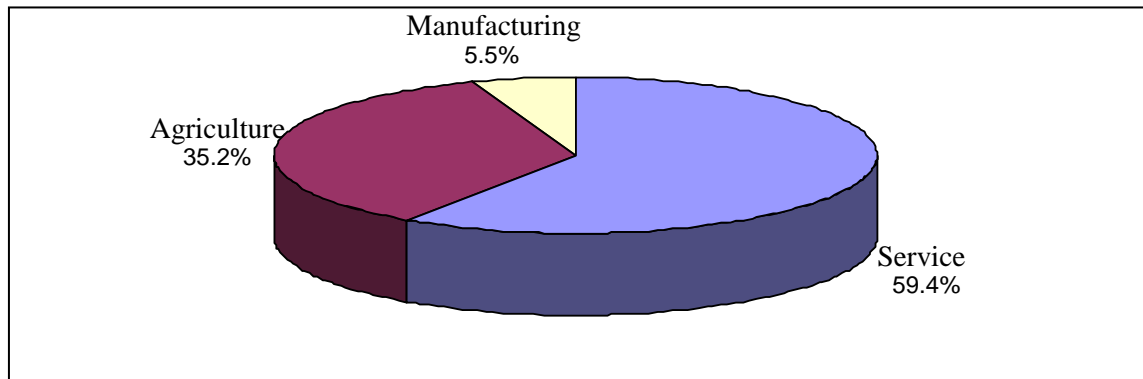
Chart 1 shows that there are 5,920 SMEs in Perlis or 1.1 percent of the total number SMEs in Malaysia in 2005. They are made up of 59.4 percent services sector, 35.2

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percent agricultural sector and 5.5 percent manufacturing sector. In the services sector, most SMEs are either in retail, restaurant, wholesale or transport and communication (89.3 percent) and retail business (50.9 percent) which comprise 21.1 percent restaurant, 9.3 percent transport and 8.1 percent wholesale.

Manufacturing sectors are mostly involved in textiles and apparels (34.1 percent), food products and beverages (20.1 percent) and metal and metal products (20.1 percent). Whilst for agriculture sector, sub sectors such as planting, market plantation and horticulture (92.7 percent) and fishery (6.2 percent) recorded the highest participation of SMEs compared to other business in the same sector.

**Chart 1: Sectoral Distribution of SMEs in Perlis**



Source:

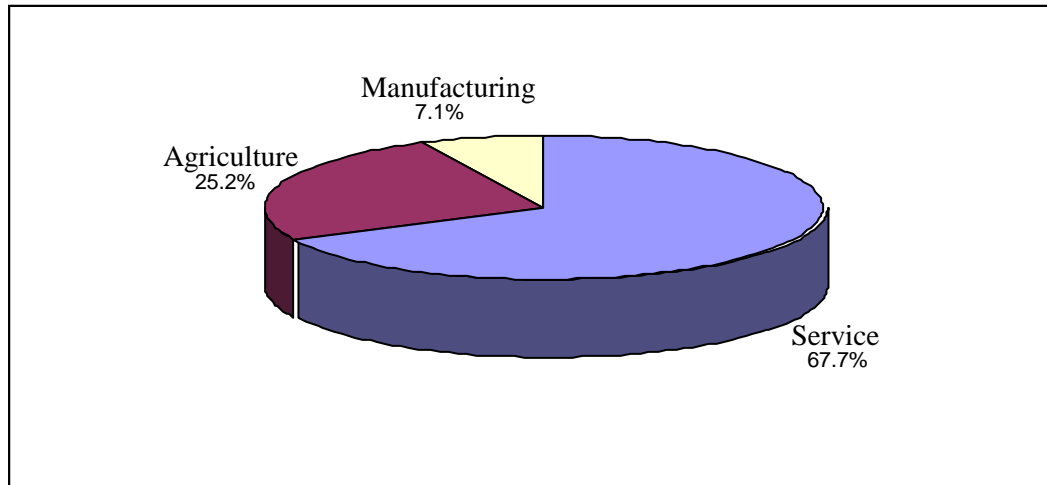
Malaysian Statistic Department (2005)

### SMEs in Kedah

Chart 2 shows that the state of Kedah has a total of 37,031 SMEs. They are made-up of 67.7 percent services sector, 25.2 percent agricultural sector and 7.1 percent manufacturing sector. Services sector is made up of 49.5 percent retail business, 17.8 percent restaurant, 7.6 percent wholesale and 11.3 percent transport and communication of which recorded the highest participation by SMEs. In the agricultural sector, most SMEs are in the planting, market plantation and horticulture (90.9 percent), while sub sectors such as fishery, poultry farming and agriculture/animal husbandry only witnessed small proportions of SMEs involvement at 4.1 percent, 2.8 percent and 2 percent respectively. In manufacturing sector, textiles and apparels (24.3 percent), food products and beverages (18.9 percent) and metal and metal products (18.8 percent) leading other manufacturing sub sectors.

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### Chart 2: Sectoral Distribution of SMEs in Kedah

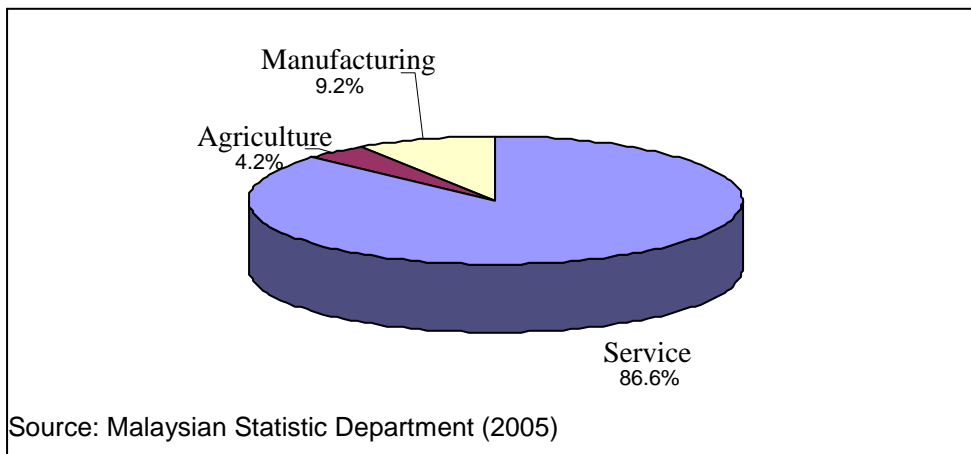


Source: Malaysian Statistic Department (2005)

### SMEs in Penang

There are 26,753 SMEs in Penang with 86.6 percent in services sector, 9.2 percent manufacturing sector and 4.2 percent agricultural sector as indicates in Chart 3. The involvement of SMEs in thr services sector in Penang is better distributed compared to the previous two states. Retail business is still leading with 37.9 percent, restaurant 17.1 percent, wholesale 8 percent, transport and communication at 6.1 percent and finance 7.2 percent. Other sub sectors such as consultancy, health, education and hotel, each recorded less than 3 percent. In the manufacturing sector, the same sub sectors as in the two previous states recorded highest involvement of SMEs are textiles and apparels (16.4 percent), food products and beverages (13.2 percent) and metal and metal products (13.7 percent). There are also other sub sectors with significant SMEs involvement such as publishing and printing (5.7 percent), rubber and plastic products (8.2 percent) and electrical and electronics (4 percent). While in the agriculture sector, 41.1 percent SMEs are in fishery, 36.4 percent planting, market plantation and horticulture and both poultry farming and agriculture/animal husbandry 9.4 percent respectively.

### Chart 3: Sectoral Distribution of SMEs in Penang

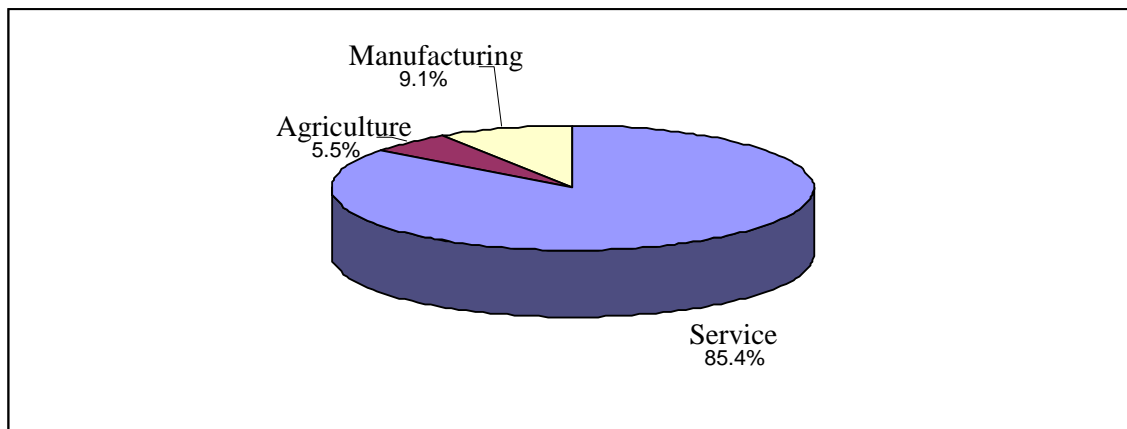


Source: Malaysian Statistic Department (2005)

**SMEs in Perak**

Chart 4 shows Perak position in comparison with the other states in the NCER and Perak has the largest SMEs enterprises of 44,134 establishments. From this figure, most SMEs are in the services sector ( 85.4 percent), while rather sa small proportion in the manufacturing sector with (9.1 percent ) and agricultural sector 5.5 percent). In the services sectors are in the retail (49.2 percent), restaurant (15.1 percent), wholesale (8.9 percent), transport and communication (6 percent), and finance (4.1 percent). In the manufacturing sector textiles and apparels (22.3 percent), food products and beverages (17.4 percent), and metal and metal products (14.4 percent) recorded highest proportion of SMEs involvement. In the agriculture sector, the highest SMEs involvement are in sub sectors such as planting, market plantation and horticulture at 53.6 percent, fishery at 30.4 percent, poultry farming at 6.7 percent and agriculture/animal husbandry at 6.4 percent.

**Chart 4: Sectoral Distribution of SMEs in Perak**



Source: Malaysian Statistic Department (2005)

To conclude, the state with the greatest number of SMEs establishments in the NCER is Perak, followed by Kedah, Penang and Perlis. Although Perak has the greatest number of SMEs, the study is only taking into account of the SMEs within the Northern Perak of which is under the perview of NCER (Northern Corridor Implementation Authority 2008). In terms of sector involvement, all states in the NCER recorded highest number of SMEs in the services sector. In the states of Perlis and Kedah, agriculture sector came second after services sector and followed by the manufacturing sector. While in the other two states, namely Penang and Perak, manufacturing sector recorded the second highest SMEs involvement followed by agriculture sector. This may be due to a more rapid urbanization in the states of Penang and Perak as compared to Kedah and Perlis which have greater reliance towards agriculture-based economy.

The statistics that are posted across the four states in the NCER indicated that retail business, restaurant, wholesale, and transport and communication sub sector witnessed the highest involvement in the services sector. In the manufacturing sector, textiles and apparels, food products and beverages, and metal and metal products have the highest SMEs establishments while in the agriculture sector, the bulk of it is in

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planting, market plantation and horticulture, fishery, poultry farming and agriculture/animal husbandry.

### 4. Methodology

The data are collected via face to face meeting with the managers/owners of the 124 SMEs within the NCER. From the survey, questions regarding business financing, recent evolution in financial institutions, upcoming financing intentions, needs and accessibility of financing, government programs are questioned. The financing covers short term, medium, long term financing, financing from leasing company and government programs.

### 5. Findings

#### Respondents Profile

Table 1 refers to the information of the respondents gender, race, level of education, experience in managing the enterprise and experience in the sector of the business.

**Table 1: Respondents Profile**

<i>Variables</i>	<i>(%)</i>
<b>Age</b>	
<i>Between age 20-29</i>	21.0
<i>Between age 30-39</i>	24.8
<i>Between age 40-49</i>	35.2
<i>Above age 50</i>	19.0
<b>Gender</b>	
<i>Male</i>	62.1
<i>Female</i>	37.9
<b>Highest Qualification</b>	
<i>Primary school</i>	4.8
<i>College</i>	18.5
<i>Secondary/highschool</i>	41.9
<i>University</i>	34.7
<b>Language Spoken</b>	
<i>Bahasa Malaysia</i>	79.0
<i>Mandarin</i>	10.5
<i>English</i>	10.5
<b>Experience Managing Enterprise</b>	
<i>1-20 years</i>	90.3
<i>21-40 years</i>	8.8
<i>&gt;40 years</i>	0.9
<b>Managing Business Sector</b>	
<i>1-20 years</i>	87.9
<i>21-40 years</i>	11.2
<i>&gt;40 years</i>	0.9

Table 1 indicates that the highest proportion of SME's managers are between 40-49 years (35.2 percent), 30-39 years (24.8 percent), and 20-29 years (21.0 percent). Major participation of the respondents came from middle age group managers (54.2 percent) and young entrepreneurs (45.8 percent). The respondents are 62.1 percent male and

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37.9 percent female managers. In term of qualification, 41.9 percent obtained secondary/high school qualifications and 34.7 percent university degree. 90.3 percent of the respondents has less than 20 years experience in managing the business and 87.9 percent has less than 20 years experience in the business sector.

### Firm Profile

**Table 2: Firms Profile**

Variables	%
<i>Sole proprietorship</i>	50.8
<i>Private company</i>	34.7
<i>Public company</i>	4.8
<i>Partnership</i>	8.9
<i>Co-operative</i>	0.8
<b>Business Sector</b>	
<i>Trading</i>	37.1
<i>Transportation</i>	7.3
<i>Real estate</i>	2.4
<i>Service</i>	29.8
<i>Educational service</i>	1.6
<i>Arts, Entertainment and recreation</i>	0.8
<i>Agriculture</i>	2.4
<i>Construction</i>	0.8
<i>Manufacturing</i>	17.7
<b>Stage of Enterprise</b>	
<i>Seed stage</i>	2.4
<i>Start up stage</i>	17.7
<i>Slow growth stage</i>	25.8
<i>Fast growth stage</i>	19.4
<i>Maturity</i>	34.7
<i>Winding down stage</i>	0
<b>Research and Development activity</b>	
<i>Yes</i>	12.9
<i>No</i>	87.1

Table 2 shows that about 50.8 percent consists of sole proprietor enterprises and 34.7 percent are private enterprises. Growth stage of enterprises are 34.7 percent are at the maturity stage, 25.8 percent at the slow growth stage and 19.4 percent at the fast growth stage. Only small proportion of the sample at seed stage (2.4%).

The businesses involved are 37.1 percent in the trading sector, 29.8 percent in services sector and 17.7 percent in manufacturing. Majority of the enterprise are not involved in R&D (87.1 percent) and only a small proportion are involved in R & D (12.9 percent). The result shows, most of the SMEs are already at maturity stage of the business cycle. It reflects that they are already operated their business for quite a long period of time and have established their brand names and market recognition.



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## Business Financing

**Table 3: Financial Institutions**

Financial Institution	%
Local commercial bank	91.1
Finance company	1.6
Insurance company	0
Bank Simpanan Nasional	0.8
Foreign Bank	0
Credit company	3.3
SME Bank	1.6
Other institution	1.6

Table 3 shows that about 91.1 percent of the SMEs are using the local commercial bank as their main financial institutions for daily operations. This finding support the previous arguments by Berger & Udell 1998, Wu et.al (2008) stated that commercial banks is the main financial resources that provide variety of credit assistants. Local commercial banks are less stringent and more easily accessible for the SMEs to approach for financial facilities, daily cash operation and credit facilities. Probably this could be due to the authority directives calling for support in the development of SMEs.

## Banking Facilities

**Table 4: Banking Facilities**

Variables	Requested line of Credit	Not requested of Credit
	Frequencies/%	
Line of Credit	50/41	72/59
Short and Medium Term	55/44.7	68/55.3

Table 4 clearly tells us that 41 percent of the fundings of the business came from own financing and more than 55 percent SMEs did not request for either line of credit or short/medium term facilities form banks. This finding is similar with previous studies done by Janssen & Wtterwuldghe (1997) and Hutchinson & Xavier (2006). Short term financing are for short term purposes for example for everyday business operation (Cull et.al 2006). The line of credits is one of the short term financing like bankers acceptance, revolving credit, credit card facility and overdraft facilities (Choo, 2000). Still, short term financing, is the most preference type of financing compared to the other method of financing. According to Hamilton and Fox (1998) most of the small enterprise companies are burden with high level of debt. In order to control the situation, short term financing is the best method to choose. They also found that some of the small enterprises do not require fund from the bank because they rely more from internal financing which are from own saving, borrowing money from family members

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and friends. Hussain, Millman and Matlay (2006) found that in China, although lending practices reform is taking place, SMEs are still depending on self fund or private lending. However the trend is shifting over time from friends and family to bank loans.

### Reasons for rejecting the request for Banking Facilities

**Table 5: Rejection of the line of credit**

Variables	%	std.
1. We did not need this type of financing	66.2	0.476
2. We were turned down before	8.1	0.275
3. This type of financing was too expensive		16.2 0.371
4. Procedure to obtain this type of financing was too complicated		18.9 0.394

**Table 6: Rejection of the Medium/long Term Banking Facilities**

Variables	%	Std.
1. We did not need this type of financing	61.8	0.490
2. We were turned down before	29.9	0.461
3. Not aware of this type of financing		6.0 0.239
4. This financing was too expensive		9.0 0.288
5. Procedure to obtain this type of financing was too complicated	7.5	0.265

Table 6 shows that 61.8 percent of the research sample does not require medium and long term financing and 29.9 percent turned down their applications before. SMEs tried to obtain some financing but are turned down by the bank. Berger and Udell (2006) stated that the large amount of information required by financial institutions created problems for SMEs to obtain loan. Loans are not approved due to lack of financial information provided by SMEs (Le et.al (2006), Bass & Schrooten (2006), Tagoe et.al (2005), Berry et.al (2003).

### Negative Changes in SME Financing Condition for banking Facilities

**Table 7: Negative Changes in SME Financing Conditions**

Variables	Line of Credit	Credit Card	Medium/long Term Credit
	%		
Increase in interest rates	36	32	44
Increase in Service Fees	24	48	40
Reduce Credit Limit	12	8	12
Decline request to reduce credit limit	16	12	4
Bank withdraw credit lines	12	0	0

The result in Table 7 shows the highest changes is on the interest rate and service fees on the line of credit, credit cards and medium/long term financing. Most of the changes occurred are related to bank charges. These charges and rates are closely related to the economic conditions and economic performance.

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### Government Programs and Services

SME development programs have been of the main government issues since 1960. Asri (1999) mentioned in his research that government has pointed out six main elements in order to nurture the development of SME which are financial credit assistant, training technical assistant, extension advisory services, marketing and infrastructure facilities. The development of SMEs are able to bring long run effects toward Malaysian economics(Asri 1999, Salleh & Ndubisi 2006).

**Table 8: Government Programs and Services**

Variables	Frequencies	%
Requested Government Program and Services	17	13.8
Not Requested Government and Services	106	86.2

Table 8 shows 86.2 percent of the research samples did not request any financing aid under the government programs and only 13.8 percent requested financing under the government programs. Apparently Malaysian government has made available various kind of financing assistance and programs in supporting SMEs development [Asri (1999) and Zabri (2006)].

### Reasons for rejecting the request for Banking Facilities

**Table 9: Reasons for rejecting Government programs and Services**

Variables	%	std.
1. We did not need these programs/services	57.3	0.497
2. These programs/services were not available for our sector of business	7.8	0.269
3. The acceptance process was too long	22.3	0.418
4. We were not aware of the different programs/services offered	25.2	0.437
5. My enterprise did not meet the acceptance criteria	6.8	0.253
6. Procedure to obtain this financing was too complicated	25.2	2.040

Table 9 summarized the reasons why SMEs are not obtaining the government programs and services. The result shows 57.3 percent of the research sample did not require any government programs and services. 22.3 percent indicated that the processing time for government programs took too long to approve. 25.2 percent of the SMEs did not aware of the availability of the programs. 25.2 percent also stated the procedure to obtain government financial helps was too complicated. Tentime, Chinyoka et.al (2003) stated that there is no government programs that able to cover all type of SMEs financial issues since each of the programs have different degree of solutions and depend on the issues itself. Or it could probably be that the availability of the government programs and services is not relevant for the SMEs and it might involve red tapes and are too complicated.

Another reason for low awareness on the government programs could be due to low promotions which resulted in not many SMEs are aware of the availability of the programs. This finding is similar with the findings by Asri (1999) which indicated that

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the accessibility of Malaysia government programs towards the development of SMEs are still limited.

### Upcoming financing intentions

**Table 10: SMEs intention towards financing for year to come**

SMEs intention for financing	Line of Credit %	Long Term Loan %	Leasing %	Equity %
Does not apply	40	8.2	53.1	46.9
No change	32	28.6	12.2	14.3
New application will be submitted	16	46.9	30.6	22.4
Request an increase in the current limit	12	16.3	4.1	16.3
Total	100	100	100	100

Table 10 summarizes the SMEs intentions towards the following type of financing in the future. According to the result, 46.9 percent of the SMEs are interested in obtaining long term loan in the future and 16.3 percent intent to request for an increase in the current credit limit. This result significantly shows that SMEs have been maintaining good relationship with the financial services providers and they might have planned to expand their business in the future. Beck and Kunt (2010) mentioned in their research that most of the banks prefer to finance the SMEs due to relationship lending, a type of relationship that base from information collected by the loan personal through communication with the SMEs (Baas & Schrooten 2006). The continuous relationship between the bank and SMEs will encourage the bank to maintain the existing financial facilities (Berry 2006). But in other situation when the SMEs are not performing, the bank may restructure the financial facilities according to the SMEs current capability of serving the loan.

## 6. Conclusions

The result from the survey indicated that major problems facing by SMEs are insufficient working capital/liquidity, slow loan processes, complicated procedures, mismatching of government programs, lack of awareness of the the government programs and services due to lack of promotion, increase in interest rates and service fees charged and applications were turned down before.

The study also indicated that SMEs need more financing for their future expansion program. This is reflected in the SMEs intention to apply for financing. SMEs are found to rely only on local commercial bank as their main financial institutions for daily operations. This is because local commercial banks are less stringent and more easily accessible for the SMEs to approach for financial facilities, daily cash operation and credit facilities. With the establishment of SME Banks would further enhance the availability of fundings for SMEs.

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As Malaysia is developing a diverse and competitive small and medium enterprises (SMEs) and to achieve sustainable economic growth, it is crucial the abovementioned problems need to be resolved. This is because SMEs are the engine to the economic growth process and play an important role in the country's overall production network. In some advanced economies they have succeeded because SMEs form a fundamental part of the economy, comprising over 98% of total establishments and contributing to over 65% of employment as well as over 50% of the gross domestic product. Currently SME is contributing about 32 percent to GDP and is expected to expand to 37 percent by year 2020. It is believed that although Malaysia has lower SMEs numbers but they have the potential to contribute substantially to the economy and can provide a strong foundation for the growth of new industries as well as strengthening existing ones. Hence the support of the government and financial institutions are essential in order to speed up SME growth. Promoting a viable SME sector is also essential in the nation's stride towards broadening the sources of growth and sustaining the growth momentum. This is reflected in the national development agendas in Malaysia Master Plan.

### 7. Limitations of the Study

The limitations are centered mostly on the data collection and data availability. There are constraints in conducting the survey as some respondents are reluctant to disclose the information required especially on the financial data. The financial data are required to determine the economic impact of loans on SMEs or the outcomes achieved by SMEs as a result of obtaining a loan. And the analysis only focused on the awareness, satisfaction, accessibility and availability with respect to SMEs financing.

The survey conducted should cover all groups of SMEs in order to provide insights of the differences in obtaining financing by different groups of SMEs. The surveys are conducted only from those enterprises that have small number of employees. Although a subset of the respondents are the borrowers, the findings need to be cautiously interpreted and cannot be generalized to be representative of the potential population of SMEs in the NCER.

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