

Chapter 6

Access to Finance: Exploring Barriers to Entrepreneurship Development in SMEs

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ABSTRACT

Over the years, Malaysian government has attributes to a number of supports programs to the small and medium enterprises (SMEs) sector. These includes the involvement of several government agencies, at both the federal and state levels, providing variety of programs to SMEs sector in achieving sustainable levels of growth and development. A well-developed financial infrastructure that is able to meet the diverse financing needs of SMEs is essential to support the competitiveness and continuous growth of SMEs.

INTRODUCTION

Entrepreneurship plays a crucial role in triggering economy development which can be relates to the introduction of new product or new method of production, opening of a new market or finding of the new inputs supply or even opening a new organization. There are three attributes that consistently associated to entrepreneur behavior (Brockhaus, 1982): the need of achievement, the internal locus of control and a risk-taking propensity. Entrepreneurship is also believed to have culturally embedded phenomenon (Morris & Schindehutte, 2005).

The term SMEs is an acronym for “small and medium scale enterprises”. They are firms or businesses arising as a result of entrepreneurial activities of individuals. Several definitions and meanings of SMEs exist due to their global diversity and characteristics (Darren & Conrad 2009). SMEs also can be defined according to industry to industry, county to country, size to size and number of employee to number of employee as to reflect industry, country, size and employment differences accurately. The

DOI: 10.4018/978-1-5225-2835-7.ch006

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Table 1. Differences Between Entrepreneurship and SME

	Entrepreneurship	SME
Definition	Process where an individual discovers,	Firms or business ventures evaluates, and exploits opportunities manage by individuals independently owners
Size	Large, Medium or Small	Small and Medium only
Number of People Involved	small to large Small	small to large Small
Purpose	To discover, innovate and establish	To produce, buy and sell
Degree of Risk	Varies	Lower
Sectors	Private, government and not-for-profit	Private sector only
Key Attributes	High need for: achievement; internal locus of Control; creativity and innovation; growth	Organizational skills to manage efficiently, little innovation, moderate growth, moderate need for Achievement
Smooth Focus	High	Varies

Source: Adapted from Osai & Lucky, 2012, p. 350

following discussion will further define SMEs according to Malaysia context based on employment, number of employees, size, industry, country, asset value etc. Even though SME and entrepreneurship is used interchangeably both concepts may differ considerably (Osai & Lucky, 2012).

Despite these differences both are importance to the growth of an economy. Entrepreneurship and SMEs is essential in providing job creation, encourage economic growth, economic development and allowing for greater socio-political- economic transformation. Both seem to share the same factors of success or failure. Both involved the need of achievement, the internal locus of control and a risk-taking propensity and facing socio-cultural challenges. In 2004 the Malaysian Government established the National SMEs Development Council (NSDC). The tasks of NSDC are to prepare strategies for SMEs development across all economic sectors, coordinate the tasks of related Ministries and Agencies, encourage partnership with the private sector, as well as ensure effective implementation of the overall SMEs development programmes. Initiatives under NSDC included enhanced access to financing, financial restructuring and advisory services, information, training and marketing coordination and a comprehensive SMEs database to monitor the progress of SMEs across all economic sectors. Programmes to be are premised on three strategic thrusts aimed at strengthening the infrastructure for SMEs development, building the capacity and capability of SMEs and enhancing access to financing by SMEs. The structured approach implemented in managing SMEs development programmes has enhanced the effectiveness and efficiency of these programmes, as well as has increased inter- and intra-Ministerial and agency collaboration and consultation in streamlining SMEs development programmes. Recognizing further their importance, the Malaysian government introduced SMEs Masterplan (2012-2020) towards achieving Malaysia's goal of becoming a high income nation by 2020 in line with the New Economic Model. The masterplan has determined several strategic goals namely:

- Increase business formation of SMEs by an average annual increase of 5% in business registration
- Reduce the share of informal sector to the Gross National Income (GNI) from 31% in year 2000 to 15% in year 2020.

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