

The Government Business Support Services in Malaysia: The Evolution and Challenges in the New Economic Model

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Abstract

Over the years, the government business support services (GBSS) have worked closely along the government policies and experienced a number of transformations to suit the current needs of the SMEs and business environment. In order to understand the philosophy and the very nature of the GBSS in the present context it is paramount to study the development of the services in the country over time. Hence this paper explores the evolution of the GBSS, starting from prior independence period to the New Economic Policy era and in the contemporary period. The study shows the government business involvement formerly started a few years back before the independence. A humble beginning with the objectives to bring close ties between the rural folks and the government had acted as a stepping stone to the glorious achievement of the GBSS. The quantum leap begun in the NEP era as the current government had recognised the roles of entrepreneurship as a catalyst to the social restructuring process. While understanding the evolution of the GBSS provides a background of the study, it is paramount important to look at the challenges faced by GBSS in current situation. The new economic model which was launched by the Prime Minister recently is aimed at moving the country towards high income economy in ten years times. Coherently, the move is a big challenge to the GBSS as to better equip the Malaysian SMEs with innovation, creativity and value-added activities. An important question is, do they ready for the big game? The present paper is structured according to the following lines. First, a brief reviews the establishment, roles and present functions of the GBSSs' main players namely Majlis Amanah Rakyat (People Council of Trust), SME Bank, GCG, SME Corporation and National SMEs Development Council. Second, discusses the current issues and challenges that need to be addressed by the GBSS, and lastly discusses and suggests viable strategies should be taken by the GBSS to remain relevant and successfully contribute to the new economic model.

Keywords: Business support, Government, Development, Challenges

1. Background of the study

Trade and commerce activities have long existed in Malaysia before the emergence of the glorious Malacca Sultanate. The Malacca which was located in the central point of South China Sea between the east and west part of the globe was a strategic place for traders. The discovery of Terengganu's Batu Bersurat (Inscribed Stone of Terengganu) in 1303 has substantiated the presence of distant (muslim) traders in Malays archipelagos (Perpustakaan Negara Malaysia, 2010). The emergence of Malacca as trading port acted as a catalyst to the trade activities in the region. It is believed that the business support services in Malaysia have existed since that period, but unstructured and informal.

It is recognised that the government business support services (GBSS) are paramount important for the development of the small and medium enterprises (SMEs). So, being as the prime movers to SMEs growth and at the same time as the main supporters of SMEs, study in this area of interest is considered essential. This study seeks to explore the development of the GBSS in Malaysia in developing SMEs. In order to understand the philosophy and the very nature of the GBSS in the present context it is paramount to study the development of the services in the country over time. Hence this paper explores the evolution of the GBSS, starting from prior

independence period to the New Economic Policy era and in the contemporary period. The study shows the government business involvement in business advisory started a few years back before the independence – August 1957. From a humble beginning with the objectives to bring close ties between the rural folks and the government had acted as a stepping stone to the glorious achievement of the GBSS. The quantum leap begun in the NEP era as the current government had recognised the roles of entrepreneurship as a catalyst to the social restructuring process in the path of modernization and industrialization. While understanding the evolution of the GBSS provides a background of the study, it must be interpreted in the current context of the country. Such information is paramount important because it provides background information to better deal with the challenges faced by GBSS in current situation.

The new economic model which was launched by the Prime Minister recently is aimed at moving the country towards high income economy in ten years times. Coherently, the move is a big challenge to the GBSS as to better equip the Malaysian SMEs with innovation, creativity and value-added activities to be at par with their competitors. An important question is, do they ready for the big game? The answer to this question requires a thorough understanding of GBSS in the country. The present paper is structured according to the following lines. First, brief reviews the establishment, roles and present functions of the GBSSs' main players namely Majlis Amanah Rakyat (People Council of Trust), SME Bank, GCG, SME Corporation and National SMEs Development Council. Second, discusses the current issues and challenges that need to be addressed by the GBSS, and lastly discusses and suggests viable strategies should be taken by the GBSS to remain relevant and successfully contribute to the new economic model.

1.1 Problem Statement

Considering the significant roles of SMEs to the economic development of Malaysia, the government has provided a number of business support programs to ensure their competitiveness. The business supports come in forms of financial and non-financial supports. Over the last four decades the programs have utilised a huge amount of money and run by a number of government agencies. Although it is always been argued by economists that government intervention usually leads to “market failure”, generally speaking in developing countries including Malaysia the government intervention has given a number of positive impacts on the development of SMEs as the dire needs to overcome SMEs' limitations. Usually, this situation is supported by the country experienced a stable growth which brings the country to new economic power in the region.

Investigating the roles GBSS and SMEs in the current context of Malaysia is timely, it is considered as a new episode of Malaysian economic approach where the government under the leadership of a new Prime Minister, aiming at driving the nation towards high income economy to realise the country Vision 2020. In achieving that, SMEs as engines of the country growth need to be innovative, creative and competence in their operations. At the end of the day these factors are translated into high value-added activities. The New Economic Model demands high commitment from GBSS who act as providers to develop innovative, creative and competence SMEs. But nevertheless, the capabilities of GBSS to perform such duties need to be scrutinised. In relation to this, the following question is asked: Do the GBSS providers ready to face the challenging task to work in line with the government aspiration?

Under the new economic model, the country aim to raise the per capita income from USD7 000 (RM22 400) to USD15 000 (RM48 000) within 10 years time as tabled by the Prime Minister (Berita Harian, 2010). It is a challenging task for the GBSS in raising to more than double of the per capita income within short period. A number of questions can be asked here: Do the current business support programs are relevant and competence enough to support the objectives of new economic model, or need some modifications? All relevant issues need to be addressed not only to ensure the effectiveness of the programmes but more importantly to be able to continuously support the operation of SMEs in the challenging business environment.

1.2 Objectives of the Study

There are three objectives of this study. First it looks at the development of the GBSS under three different phases which has started prior to the New Economic Policy (NEP), the current practices and the post NEP. Discussion in the first part focuses on the establishment and the roles of the key government agencies directly involved with entrepreneurship development in Malaysia. In the second part, the study briefly outlined the current services offered by the business support providers. In the third part, the study identified contemporary issues and challenges within the operation of the GBSS. Second, the objective of this study is to provide valuable suggestions to address the issues.

1.3 The significance of the study

Considering the importance role of the GBSS to the SMEs, the findings of the study are significance to services providers as a source of reference in delivering more efficient services to SMEs. Secondly, the study contributes to the present literatures on the GBSS in Malaysia by presenting the facts and challenges faced by both SMEs and the GBSS. Thirdly, the suggestions are made to further enhance the GBSS's operation, followed by future research suggestions.

1.4 The Limitations of the Study

The study focus on the establishment of key government agencies involved in the development of SMEs in the country. There are 65 agencies directly involved in the SMEs activities across the sizes (SMIDEC, 2008). Brief discussions are limited only on the key agencies which offer a comprehensive support services. The government agencies under discussion are Majlis Amanah Rakyat (MARA), SME Bank Sdn Bhd (SME Bank), SME Corporation Berhad (SME Corp), Credit Guarantee Corporation (CGC) and National SMEs Development Council (NSDC). The contributions of these agencies are well recognised and have great impacts on the SMEs growth.

1.5 Methodology

The data about the development of business advisory services and the challenges were collected from local and international literatures. Furthermore, the government and her agencies' reports also being studied to get more in depth information about the subject under study. Both local and international literatures were also reviewed primarily to have more understanding about the issues pertaining to the GBSS which, converged to the importance and need of the government intervention, SMEs attitude towards the services and the challenges faced by the service providers. Then, the findings were discussed thoroughly by considering its relevancy to the local environment.

2. Literature review

2.1 The essential of GBSS

Business advisor is defined as someone who provides one or more skill and knowledge in related field related to business operation (Schaper & Vollery, 2004). Stanger (2004) posits that business advisor is the organisation or individual who provides advisory services either verbally or in written in relation to preparation of financial statement, tax compliance, law, financing, operation and financial management. Both definitions portray a business advisor as someone who has capability to give input to the business owner for betterment of his or her business. Business advisor is also act as a mentor and sell the idea for implementation in the business operation (Berry, Sweating, & Gotu, 2006).

There are a number of literature discusses on the essential of GBSS to SMEs. One of the studies showed that the government interference is critical as SMEs possess myriad of weaknesses in terms of lack resources. Lack of skill, insufficient capital and other basic resources are among the limitations hinders the fast development of SMEs. Considering the significant roles of SMEs to the nations, the government continuously put an effort to support their activities. The GBSS is among the important tools to ensure SMEs remain resilient and competent to face a dynamic economic environment. Furthermore, the strength of SMEs reflects the economic achievement of the nation. Suffice to say, SMEs is the backbone of a country economy.

There are numerous studies of GBSS conducted in developed countries (Berry, et al., 2006; Ian & Sue, 1998; Jianzhong & Hong, 2009; Mole, Hart, Roper, & Saal, 2009; Schaper & Vollery, 2004). Nevertheless, there are dearth literatures pertaining to GBSS in developing countries including Malaysia. Moha Asri (1997) has briefly discussed on the GBSS as a chapter in his book. A study by Khairudin (2007), focussed on the GBSS awareness among SMEs, particularly on credit guarantee scheme. The study indicated that only 10% of the respondents were aware about the services provided by the government. In other study by Mustafa, Khairudin & Sha'ri (2006), revealed the financing approach to SMEs, source of financing and financial needs.

In another development, Salleh & Ndubisi (2006) in their study on the SMEs development in Malaysia, has reported the finding from the APEC 1994, which stated the problems faced by the local SMEs which related to business advisory services. The problems among others were: (1) Lack of coordination among services providers, (2) Low usage rate of the GBSS, (3) Low level of awareness on the GBSS and (4) bureaucracy on the government agencies. A further researcher, Lim (1986) discussed the fiscal policy intended for SMEs as part of the support agenda from the government.

Furthermore, a study by Foziah, Aziz & Sudin (2006) found that a low usage rate of the government financial support services among SMEs in the Northern part of Peninsular Malaysia. Comparatively, they found most of

the SMEs tendered to seek financial supports from commercial banks rather than the GBSS. The lack of knowledge about the services and bureaucracy were two identified contributing factors to the phenomenon. A study by (Hakimin, Rafi, & Dahlan, 2009) on the level of awareness about the GBSS among micro sized SMEs in Kelantan indicated that most of the respondents did not know about the existence of the GBSS, in turn the services are not fully utilised. The failure to disseminate the information about the services is one of the contributing factors. This finding is supported by another study which revealed that micro sized SMEs relied more on friends as source of information pertaining the support services. Thus, the information is not accurate and comprehensive as they were not obtained from first-hand sources. The GBSS were largely perceived by SMEs as financial support providers. As a result, the other services such as technical and marketing support left unattended (Hakimin, Dahlan, & Rafi, 2010). The finding is supported by a study conducted by Norliya, Siti Mashitah, & Siti Zaharah, (2010) which has further exposed the fact that the GBSS are not popular among SMEs for sources of business advisory and reference.

On the development of GBSS, a related study was conducted by Rosli (2000). The development has been divided into three phases: phase I (1958 – 1970), phase II (1972 -1985) and phase III (1986-2005). The study thoroughly discussed the formulation of the policy in each and every phases. However, the establishment of the support agencies were not discussed in accordance to the phases in order to reflect the clear view of the government intervention via its machineries. Moreover, though the period coverage until 2005, it did not discussed on the establishment of NSDC, the main supervision body for SMEs activities.

Therefore, the contribution of the present study not only provides the insight into the development of GBSS, but also divulges on how GBSS is perceived by SMEs.

2.2 The government involvement in business support and advisory services

This section briefly discusses the development of GBSS, the roles and functions prior to NEP, during NEP, and in the contemporary period.

2.2.1 GBSS prior to NEP (1950 -1970)

Prior to NEP, the development of GBSS can be divided into three phases of national economic plan; Malaya Plan 1 (1956-1960), Malaya Plan 2 (1961-1965) and Malaysia Plan 1 (1966-1970). The beginning the government involvement in business activities started at the edge of the colonial period in the late 1950s. The establishment of the Rural Industrial Development (RIDA) in 1950 with the objective to develop rural areas in Peninsular Malaysia by providing business training to rural folks was a humble move by the government. To widen the scope, the Dewan Latihan RIDA (RIDA Training Centre) was formed in 1956 which encompassed the provision of professional education. On the business advisory services perspective, RIDA only focused on the training to the micro scale enterprises, chiefly involved in producing crafts and crafts related products. RIDA also conducted staff training in order equip them with skill and business knowledge in order to train the rural folks. Apart from helping the rural, the approaches intended to create close ties between the rural people and the administrators (Lim, 1986). Arguably, it was merely to establish rapport and gain political mileage.

The quantum leap of the GBSS started in 1966 when the Majlis Amanah Rakyat (People Council of Trust) was incorporated to replace RIDA, with the aim to provide financial access chiefly to son of soil entrepreneurs. The group entrepreneurs mostly Malays with small scale businesses were facing great difficulties to venture and expand their businesses. Lack of capital, low skill and financially weak were among the weaknesses faced by those entrepreneurs. Comparatively, Malays were far behind other races in business ventures. To further extend the government's support, the Bank Bumiputera was established in 1966. The objectives and services offered for both agencies were outlined in Table 1.

Prior to NEP, the aim was to overcome financial access problems among son of soil (Bumiputera) entrepreneurs. Malays entrepreneurs in particular were having difficulties to secure loan from commercial financial institutions. MARA was formed to provide assistance with focused on rural development. Meanwhile, Bank Bumiputera focused on comprehensive commercial financial instrument by way of credit extension and deposit taking. Primarily, both MARA and BBMB were responsible to provide assistance for Bumiputerans in business participation (www.arkib.gov.my).

During the period, the GBSS moved without a clear policy and comprehensive coverage. Financial assistance is the centre of attention just to satisfy a group of people. The GBSS were not experience enough albeit much development in form of type of services and operational areas experienced in businesses at that particular time. This was further compounded as the fact that the colonial policies were not put full effort to encourage and promote the business especially among indigenous people. As a result, the entrepreneurship activities were given

less attention. This was clearly demonstrated in First and Second Malaysia Plan where the entrepreneurial activities were not seriously accounted. The business support activities only to serve the rural and part of the employment program. The GBSS merely to provide financial assistance as stated in First Malaysia Plan (Lim, 1986).

In recognition of the particular difficulties confronting small industries in securing adequate financial resources, special attention will continue to be given to their needs by the government. Majlis Amanah Rakyat (MARA) and Bank Bumiputera will deal with problems of indigenous entrepreneurs. In addition, there is the rural co-operative movement, which will continue to assist its members both financially and technically in establishment and operation of industries for the processing of agriculture products. MIDF will also increase its activities for small entrepreneurs. It will continue to accept request for loans as small as \$50,000; provide hire purchase finance for the acquisition of industrial machinery and equipment and factory mortgage finance for factory development projects; initiate and participate in tripartite credit and guarantee arrangements with local agencies. In addition, Malayan Industrial Estates Limited (MIEL), a subsidiary of MIDF which was established solely for small industries, will intensify its activities in building factories for sale on credit terms to industrialist. Factory building of different sizes will be constructed, in advance of demand if need be, so that a potential manufacturer will have a choice among several alternative building (Malaysia, 1966: p.134 in Lim, 1986).

To conclude, the GBSS did not offer wide range of services to support the business development prior to NEP. The active role of the government unearth during the NEP period with a number of new agencies and government link corporations established to strengthen the entrepreneurial activities.

2.2.2 The GBSS during NEP

The NEP was a 20 years national plan with the objectives to restructure the social and economic imbalances among the races in Malaysia (1970 – 1990). It was launched during the Second Malaysia Plan (1970 – 1975). The government realised that entrepreneurship activities could improve the standard of living in particular among Bumiputera (son of soil). Therefore, a myriad of business support activities were designed and ran by the government not only to give supports but to promote the entrepreneurial activities as a viable source of income. The statistics in Table 2 shows the poverty rate in 1970 based on the ethnic that need to be addressed by the government to preserve peace and harmony.

The figure shows that 64.8% of Malay lived under poverty and represented the poorest ethnic whereas, India 39.2% and Chinese 26%. Furthermore, economic imbalances were also found in the business equity ownership as shown in Table 3.

The ultimate objectives of the NEP were to eradicate poverty and economic restructuring thus, eliminate the identification of ethnicity with economic function. The government foreseen the entrepreneurship activities is among the tools to increase the Bumiputera wealth and other ethnic as well. Under the NEP the government aimed at the equal sharing of equity with targeted ratio of 30% equity ownership by Bumiputra, 40% for non-Bumiputera and 30% for foreigners. The GBSS was moved to actively work carry out the mission.

The NEP was the political tools to restore and preserve peace and harmony society by providing equal sharing nation's wealth. The quantum leap of the GBSS becomes obvious under the NEP as backbone to a noble move towards achieving a prosperous nation.

2.2.3 The GBSS under NEP

Entrepreneurship acts as a catalyst to achieve balance economy among the ethnics in Malaysia. Thus, the government via various agencies has vigorously promoted entrepreneurship activities among the people. The roles of the existing agencies were strengthened and new agencies and GLCs were set up to further fortify the functions. During the period, the entrepreneurship activities became main focus of the government. The government bold moved was laid and shown in the Second Malaysia Plan as follows;

An important area of attention in the manufacturing sector during the Plan period will be the promotion of small-scale industries. Such industries can play a particularly useful role in Malaysia's industrial development at the present time. Besides contribution to output growth in the sector, they can support and complement the activities of larger industries, particularly in supplying intermediate input requirements. They also facilitate the greater utilisation of domestic raw materials and contribute significantly to employment growth. New entrepreneurs,

with limited finance and technical skill, can more easily gain entry into the industrial sector through such small scale operations. Because of the relatively small demand they make on infrastructure facilities, such small scale enterprise can be established in rural areas and thus help in modernisation of the rural environment. They can also be a vehicle for the development of the traditional crafts and skills in the country. During the Plan period, a wide range of management, technical and financial assistance will be provided to encourage the development of small scale industries and to integrate them into the modern industrial sector (Malaysia, 1971: p.154 in Lim, 1986).

The government courage to stabilise the economic and alleviate the rural folks relied on the entrepreneurship activities. Business activities are a tool to improve the state of living among the poor. To materialise, the government had set up a number of agencies besides the existing agencies. Among the agencies were Bank Pembangunan Malaysia Berhad (1972) and Credit Guarantee Corporation (1973). These two GLCs were to further embrace and widen the government participation in business support activities. The objectives and functions outline in Table 4.

The Bank Pembangunan main objective was to provide a comprehensive business assistance services in addition to financial assistance. Other advisory services were technical services and management advisory services. The bank also organises seminar and training to enhance the entrepreneurs' soft skill. Furthermore, the nursery factories areas were constructed to provide factories' space for rental. As mentioned in the earlier section, Bank Pembangunan has gone through adjustment phases when the bank integrated with Bank Industri in 2005 which, evidenced the formation of a special bank dedicated for SMEs; SME Bank.

In contrast, the main objective of CGC is to provide guarantee schemes for SMEs who have difficulties with collateral issues. CGC was formed to assist SMEs who have inadequate collateral or without collateral. CGC guarantee scheme enable SMEs without collateral and inadequate collateral to obtain loan from financial institutions. During this period CGC operated throughout Malaysia to help SMEs grow the business by way of granting guarantee scheme.

It is worthwhile to mention here apart from other government agencies only these two government agencies are covered to some extent in the present study. Obviously, the GBSS actively work during the NEP, bringing together the courage and hard work, the nation continuously enjoy a stable economy and preserve peace and harmony. Despite the fact that the NEP target was not achieved, it has brought some significant changes to the nation economy landscape. As a result, it has narrowed the economic and social gap among the races.

2.2.4 The GBSS in post NEP

The government has made several changes to improve the administration and supervision of SMEs activities under the National Development Policy. The significant contributions of SMEs to the nation's wealth are not disputable by all parties. The NSDC was set up as main body to look after the SMEs development. Among NSDC functions were; (i) Formulate broad policies and strategies to facilitate the overall development of SMEs across all sectors, (ii) Review the roles and responsibilities of Government Ministries and Agencies (i.e. the "stakeholders") responsible for SME development, (iii) Enhance cooperation and coordination, as well as guide stakeholders to ensure effective implementation of SME development policies and action plans, (iv) Encourage and strengthen the role of the private sector in supporting the overall development of SMEs and (v) Provide emphasis to the development of Bumiputera SMEs across all sectors of the economy.

Under the new structure, the activities of business advisory and support services was under close supervision of SME Corporation Berhad, who also acts as a secretary to the NSDC (Secretariat NSDC, 2010). The roles and functions of SME Corporation Berhad are as follows;

- i. To coordinate the policies and programs for SMEs
- ii. As a centre for information and advisory for SMEs
- iii. To manage the SMES data and disseminating research findings on SMEs
- iv. Act as a Business support
- v. As a Secretariat to NSDC

In order to further strengthen the business advisory and support services, the government has established a special bank for SMEs which provides full range of services. The Small and Medium Enterprise Bank Malaysia Berhad, publicly known as SME Bank was established in 2005. The establishment is one of the bright moves made by the government via integration process between the Bank Pembangunan Malaysia Berhad and the Bank

Industri Malaysia Berhad. The process undertaken by the government is to avoid further duplication of task in particular business support for SMEs. In the process, it was decided to segregate the business support for SMEs and large enterprises. The responsibilities to support on large enterprises are rested to the Bank Pembangunan. On the other hand Bank Industri was changed to SME Bank, responsible for the development and support of SMEs. The segregation of studies aimed to increase the efficiency on delivering services to SMEs (SME Annual Report, 2005).

The services of SME Bank covers a comprehensive product ranges from financial to non-financial support. Beside the financial assistance, the bank also provides technical support services, marketing and management. The factory complexes are constructed throughout the country as suitable places for SMEs who have difficulties to find a suitable factory to start the business. The Bank aimed to come as a one stop financial hub for SMEs. With more 20 year experience with SMEs activities, the bank has formed SMEs Advisory Centre (SAC). The objectives of the SAC are to provide all ranges of advisory services across the SMEs business activities and cycles. Usually, advisors are internal staff of the said bank and experts from external parties which the bank has collaborations and smart partnership to join the programs (Imran, 2010).

3. The challenges

The government business intervention not only to support the activities, but also to stimulate entrepreneurship practices among the people. The support is broadly divided into two sections; financial and non financial. Examples of financial support are property loan, working capital and grant. On other hand, non-financial supports come in forms of advisory, technical, marketing, management, networking, distribution and research and development. The application of the GBSS based on the SMEs theory which means they are vulnerable and possesses limitations. Additionally, the GBSS also follow entrepreneurship concept on new start up business which SMEs highly need to be innovative, creative and flexible. Usually, the business environment is not in favour for SMEs especially for new start up business. Thus, they need government intervention by way of providing the GBSS.

Previous literature and records show that the GBSS has played vital roles in promoting entrepreneurship at the same give vigorous support for the activities. As a result, Malaysia is known as a new emerging industrial country following the successful transformation from agrarian type of country. Apparently, the GBSS has contributed to the success (Alias, 2007; Lim, 1986; Moha Asri, 1997; Salleh & Ndubisi, 2006; Sekretariat Majlis Pembangunan PKS, 2008; SMIDEC, 2008).

However, a number of literatures also divulged the GBSS experienced a poor utilisation rate among the SMEs. The usage is not at optimums; in turn some of the supports are idle. Previous studies revealed that the GBSS are not popular among SMEs despite they have existed over the last four decades (Hakimin et al, 2009; 2010; Foziah et al, 2006; Norliya et al, 2010; Khairudin, 2005; Ali and Ndubisi, 2005). Surprisingly, the services are not in the knowledge of SMEs. They are not aware of the existence of the GBSS in turn, the services recorded a low take up rate. Consequently, the GBSS unable to effectively perform and maximise the resources they have. Obviously, the lack of external support resulted SMEs continuously lacking in technical skill. Alias, Liana and Amin (2010), found that only 3.06% of the respondents possessed technical skill, resulting most of the SMEs were operating far reaching economic of scale. The lack of utilisation of the GBSS has affected the SMEs' performance. Researchers have identified factors that contributed to the unsatisfactory utilisation rate of the services. To discuss, the factors is divided based on the sources of the issues; (1) Entrepreneurs, (2) The service providers' factors.

3.1 Entrepreneurs/Owner-manager

3.1.1 Loss of control

Most of the SMEs are owners operated business. They are independent and manage the operation with fewer employees. Some of the SMEs are operating with less than five workers. They are sole decision makers without rely on external intervention. Besides that, they perceived the best person to know about their business are themselves. So, why waste the time to seek the external advice? They are reluctance to obtain advice as it will interfere in their daily activities and at the same time might lose the absolute control on the businesses (Barret, Neeson and Billington, 2007). Unfavourably, some of the services may impose certain conditions as part of the services agreement in particular financial support. For instant, SMEs have to accept the representative(s) from the GBSS providers as one of the management teams to supervise the financial matters. The representative(s) may act as one of the mandatory signatories for the SMEs' current account. SMEs perceived the condition as impediment to their smooth operations. The question is, what if in the absence of the signatory for whatsoever reason, and the business need to issue payment?

In other circumstances, the GBSS may require SMEs to issue a complete financial statement for every 3 or 6 months interval. The reason behind the condition is to enable the GBSS monitor the SMEs' performance. To comply, SMEs have to bear extra cost to engage qualified personnel for the purpose. Furthermore, SMEs have to disclose all the information to third party and lose their secrecy about their business. Most SMEs are not comfortable with all these issues, as a result they do not go for the GBSS for advisory services (Jianzhong & Hong, 2009). The impact is the GBSS are not fully utilised and SMEs experienced slow growth in the operations.

As previously mentioned, SMEs need to submit financial reports on schedule basis to the GBSS. Besides as a tool to monitor the performance, it is a practice for better management of the business by way of proper financial records. Nevertheless, the requirement was perceived as a burden as its required extra cost and time to fulfilled the provision. Instead of taking it as positive move towards betterment of the business, SMEs finally turn down and leave the advisory services unattended.

3.1.2 Reluctant to attend training

The SMEs owner/manager is less attracted to the courses and training conducted by the GBSS. Most of the participants were not concern with the course content and skill enhancement. For other reasons, their presences were likely to get the incentives such as training allowances and free accommodations. The turn up rate are very low in the paid training, the phenomenon is apparent among the micro sized SMEs when the content is not suit their needs. Furthermore, training is perceived as wasting time and does not give positive impact to their business. The SMEs owner/managers are not aware of the positive return as it does not produce immediate impact (Webster, Walker, & Barret, 2005).

3.1.3 Lack of awareness

Some of the SMEs are not aware about the existence of the GBSS particularly micro and small sized SMEs (Hakimin, et al., 2010; Hakimin, et al., 2009; Khairudin, 2007). Previous studies show that lack of awareness has caused low usage of the GBSS. Sadly, the phenomenon portrays the weaknesses of marketing programs run by services providers. GBSS is perceived to provide only on financial assistance. Consequently, other services are not attended at all (Hakimin, et al., 2010).

3.2 GBSS Providers

3.2.1 Stringent and rigid conditions

It's a normal practice especially among the financial support services providers to apply 5Cs approach for credit assessment. 5Cs are referring to capital, character, conditions, capacity and collateral. Usually, most of the SMEs are facing difficulties when dealing with capital and collateral. In the normal credit assessment, the bank requires a sufficient capital to ease the gearing ratio and make up financially viable. The same goes to collateral when it is required as second way out in collecting debts if the business turns bad. For SMEs, how could they supply all these two requirements when they owned minimum asset and started the business with their own pocket money? This situation immerses negative perceptions about the truthfulness to assist SMEs and promote entrepreneurial society, while arduous condition is being imposed akin to exterminate the business opportunity.

3.2.2 Bureaucracy

A study by Foziah et al, (2006) divulged lengthy process to obtain support facility has turned SMEs to private support providers. As the owner and manager of the business, time is imperative. However, a lot of preparations to fulfil the GBSS requirement demand time. As a result, entrepreneurs have to scarify their time for business, in turn some of the business activities affected. Consequently, SMEs turn to other sources of advice else let the business run without external support.

3.2.3 The GBSS representatives

Obviously, the efficiency of the services also lies on knowledge and skill of officials (Ian & Sue, 1998). One of the reasons on lack of usage rate on the GBSS was the negative perception on advisors' capability. Some of the SMEs were uncomfortable and not convinced with the advisors capability. Beside age as a factor, the behaviour was not presenting their professionalism. SMEs were not comfortable when a discussion was interrupted and paused just to allow the young advisor to consult the senior advisor.

These are among the reasons of the low usage rate of the GBSS and some of the reasons in line with the feedback from SMEs focus group (Secretariat for NSDC, 2008). It was reported that awareness of SME development programs by government agencies is still lacking, numerous exhibition, expositions and trade show are not cost effective, long application and disbursement process, physical infrastructure do not meet the needs

and requirement of SMEs and training module not cater specific needs of SMEs. It is a great challenge to the GBSS to overcome the negative perception, thus deliver the service at most efficient manner.

4. Suggestions & Practical implications

To further strengthen and enhance the GBSS, the issues need to be addressed and it is suggested that the policy makers to review the current imposed condition on the financial services facilities in particular loan and other credit facilities to SMEs. In view of 5Cs approach in assessing credit worthiness of SMEs, it inevitable needs some modifications that would be benefited both parties; SMEs and services providers. SMEs need different credit assessment compare with their counterpart under large enterprises. Practically, the policy makers inevitably need address the issue of collateral. The over-emphasised on collateral for lending in particular to micro and small sized enterprise create hurdle to most of the SMEs, thus its conclude the poor perception on the GBSS. Alternatively, the method of cash flow lending which widely practices for large enterprise financing could be adapted for SMEs.

Secondly, the GBSS is to further enhance the advisors - especially in terms of capability. The advisors as front liners in the services should have adequate knowledge and experience together with appropriate communication skills. The skills and knowledge not only help to efficiently deliver the service, but also to increase satisfaction amongst small and micro enterprises and in turn gives a good perception of the SMEs on the GBSS. In relation to this the advisors must be equipped with practical business knowledge so that, the advisory are more realistic and able to convince SMEs. To recruit advisors with sufficient business experience and knowledge, the GBSS need to revisit the recruitment and selection process including the salary scheme and other benefits offered by the management.

Thirdly, to review the marketing programs in order to increase the level of awareness about the advisory services among SMEs. The electronic media is one of the effective channels in promoting and disseminating the information pertaining wide range of advisory services available in the market. As a number of study revealed that friends as preferred source of information among SMEs, the GBSS providers shall fully utilise the existing clients to deliver good information to the targeted groups. The information about the GBSS activities can be disseminated through an informal group consists of the GBSS representatives and amongst the selected customers. However, customers' good name and personalities with the desire to share the knowledge with their counterparts are among other factors to be considered in choosing the said informal group members. The need for outlined criteria is to avoid the programs abundance with which members' complaints and the place to raise matter for their own interests, instead of the interest of SMEs as a whole.

Fourthly, the training and courses conducted need a new approach not only in selecting participants, but the contents as well. A force approach to join the programs should be reviewed appropriately as the impact did not give satisfactory result. The outcomes from the programs are the concern and not the number of participants. According to Yunus, (2007);

I firmly believe that all human beings have an innate skill. I call it survival skill. The fact that the poor are alive is clear proof of their ability. They do not need us to teach them how to survive; they already know how to do this. So rather than waste our time teaching them new skills, we try to make use of their existing skills. (pp: 140).

I believe that many training programs are counterproductive. If Grameen had required borrowers to attend a training program in business management before taking out a loan to start a business, most of them would be scared away. Formal learning is a threatening experience for our borrowers. It can even destroy their natural capacity or make them feel small, stupid and useless. Also, poor people are often offered incentives to participate in training programs – sometimes they receive incentives to participate in benefits in the form of a training allowance or training is made as prerequisite to obtaining other important benefits in cash or in kind. This to attracts the poor, even though they may not be interested in the training itself. This is not to say training is bad. But training should not be forced on people (pp: 141).

Arguably, the time has come to end the practice of giving out money or training allowance as an incentive for attending the programs. The current practices caused the money received is the main concern rather than the knowledge -as experienced by one of the researchers during conducting a soft skill training. The participants eagerly asked about the allowances as promised on the first day of the programs instead of the contents of the programs. Furthermore, imposing a training program as a pre-qualification of credit facilities approval should be reviewed as well. The participants attend such programs merely to fulfil the terms of offer; as a result the contents were ignored and did not recognise the imperative value of the training. In order to address this problem,

lets the entrepreneurs decide what improvement they need; this will only ensure training is not a waste. In this respect entrepreneurs need to pay for the training, the GBSS may subsidise the cost to assist. As proposed by Yunus (2007b);

“...it should offer only when they actively seek it out and are willing to pay in kind or cash to obtain it.”(pp: 142).

Last but not least, the approval system and procedures on application for advisory and support facilities for SMEs need to reform and further enhancement to cut the processing time. A redundant and time consuming procedure shall be visited to rectify the weaknesses. The delegation of approving power to the lower managerial level especially to the branch level is one of the moves to be considered in order to cut-off processing time. However, a good governance practice and efficient support system must be in place to ensure smooth operation. On the other hand, the requirement for basic supporting documents shall be made known to SMEs. The GBSS providers shall made proactive move to visit earlier identified SMEs and disseminates the information about the requirements. Furthermore, the awareness program about the essential of managerial matters must be conducted.

5. Conclusion

The GBSS is the government noble move to ensure profitability and sustainability of SMEs. A humble beginning with the objectives to bring close ties between the rural folks and the government had acted as a stepping stone to the glorious achievement of the GBSS. Currently, the role of the GBSS is paramount important for SMEs. However, the GBSS providers are challenged by a dynamic and intricate business environment. To address the lack of SMEs awareness on the important of the services provided by GBSS is the main focus, and at the same time to further enhances the internal process. The issues of bureaucracy, incompetency, unmatched product and unsupportive conditions must be addressed by the providers. The wide ranges of services are futile in absence of maximum utilisation from the targeted group. In turn, the services become unproductive and SMEs are not benefitted from the existence of the GBSS.

Other challenges faced by the GBSS providers amongst others to pursue the new economic model where the country aims to move toward a high income economy in 10 years time. To achieve this, the country needs to equip her SMEs with innovation and creative skills and able to come out with value-added activities. All these would be impossible without assistance from the GBSS. Thus, it is imperative for the GBSS to have the same skills as well. To take this challenge we need to ask the right question, do they ready for the big games? Now, the issues of the GBSS competencies arise and need to be addressed urgently.

It can be concluded that, the root cause of low utilisation rate of the GBSS comes from two sources, namely; the GBSS and the entrepreneurs. Both parties need to address the issues, so that both parties would be benefitted. Notwithstanding with the importance of GBSS, only a handful studies being conducted in developing countries. On the contrary, a large number of previous studies pertaining to the issues were conducted in developed country. Therefore, it's open to question, how severe the acceptance of local SMEs on the GBSS? In order to gain a true and clear view about local experience, future research with diverse sample is suggested. Furthermore, the causes listed are mostly arisen from the GBSS side; a well-rounded and fair study should be conducted with accounting advisers and other relevant stakeholders. Their views on the services provided by and what are the obstacles when dealing with SMEs.

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Table 1. Agencies and objectives

Agency	Year of establishment	Objectives	Products
Majlis Amanah Rakyat (MARA)	1966	Rural Development To overcome Bumiputera's weaknesses in trade and commerce activities	Financial assistance, technical and management services
Bank Bumiputra (M) Berhad	1966	Financial support To increase Bumiputera participation in national economy	Comprehensive credit assistance

Table 2. Ethnic Poverty Rate

Ethnic	Poverty rate (%)	Average household income/Month (RM)
Malay	64.8	172.00
Chinese	26.0	394.00
India	39.2	304.00
Other	44.8	813.00

(Sources: Implementation and Coordination Unit, Prime Minister Department, 2010)

Table 3. Economy ownership based on ethnic

Owner	Total owned (RM million)	%
Bumiputera individual & trust agencies	279.6	4.3
Bumiputera individual	168.7	2.6
Trust agencies	110.9	1.7
Non-Bumiputera	2,233.2	34.0
Foreigners	4,051.3	61.7
Total	6,564.1	100.00

(Sources: Implementation and Coordination Unit, Prime Minister Department, 2010)

Table 4. Agencies and Objectives

Agency	Year of establishment	Objective	Service available
Credit Guarantee Corporation (CGC)	1972	Guarantee facilities	Credit guarantee and advisory
Bank Pembangunan Malaysia Berhad	1973	Financial and non-financial	Loan, Business advisory