

AN OVERVIEW OF GOVERNMENT BUSINESS SUPPORT PROGRAMMES FOR MICRO AND SMALL BUSINESSES IN MALAYSIA DURING THE COVID -19 CRISIS

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ABSTRACT

The largest number of business establishments in Malaysia is micro and small businesses. Although micro and small businesses make a great contribution to the country's economic development, they are vulnerable and easily affected by any changes occurring within the business environment. Therefore, to ensure the survival of micro and small businesses in Malaysia, various business support programmes have been introduced by the government. It is believed that a conducive intervention programme is significant in ensuring the survival, competitiveness and growth of micro and small businesses. However, the effectiveness of business support programmes in facilitating the business survival of micro and small businesses have been debated. With the emergence of the current COVID-19 crisis, the issue of the effectiveness of the programmes become more critical. Based on a literature review, this study explores the issues and challenges concerning the access to, utilisation and delivery of micro and small business support programmes. The reviewed literature shows that the ineffectiveness of business support programmes is related to issues and challenges in the implementation of the programmes.

INTRODUCTION

After the independence in 1957, it is the focus of the Malaysian government to stabilise the economy of the country by reducing

the economic gap between different ethnic groups. Within this context, entrepreneurship activities have been acknowledged as a way of improving the economic status of the people, particularly among the disadvantaged group (Yusoff & Yaacob, 2010). To strengthen the entrepreneurship landscape of the country, various entrepreneurship programmes have been introduced by the government for small and medium enterprises (SMEs), including micro-enterprises. Starting with the establishment of institutional frameworks that include the introduction of the New Economic Policy in 1971, followed by the introduction of the New Development Policy (NDP) in 1991 (1991 – 2000) (Topimin, 2015), the entrepreneurship landscape of the countries is further strengthened through the involvement of 12 ministries and 40 government agencies in providing various entrepreneurial support programmes for business communities, particularly micro and small enterprises (Munoz et al., 2015).

However, being a micro and small scale business entity is commonly associated with business vulnerability. It is discussed that the vulnerability of micro and small enterprises are related to various business issues such as having smaller financial resources, limited amount and quality of human capital, poor infrastructure, lack of business networks as well as lack of information and adoption of technology that are crucial in operating a business (Gherhes, et al., 2016). As such, it is believed that conducive intervention programmes are significant in ensuring the survival, competitiveness and growth of micro and small business enterprises (Tambunan, 2019). However, the suitability of the programmes in combating the challenges during a crisis is still unknown. Given that threat can give a negative impact on micro and small enterprises (Royal & Sun Alliance, 2006; Runyan, 2006), the ability of the support programmes in facilitating the business survival of micro and small businesses cannot be ignored, particularly during the current COVID-19 crisis. As such, this paper

contextualises the discussion by describing the present state of the government business support programmes in Malaysia and issues concerning its implementation.

LITERATURE REVIEW

Micro and Small Businesses in Malaysia

Business establishments in Malaysia are categorised into four types: micro, small, medium and large. It was reported in 2016 that there were 920,624 business establishments in Malaysia and out of this number, 693,670 (75.4%) were micro-businesses, followed by 192,783 (20.9%) of small, 20,612 (2.2%) of medium and 13,559 (1.5%) of large businesses (SME Corp, 2019). Therefore, micro and small businesses account for 96.3% of the total business establishments in Malaysia which indicate their significance in the country's economic development. Micro and small businesses in Malaysia are defined based on their number of employees or annual sales turnover, whichever is lower. A micro business refers to any business entity that employs not more than five full-time employees or generates annual sales turnover of less than RM300,000. Meanwhile, a small business in the manufacturing industry refers to a business entity that employs a number of full-time workers between 5 and 75 or generates annual sales turnover between RM300,000 and RM15 million. For a small business in the service or other industries, the number of full-time workers employed is between 5 and 30 whereas the annual sales turnover generated is between RM300,000 and RM3 million. Nearly ninety per cent of micro, small and medium businesses in Malaysia (89.2%) are concentrated in the service industry, particularly in the wholesale and retail trade services (51.2%), and food and beverages services (20.4%) (SME Corp, 2017). It was reported in 2018 that the Malaysian SMEs, including micro-businesses, have made a significant contribution to the country's economic development by providing more job opportunities (66.2%) and increasing the country's gross domestic product (GDP), from

37% in 2015 to 38.3% in 2018 (SME Corp, 2019). However, the report also highlights that micro businesses rely heavily on their internal funds (76.1%) and only 47.6% of small businesses managed to secure external financing. In addition, there were 83.6% of SMEs which did not utilise any promotional and marketing activities for their businesses. Given that various business support programmes have been initiated for micro and small businesses in Malaysia, the over-reliance on internal funding and low participation in business-related programmes by micro and small businesses require further investigation.

Government Business Support Programmes in Malaysia

The public initiatives for entrepreneurship development in Malaysia were introduced after the country's independence in 1957 which involved the introduction of the New Economic Policy, 1957 – 1970 (NEP) and ended in the Fifth Malaysia Plan (1986 – 1990). The New Development Policy (NDP) (1991 – 2000) was introduced in 1991. The government support for entrepreneurship development after the NDP has ended was included in the Malaysia Plan. To further strengthen the Malaysian entrepreneurship landscape, the Government has launched the National Entrepreneurship Policy 2030 in July 2019 and the Shared Prosperity Vision 2030 in October 2019 (SME Corp, 2019). The policy was formulated based on six strategic thrusts which aim to enhance the country's entrepreneurship competitiveness by strengthening the capabilities and increasing the number of resilient entrepreneurs. Within this context, six clusters of government entrepreneurship development programmes

(Table 1) have been implemented by more than 20 ministries. Those clusters are access to financing, human capital development, innovation and technology adoption, and market access. These efforts indicate a strong belief that the Malaysian entrepreneurship development process can be increased through government entrepreneurship-related initiatives.

The emergence of the COVID-19 crisis has severely affected micro and small businesses. In response to the current COVID-19 crisis, the Malaysian government has introduced PRIHATIN Economic Stimulus Package in which initiative includes specific support programmes for micro, small and medium scale enterprises to facilitate their business survival during the crisis. It is stated by the government that the support programmes include an amount of RM100 billion through various initiatives such as introducing the Special Relief Facility, reducing the interest rate from 3.75% to 3.5% and providing the amount of RM500 million under the micro-credit scheme which makes the total fund for the scheme RM700 million with the 2% interest and without collateral (*Berita Harian*, 2020). These are some of the initiatives that are listed under the five main initiatives introduced by the government during the COVID-19 crisis. Similar to other government business support programmes, the extent to which these initiatives could facilitate micro and small scale businesses in overcoming the crisis and be accessible are unknown; thus requiring further investigation. Table 1 illustrates different types of entrepreneurship development programmes that are provided by the Malaysian government.

Table 1 Various types of business support programmes in Malaysia

Entrepreneurship Development Programmes			
Normal Business Support Package	COVID-19 Economic Stimulus Package		
No. of programmes	Financing package	•	Special relief facility
• All economic sector facility			
• Micro credit scheme			
• BizMula-i & BizWanita-i			
• Government guarantee scheme			
• Targeted relief and recovery facility			
• High tech facility			
Access to financing	33		
Human capital development	53		
Innovation & technology adoption	28	Employment-related measures	
• Employer advisory services			
• Employer COVID-19 assistance programmes			
• Human resources development levy exemption			
• Wage subsidy programmes			
Market access	34		
Infrastructure	15	Tax-related measures	• Postponement of income tax instalment payments
Legal & regulatory environment	1		
			Targeted repayment assistance (e.g. moratorium)

Source: Summarised from various sources of government entrepreneurship development programmes

Government Business Support Programmes in Malaysia: Issues and Challenges

It has long been debated that the government’s response strategies are crucial in reducing barriers to entrepreneurial success (El-Namaki, 1988). Most governments in developing and underdeveloped countries have applied a strategic interventionist approach in providing entrepreneurial assistance in their countries (O’Neill & Viljoen, 2001) and ineffectiveness in the provision of support to entrepreneurs could impede the entrepreneurs’ plans in developing their businesses (El-Namaki, 1988). Under the strategic interventionist approach, governments act as a protector and advocate for entrepreneurs (Peterson, 1988). The business support for entrepreneurs captures various economic initiatives; including financial and non-financial assistance (e.g. Arping et al., 2010). In the Malaysian context, with the establishment of institutional frameworks and initiation of various business

support programmes as outlined in Table 1, it becomes apparent that the government adopts the strategic interventionist approach in promoting the development of entrepreneurship in the country.

Although various business support programmes for entrepreneurs in general and micro and small businesses, in particular, have been introduced in Malaysia, it is argued that the programmes are poorly utilised by micro and small businesses (Yusoff & Yaacob, 2010). The low involvement of micro and small businesses in business support programmes are related to the issues of accessibility and effectiveness. First, previous research on government business support programmes in the Malaysian context has shown that the programmes suffer from marketing weaknesses [e.g., Mahajar and Mohd Yunus (2006) and Ong et al. (2010)]. It is argued that the government business support programmes are usually being promoted by

using mass marketing practice which has caused the targeted groups to be unaware of the existence of the programmes (Ong et al., 2010). In addition, problems in accessing government business support programmes are also related to procedural issues. It is argued that in applying for government business support programmes, applicants have to prepare numerous supporting documents and have to wait for a longer processing time (Hung et al., 2010). Second, the effectiveness of government support programmes is rarely being discussed. There is a tendency among business owners to have negative views on the quality of government support programmes. For example, the capability of government officials as trainers and the suitability of the content of training programmes are debatable (Abdul Raman et al., 2014). In addition, there is a lack of discussion on the effectiveness of government support programmes in the Malaysian context. In one aspect, much of the literature of the government business support programmes in Malaysia is produced as government reports (i.e. annual reports of particular government organisations). Therefore, the information provided is more on explaining the types and nature of the programmes as well as the total financial commitment incurred for the programmes. In another aspect, existing research tends to investigate the effectiveness of the government business support programmes by examining if there is any positive effect from participating in the programmes [e.g. Ismail and Othman (2014) and Zainol et al. (2017)]. In this respect, various issues concerning the implementation process of the government business support programmes that could affect the effectiveness of the programmes remain unexplored. In addition, the effectiveness of the latest government business support programmes that have been introduced as a response to the COVID-19 crisis is yet to be investigated. Similar to the ongoing government business support programmes, the issue of accessibility to the COVID-19 stimulus package to business owners is also a topic of concern that requires further investigation (Rafli et al., 2020).

METHODOLOGY

The main purpose of this study is to increase the understanding of the impact of government entrepreneurial support programmes on the business survival of micro and small enterprises in Sabah during the COVID-19 crisis. Government intervention is important for micro and small enterprises development (Tambunan, 2019; Zainol et al., 2017), but the capability of government entrepreneurial support programmes in dealing with challenges that are encountered by those enterprises during the COVID19 crisis requires further investigation. Research within this context can be considered to be a new area; thus requiring explanation that responds to the new phenomenon of the COVID-19 crisis. This study will adopt a qualitative research strategy (Creswell, 2014) that focuses on an interpretivist approach (Mason, 2018) and capitalises on in-depth interviews and documentary analysis (Patton, 2014). Two groups of participants will be interviewed: micro and small enterprise owners and government officials who work with government organisations that are involved in entrepreneurship development in Sabah.

CONCLUSION

The reviewed literature has shown that government business support programmes are significant in influencing the survival and success of micro and small businesses, particularly during the current COVID-19 crisis. Although various business support programmes have been introduced in the Malaysian context, the utilisation of such support by micro and small businesses is not as expected. The low take-up of government business support programmes by micro and small businesses is caused by the lack of awareness of the business owners pertaining to the support available. The reviewed literature shows the low participation in the programmes by micro and small business owners was also caused by poor marketing strategies used in promoting the support

programmes. For government business support programmes to be relevant in the current business environment, there is a need for policymakers to strengthen the mechanism in disseminating information as well as access to the support programmes. In addition, the reviewed literature has shown that the issue of the effectiveness of government business support programmes has received less attention in previous research. Often than not, there is a tendency that participation in a particular government business support programme is used to measure the effectiveness of the programme. For example, it is commonly hypothesised that the involvement in government support programmes has a positive relationship with the business performance of the programmes' participants, thus indicating the effectiveness of the programmes. This practice neither explains the content of the programmes nor provides the opportunity for participants to share their experiences from participating in the programmes. In this respect, any issues pertaining to the implementation of government support programmes cannot be revealed. Therefore, an exploration of the conduct of government business support programmes will help strengthen the entrepreneurship development initiatives in the country, thus increasing the survival of micro and small businesses in the current competitive business environment.

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