

PROMOTION AND PROBLEMS OF SMALL AND MEDIUM SCALE INDUSTRIES: A SURVEY OF AWARENESS ON FACILITIES AND INCENTIVES AMONG ENTREPRENEURS IN THE KLANG VALLEY

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This research studies the awareness of facilities and incentives and to what extent these have been utilised by small and medium-scale industries (SMIs) in the Klang Valley. This study also examines various problems faced by these entrepreneurs. Analyses on entrepreneurs' perception on various programmes and facilities were also done in this research.

This study concludes that majority of the SMIs did not utilise most of the facilities provided. Most of the time, they only put emphasis on one selected facility, such as infrastructure facility, or training and advisory services, or financial facility. This research also reveals that the most serious problems faced by SMIs are labour shortages and inflationary pressure especially on prices of raw materials. Another important finding was that many of the SMIs need more assistance pertaining to market development programmes, especially overseas marketing opportunity, because many of them claimed that they had to place emphasis on securing domestic market share rather than penetrating overseas markets. Inadequate access to information on various promotion programmes and facilities had inhibited SMIs from utilising such facilities.

I. INTRODUCTION

The crucial role played by small and medium scale industries (SMIs) in Malaysia's industrialisation process has been clearly stated in the Sixth and Seventh Malaysia Plans, as well as the Second Industrial Master Plan (IMP). Their growth potential could be speeded up by various governmental policies that are specifically designed

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to cater for their business needs. Under the Second IMP's "plus-plus" approach, SMIs must be developed into key suppliers of components or inputs, as well as services for large industries and multi-national corporations (MNCs). Moreover, SMIs must prepare themselves to compete in the fast pace of liberalisation under the rules of World Trade Organisation, which has already caused considerable concern among developing countries as many of them are still not ready to open their economies to foreign competition.

SMIs play a vital role in the overall national economic development as they contribute significantly in terms of employment generation and as supporting industries to heavy industries and other business entities. Realising their great potential for growth, the government and the private sector have been very supportive in the growth and development of SMIs by providing a wide range of incentives and facilities. The importance of SMIs has been gaining recognition of the government with the formation of Ministry of Entrepreneur Development (MED) on 8 May 1995. Its main objective is to develop entrepreneurs especially through its vendor development programme aimed at developing SMIs as reliable manufacturers and suppliers of industrial parts and components required by large industries and multi-national corporations.

II. OBJECTIVES

The primary objectives of this research are to identify various types of governmental support in terms of specific functions which include incentives for investment, financial and credit support, governmental non-financial and technical support (such as infrastructure, industrial sites, research and development, etc.), supply and marketing support, in addition to training and advisory services. This research also focuses on the adequacy of governmental support in promoting SMIs as well as to analyse the profile of SMIs. This study also identifies various problems faced by entrepreneurs, as well as to recommend some guidelines to help SMIs in getting relevant governmental support and at the same time to assist the government in formulating policies in the future.

III. SURVEY METHODOLOGY AND RESEARCH FRAMEWORK

The survey was carried out between October and November 1996, covering only SMIs in the Klang Valley. Two methods of data collection were employed, i.e. by a self-administered questionnaire and an interview survey. A total of 421 addresses of the SMIs were obtained from various sources, i.e. the Ministry of International Trade and Industry (MITI), Ministry of Entrepreneur Development, *Persatuan Pengilang-pengilang Bumiputera Malaysia*, as well as the Federation of Malaysian Manufacturers. Of the total 421 addresses, 296 respondents (about 70 percent) were