MODE A

SME DEVELOPMENT IN MALAYSIA: CHALLENGES OF SMEs
MANUFACTURING SECTOR TO GO ABROAD

MOHAMAD SHAFIK BIN ISMAIL
2009150741

BACHELOR OF BUSINESS ADMINISTRATION (HONS.) INTERNATIONAL BUSINESS
FACULTY OF BUSINESS MANAGEMENT
UNIVERSITI TEKNOLOGI MARA
MELAKA CITY CAMPUS

JANUARY 2011
ABSTRACT

The paper presented the challenges and barriers of Small Medium Enterprises (SMEs) which involve in manufacturing to expand their business abroad. The purpose of the study is to gain understanding towards the challenges that must be faced by manufacturing SMEs thus, order to help them develop strategies in global market. It will also help financial institutions, trade agencies and trade associations to run their activities efficiently. Hence, these agencies can provide sufficient services to help the local SMEs to go abroad.

In order to create understanding, this study use secondary data in order to collect reliable data. The previous studies were reviewed and put in literature review section. Interviews were conducted with related institutions which have relation with Malaysia manufacturing SMEs. The information obtained from both primary and secondary sources have been analyzed to identify the factors that give challenge for Malaysia manufacturing SMEs abroad.

At the end of this study, it was found that there are several challenges of SMEs to go abroad. The most frequent discussion is inter-firm relationship. The other challenges are host government policy, financial disability and competition among industry players. The important of knowledge and technological constrain also can give impact to the SMEs abroad.

This study also recommend SMEs to seek for linkages abroad and the role of development banks should be intensified for SMEs to enhance. This study also recommends the government to take further action to help the SMEs in the other market. The SMEs also can use branding strategies and increase their knowledge in order to success in future either locally or globally.
# TABLE OF CONTENT

<table>
<thead>
<tr>
<th>ACKNOWLEDGEMENT</th>
<th>ii</th>
</tr>
</thead>
<tbody>
<tr>
<td>TABLE OF CONTENT</td>
<td>iii</td>
</tr>
<tr>
<td>LIST OF TABLES</td>
<td>v</td>
</tr>
<tr>
<td>ABSTRACT</td>
<td>vi</td>
</tr>
</tbody>
</table>

## CHAPTERS

1. **INTRODUCTION**

1.0 Preamble 1

1.1 Background of Study 1

1.2 Issue Statement 2

1.3 Objective of Study 2

1.4 Significant of Study

1.4.1 Local Manufacturing SMEs 3

1.4.2 Policy Makers 3

1.4.3 Financial Institutions 3

1.4.4 Future Researchers 3

1.5 Scope of Study 4

1.6 Limitation of Study 4

2. **LITERATURE REVIEW**

2.0 Small Medium Enterprises (SMEs) 5

2.1 Definition of SME In Malaysia 7

2.2 SME in Manufacturing Sector 10

2.3 SME in Service Sector 13

2.4 Challenges and Barriers of SMEs 15

3. **METHODOLOGY**

3.1 Data Collection 20

3.2 Sampling Frame 21
4 FINDINGS

4.1 Findings (Company Practice) 23
4.1.1 Challenges of SMEs in Manufacturing by SME Bank 23
4.1.2 Challenges of SMEs in Manufacturing by Exim Bank 25

4.2 Gap Analysis 26

5 CONCLUSION AND RECOMMENDATION

5.1 Conclusion 28
5.2 Recommendation 30

Bibliography

Appendices

Appendix 1: Question for Respondents

Appendix 2: SMEs Urged to Take Part in Census 2011

Appendix 3: Profile of SMEs in Malaysia

Appendix 4: Soft Loan Package for SMEs

Appendix 5: Input - output Tables, Malaysia 2005

Appendix 6: 'Don't Be Afraid of The Unfamiliar'

Appendix 7: SMEs Want Re-investment Allowance Period Extended, Among Others

Appendix 8: SMEs Urged to Explore New Markets
# LIST OF TABLES

<table>
<thead>
<tr>
<th>Name of Tables</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Table 2.1: Definition of SME in Malaysia</td>
<td>7</td>
</tr>
<tr>
<td>Table 2.2: Profile of SMEs, breakdown by Size and Sector</td>
<td>8</td>
</tr>
<tr>
<td>Table 2.3: Profile of SMEs, breakdown by Size and State</td>
<td>9</td>
</tr>
<tr>
<td>Table 2.4: Profile of SMEs in Manufacturing Sector, breakdown by Sub-sector and Size</td>
<td>11</td>
</tr>
<tr>
<td>Table 2.5: Profile of SMEs in Manufacturing Sector, breakdown by State and Size</td>
<td>12</td>
</tr>
<tr>
<td>Table 2.6: Profile of SMEs in the Service Sector, breakdown by Sub Sector and Size</td>
<td>13</td>
</tr>
<tr>
<td>Table 2.7: Profile of SMEs Around Malaysia</td>
<td>14</td>
</tr>
<tr>
<td>Table 2.8: Contribution by Export SMEs, 2003</td>
<td>15</td>
</tr>
<tr>
<td>Table 4.1: The finding From Interviews and Secondary Data</td>
<td>26</td>
</tr>
</tbody>
</table>