

A STUDY ON SMALL BUSINESS FINANCE
IN MALAYSIA

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ABSTRACT

The financial management of small firm is a topic that has attracted increasing interest. The nature of financial policies and practices depend upon the size of the firm. Small firms tend to rely more heavily on the retention of earnings as a way to build equity, have less liquidity, use greater amounts of debts and experience more business risk.

In addition to the conventional sources of financing, small firms frequently rely on the financial assistance programmes offered.

This paper also acknowledges the constraints faced by small business and the role of small business in the economy.

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CHAPTER 1

INTRODUCTION

In Malaysia's manufacturing sector, small enterprises account for almost 75% of the total number of firms (Chee 1986). However, what is more important than this numerical figure is the significant role and contribution of small enterprises in the overall economic development of the country. It has served as the vehicle for developing an entrepreneurial spirit, and it has also been important to the economy.

Answering the question, "What is a small business?" is extremely difficult, since everyone has his or her own idea of a small business. For one person it could be locally owned and operated store in which the owner is the boss, whereas another person could easily consider a firm with 500 employees as being small. Actually, both may be right; there is no simple definition.

Many definitions of "small business" have been offered. In general, the Small Business Administration (U.S) defines a small business as one that is independently owned and operated and is nondominant in its field of operations. Also, to be considered small, a manufacturing company may not employ more than a specified number of employees, depending upon the industry