# A Structured Equation Modelling Study on Factors Contributing To A Financing Gap amongst Malaysian SMEs

## By

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## Introduction

In Malaysia, Small and Medium Enterprises or SMEs contribute more than one-third of its economy. In 2017, SMEs contributed RM435.1 billion to the economy with a higher Gross Domestic Product (GDP) growth of 7.2% against 5.2% in 2016. As a result, GDP contribution of SMEs increased further to 37.1% from 36.6% from the previous year. SME employment also grew at 3.4% during the year, resulting in SME contribution to overall employment at 66.0% with an increase from 65.3% in 2016. Despite recording an increase in the export value from RM155.1 billion in 2016 to RM167.4 billion in 2017, SME contribution to the total exports was lower at 17.3% (2016: 18.6%) due to higher export growth by large firms. In 2017, a total of RM10.5 billion was spent to implement 168 SME development programmers which have benefited around 600,000 SMEs across all sectors (Smecorp.gov.my, 2017).

Financial assets are fundamental to the growth of SMEs throughout the world. Financing issue is a typical situation among SMEs in Malaysia. SMEs are neither too small to even think about being financed with microfinance loaning nor too enormous to even consider accessing formal obligation loaning on a huge scale. Issues such as diversified nature, lack of bankable guarantee and absence of efficient financial records further inflame the issue of formal loaning for the SME sector.

Additionally, Beck and Demirguc-Kunt (2006) suggest that "access to finance" is reliably appraised as a noteworthy obstacle in the "growth and development of SMEs". Nonetheless, the matter of financial limits is not new in the writing of SMEs, and discussion

on it extends from general to explicit. There is a desperate need to build up a comprehension for the purpose of these issues.

SMEs are facing a credit crunch, principally because of the presence of "four gaps, namely, demand, supply, benevolence and knowledge gap" (Kumar & Rao, 2015). In this manner, it is important to understand whether there is prevalence and impact of a particular kind of gap or there is a conjunction of these gaps. Also, it is necessary to know what the conditions are that prompted the source of a gap. As it were, it plots the explanation for financing issues under various financing gaps.

Past investigations on financial barriers faced by Australian SMEs utilize optional information which is not constantly accessible in developing/emerging economies (Xiang & Worthington, 2015). Furthermore, strong data protection laws in Malaysia prevent banks and credit organizations from giving information even for research purposes. Because of this, past research on SME financing issues in Malaysia has generally been based on interviews or case analyses (Haron & Shanmugam, 1994). Investigations that have concentrated on SME obligation financing choices in Malaysia for the most part center on firm-explicit components which are constrained and not at all like large firms. The aim behind this research is along these lines to display the potential factors that could clarify the debt financing issues of SMEs in Malaysia. This research uses a quantitative strategy to gauge the said factors. Recent researches have emphasized on the manufacturing sector in light of the fact that this industry is capital escalated and requires enormous investments in fixed resources (Romano, Tanewski, & Smyrnios, 2001), particularly in the beginning phase. Financing thus has been considered the principal boundary to development for SMEs in manufacturing (Padachi, Howorth, & Narasimhan, 2012).

This study attempts to derive the instrument dimensions of finance related barriers faced by SMEs through modifying the existing models and formulate a research model to find out how financing barriers affect SMEs. To justify the research model, data were collected from 102 Malaysian SMEs. Structural Equation Modeling (SEM) technique was used to test the validity and reliability of the research model. The test results offer a valuable example for SME owners and managers as well as the researchers working on this subject.

To fill this gap in the existing literature, this study aims to empirically:

• examine the key factors that affect SMEs from obtaining financing;
• investigate the relationship between intention and actual behavior in financing;
• study the moderating effect of the SME type in mind to apply for financing.

This research consists of a total of 5 sections together with the introduction. The second section contains a short description of the theoretical background of the literature analysis, along with a synopsis on the literature that had been utilized to develop the hypotheses. The third section focuses on the research methodology. The fourth section contains all the findings of this research and its analysis, highlighting the reliability of the

model used and the outcomes of the hypothesis testing. Lastly, the fifth section discusses the research limitations along with the potential areas for improvement.

# Problem Statement

Regardless of the job of SMEs in the Malaysian economy, the financial requirements they look in their tasks are overwhelming and this has negatively affected their improvement and furthermore restricted their capability to drive the national economy as expected. This is stressing for a creating economy without the essential foundation and innovation to draw in enormous organizations in large numbers.

Most SMEs in the country do not have the limit as far as qualified workforce to deal with their exercises. Therefore, they can't distribute indistinguishable nature of financial information from those huge firms and all things considered are not ready to give audited financial report, which is one of the fundamental prerequisites in getting credit from the financial organization. This is buttressed by the statement that privately held firms won't distribute a similar amount or nature of financial information that publicly held firms are required to deliver. Thus, data on their financial condition, profit, and income prospect might be deficient or off base. Looked with this sort of vulnerability, a loan specialist may deny credit, sometimes to the organizations that are credit commendable yet unfit to report their outcomes. (Coleman, 2000).

Examining why SMEs in Malaysia experience issues in getting credit or subsidizing from financial establishments from the point of view of the administrators of these SMEs is significant since it would show the issue from the viewpoint of the SMEs.

## Research Objectives
To identify the challenges of the SME sector in Malaysia
To investigate the challenges faced by entrepreneurs in the SMEs of Malaysia
To recommend some suggestions to the identified challenges

## Research Questions
What are the challenges faced by SMEs in Malaysia?
What are the challenges faced by entrepreneurs in the SMEs in Malaysia?
What are the prospects to help mitigate these challenges?

## Hypothesis
H1: Credit history for SMEs positively and significantly affects intention to apply for financial credit
H2: Awareness for SMEs positively and significantly affects intention to apply for financial credit
H3: Interest rate for SMEs positively and significantly affects intention to apply for financial credit
H4: Access to finance for SMEs positively and significantly affects intention to apply for financial credit
H5: Intention to apply for financing positively and significantly affects behaviour to apply for financing for SMEs

H6: Relationship between intention to apply for financing and behavior to apply for financing will be stronger among older SME companies

***Significance of Study***

Analysing the problems of SMEs in Malaysia that experienced in term of finance by survey some research paper which done by previous researchers. Thereby making a study on some financing gap in SME from owner perspective and analysis on the financial issues of SME in Malaysia. This important of this study for policy interventions by state agencies, development partners and non-governmental organisation with missions to develop the SME sector.

# Literature Review

The economic advancement of any country is heavily dependent on SMEs. As stated by Beck, Demirguc-Kunt, and Levine (2005), the contribution of SMEs is very substantial for the improvement of developing countries. Nevertheless, the growth of SMEs relies on the financial "availability and accessibility" (Cook, 2001). For SMEs the internal financial support is insufficient to fulfil the needs of these organizations, hence there is a high demand of finance to bolster their growth (Bester & Scheepens, 1996). In addition to that, the growth of SMEs is obstructed if solely relied on internal finances (He & Ausloos, 2017). Thus, SME business owners look for external finance.

The existing research infers that the company decides whether they would take a loan or not, given that appropriate financing is existent. Nevertheless, in case of impelling core organization issues, "modern development theory models postulate the significance of the financial market flaws" (Demirgüç-Kunt, Beck, & Honohan, 2008). The access to capital markets for most SMEs are very limited (Beck & Demirguc-Kunt, 2006), and particularly in Asia the "external financing choices are generally restricted to bank loans" (Yoshino & Taghizadeh-Hesary, 2015).

From researcher perspective, there was no standard meaning of SMEs embraced in Malaysia. Without a standard definition, prior researchers have embraced their own definitions. Some characterized SMEs dependent on quantitative indicators, for example, number of workers and fixed capital. The continuous changes in the meaning of SMEs have likewise influenced the detailing of fixed procedure for SMEs growth.

# Behavioral Theories

A number of theories such as the theory of reasoned action (TRA) (Fishbein & Ajzen, 1975), "theory of planned behavior (TPB) (Ajzen, 1991) that explain people's acceptance of new products were used to develop this research model. A detailed explanation of the models is provided below.

***Theory of Reasoned Action.***

The TRA model developed by Fishbein and Ajzen (1975) is considered as "one of the most important theories that are used to explain human behaviors". According to this theory, "people's attitudes towards the behavior and subjective norms determine the attitudes to the behavioral intentions". The TRA bridges the gap between "attitudes" and "subjective norms" by implanting the construct of "intention". Attitude is defined as "an individual positive or

negative feeling towards performing the target behavior" (Chaiklin, 2011). An individual's attitude is determined by "his salient beliefs about behavioral outcomes and his evaluation of those outcomes" (Francis et al., 2004). They define subjective norm as "the person's perception that most people who are important to him think he should or should not perform the behavior in question". A person's subjective norm is in turn "determined by his normative beliefs, which are the perceptions related to opinions of specific reference individuals or groups and his motivation to act with these opinions".

### *Theory of Planned Behavior.*

Ajzen (1991) developed the TRA by adding another construct as "a determinant of intention and behavior, into the model to deal with behaviors in which people have incomplete control". Hence, "perceived behavioral control" is added and the TRA is upgraded to the TPB. TPB holds that "behavioral intention and perceived behavioral control are direct determinants of actual behavior". Perceived control of behavior "reflects perceptions of internal and external constraints on behavior and indicates the individual's perceptions about required skills, resources and opportunities in doing the behavior" (Ajzen, 1991).

From researcher view, the Theory of Planned Behavior (TPB) is an expansion of the Theory of Reasoned Action (TRA). The two models depend on the reason that people make consistent, contemplated choices to take part in explicit practices by assessing the data accessible to them.

### *Age of SME Company*

Most studies on firm survival find that age matters. Dunne, Roberts, and Samuelson (1988), by using census data of manufacturing, find "a positive relation between firm age and survival throughout the observed age range". Baldwin and Gorecki (1991) study entry in Canadian manufacturing industries and find high infant mortality among entrants as new firms are taken to be unsure about exactly what their competencies are and how appropriate they will be prior to entry, but hazard rates generally decline with age. This result has been confirmed by Audretsch and Klepper (2000) and Doms, Dunne, and Roberts (1995), who find that small firm survival rates increase with age. The general consensus of these studies precisely is that "firm survival tends to increase with firm age and firm growth tends to decrease with firm age".

As per researcher view, the age of the firm is a significant factor affecting the development of the firm. There is solid proof to recommend that more youthful firms become quicker growth than more established ones. The United Kingdom and the United States of America more youthful SMEs developed more quickly than more seasoned endeavors.

### *Access to Finance*

In many business studies, the most essential aspect in determining the survival and development of SMEs has been identified to be the accessibility of finance and its management (Hansen et al., 2012). Beck and Demirguc-Kunt (2006) claim that in order for SMEs in evolving markets to avail the newest technologies and accomplish business expansion, financial accessibility is a prime benefactor. Kevane and Wydick (2001) also recommend that providing finance to SMEs boosts economic advancement in the informal sector by encouraging bigger capitalization of business, allowing long-standing growth in income and more employment opportunities. This is reinforced by Beck, Demirgüç-Kunt, and Maksimovic

(2004) who claims that, additional funds meaning additional growth, which later contributes to supporting economic advancement.

The complexity of economic institutions in terms of credit processing has increased over time. Due to the economic crisis, these institutions have turned further cautious and it has become more challenging for SMEs to comprehend the process and make decisions in cases of loan procedures (Haron et al., 2013). SMEs in multiple developing countries were already concerned by the accessibility of finances long before the crisis; gaining access to the finances that is required for businesses to develop and expand. In most of these countries, financial institutions often do not offer SMEs a sufficient capital for their business (Dalberg, 2011). Straub (2005) noted that a large number of SMEs depend on internal finance, such as shareholders' contribution, friends and family, which is, in most cases, insufficient for SMEs to sustain and evolve. Consequently, in order to minimize the effect of cash flow issues for SMEs, access to external finance is essential.

As per researcher's opinion, access to financing is significant for the development of small and medium ventures (SMEs). Given adequate subsidizing, organizations can flourish, grow and further add to the nation's financial development.

### Knowledge and Awareness

In order for SMEs in developing countries to attain sustainable growth and development, business information services are one of the sectors that need attention from governments and business service providers. Due to the absence of suitable business support services and poor IT infrastructure, numerous businesses in Africa function in a setting that is information-poor (Oshikoya & Hussain, 1998). Because of SME growth constraints, factors like information accessibility, financial awareness and knowledge have not been focused adequately compared to other constraints, such as financial accessibility, training, technology and markets.

As technology advanced over the years and a variety of new communication technologies emerged, the accessibility of business information services has significantly improved. SMEs in developed countries experience the accessibility of business information services due to their existent technologically advanced ICT infrastructures, effortlessly accessible computer hardware and software whereas the prices of IT equipment are much higher in developing economies and are exceedingly difficult to attain. Due to this limitation, SME sector's business information services have undergone many difficulties. As governments and business service providers attempt to tackle multiple challenges that are being faced by the SME sector, it is also imperative that the modern need of ICT usage in availing business information services be acknowledged in order to provide more developed support in this area (Duncombe & Heeks, 2001).

The problem arises from poor information environment resulting from underdeveloped technological and communication infrastructures and inadequate business support systems (Kamunge, Njeru, & Tirimba, 2014). Presence of appropriate technology and associated support systems like hardware and software makes it easier for businesses to be efficient and effective, which in turn also lowers the costs of production and operation, something that governments and other bodies must pay attention to Akpan (2003).

The above literature supports this paper's assertion that poor information environment leads to weak dissemination of knowledge and awareness on financial access. Therefore, on

the part of SMEs, being unaware of financing options available to them leads them not to apply for external financing.

From researcher perspective, SME should survey observational studies concentrated on knowledge and awareness process among Malaysian SMEs; to recognize (a) the strong projects and arrangements to advance learning the knowledge and awareness among Malaysian SMEs, (b) the normal qualities of knowledge and awareness rehearses among SMEs in Malaysia, and (c) internal and external variables contributing knowledge and awareness rehearses by SMEs in Malaysia.

### Interest Rate

Al-Ansari (2014) found that in Asian countries, particularly in the main metropolitan areas, the success of small companies was greatly affected by macro-environmental problems such as inflation, rates of interest and unemployment. A few of the characteristics of Asian commercial environment include weak and high inflation rates. One of the prime causes of any economic decline is the global economic turndown (Ehlers & Lazenby, 2004). Rising interest rates leads to an escalation of costs that later on causes profit reduction for SMEs. This averts investments to confirm the development and success of the firm. Interest rates influence the rise of product prices and a drop of SMEs' disposable income, which later puts a negative impact on business as well as its customers. Point to note that Islamic law prohibits riba, or interest.It's haram since it's exploitative and usurious. In Asian Muslim countries, interest is deemed to be against a Muslim's belief.

## Methodology

### Research Approach

The study was a primary research which employed quantitative approach. The primary data were assembled utilizing questionnaires and interviews. Conspicuous among the primary sources used by utilization of questionnaires to acquire significant data as it fulfils the objectives of the study which are analysis of the financing gap in Malaysian SMEs. The study was a primary research which employed quantitative approach.

### Data Collection

Using the questionnaire, some organized inquiries and closed ended inquiries will be made, so as to help the researcher to get applicable data and to come to the chosen sample estimate who could give the pertinent data to the research and furthermore it will be made base on the Likert scale of questionnaire. The secondary data were for the most part gathered from accessible literature from fame works by researchers who are blessed with learning relating to the present subject under investigation. Different kinds of other secondary materials were also investigated. Books, articles, newspapers published thesis and index articles have been counselled to get a clear thought regarding the theme of the research as for targets objectives above.

### Sampling Method

This study will use the probability sampling method – Stratified Random Sampling to collect the sample. The sample represents owner of a company in Malaysia. The questionnaires will be distributed randomly to those owners in Malaysia.

### Sample Size

According to SME Statistics Malaysia Official Portal, the 98.5% of business establishment in Malaysia are SMEs in year 2016. The sample size is determined randomly to

100 companies as the topic of this research is very subjective and the companies may reluctant to provide details related to financing gap.

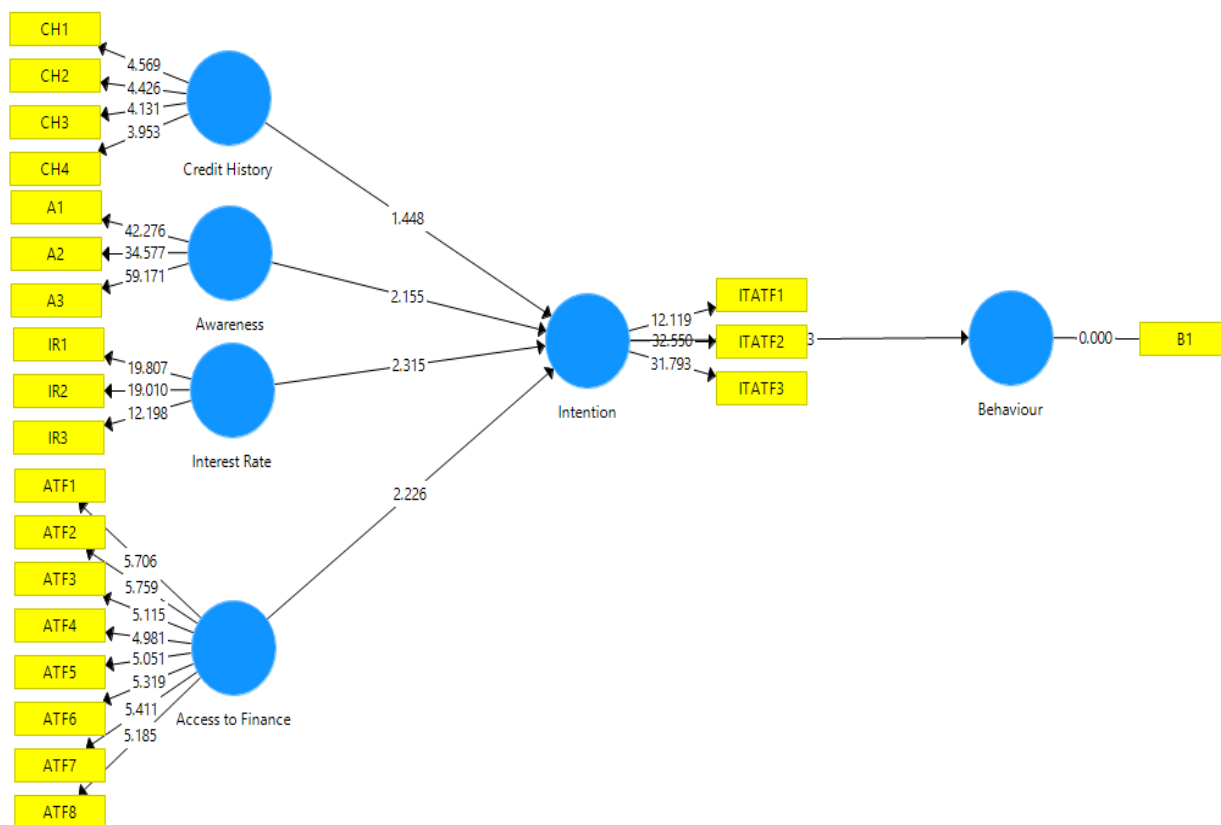# Data Analysis

## *Profile of Respondents*

Around 907,065 business establishments in Malaysia are SMEs. Therefore, this research only focused on manufacturing sector which were 47,698 SMEs. For this research, there are 150 sets of questionnaires were being distributed, however 100 sets were surveyed.

## *Direct Model*
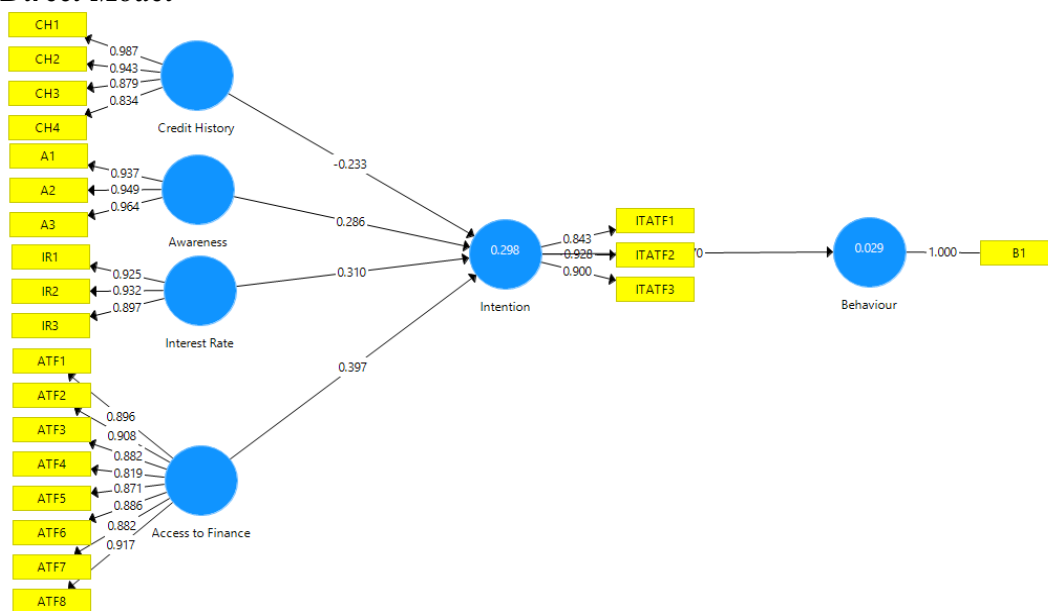


**Figure 1.2:** Direct Model 1

**Figure 1.3:** Direct Model 2

Figure 1 and Figure 2 depicts the model for this study. The good fit of the model is presented with acceptable $R^2$ values and has good construct reliability (Gefen, Straub, & Boudreau, 2000). The $R^2$ value of this model represents the predictive capability of the model (Chin, 1998; Komiak & Benbasat, 2004). Table 1 provides the data for the corresponding reliability, composite reliability and Average Variance Extracted (AVE) assessments. The Composite Reliability (CR) makes an assumption that all indicators are not weighted equally (Chin, 1998) thus attesting to the fact that composite reliability is a more acceptable assessment to evaluate the model's reliability. The cut off value for the composite reliability is suggested to be above 0.7 (Barclay, Higgins, & Thompson, 1995; Fornell & Larcker, 1981). On the other hand, the AVE values represent the amount of variance of a construct in ratio to the measurement error (Chin, 1998). The proposed model is a first order factor model. Therefore, the minimum critical AVE value is 0.5 (Hu et al., 2004). The composite reliability and AVE values in Table 1 meet these requirements.

**Table 1:** Constructs Validity & Reliability

|  | Cronbach's Alpha | rho_A | Composite Reliability | Average Variance Extracted (AVE) |
|---|---|---|---|---|
| Access to Finance | 0.96 | 0.974 | 0.966 | 0.78 |
| Awareness | 0.946 | 0.948 | 0.965 | 0.903 |
| Behavior | 1 | 1 | 1 | 1 |
| Credit History | 0.949 | 1.956 | 0.952 | 0.833 |
| Intention | 0.87 | 0.873 | 0.92 | 0.794 |

| | | | | | |
|---|---|---|---|---|---|
| Interest Rate | 0.907 | 0.917 | 0.941 | 0.843 | |

Convergent validity assessment refers to the items in the questionnaire to load simultaneously as a sole construct. This assessment can be assessed by studying the resulting loading for each set of indicators representing a particular dimension. The values for the standardized loading are suggested to exceed 0.7. This means that the respective indicator has more variance with their respective latent variable compared with its error variance. Chin (1998) has a lesser stringent cut off value at 0.5. All the path coefficients in this model is statistically significant. Discriminant validity assessment refers to how each item loads on its construct compared to other constructs (Kerlinger, 1973; Swafford, Ghosh, & Murthy, 2006). This value is accessed via cross loadings and the correlated value among first-order constructs and the square roots of AVE (Chin, 1998; Fornell & Larcker, 1981). These values are shown in Table 2.

**Table 2:** Variable Correlation Matrix against AVR Square Root

| | Access to Finance | Awareness | Behavior | Credit History | Intention | Interest Rate |
|---|---|---|---|---|---|---|
| Access to Finance | 0.883 | | | | | |
| Awareness | 0.125 | 0.95 | | | | |
| Behavior | -0.209 | -0.25 | 1 | | | |
| Credit History | 0.806 | 0.077 | -0.274 | 0.913 | | |
| Intention | 0.162 | 0.444 | -0.17 | 0.038 | 0.891 | |
| Interest Rate | -0.269 | 0.409 | -0.207 | -0.229 | 0.374 | 0.918 |

Values for the cross loadings are shown in Table 3. The values show adequate levels of discriminant validity. The bold values in Table 3 show higher loading values to its respective construct and low loading values to other constructs. A similar conclusion is observed in the link between the AVE square root values and the correlations among the first-order latent constructs. Data from Table 2 clearly shows that the square root of AVE (bold numbers in diagonal) is more than the correlations among the constructs (off-diagonal values).

**Table 3:** Cross-Loading

| | Access to Finance | Awareness | Behavior | Credit History | Intention | Interest Rate |
|---|---|---|---|---|---|---|
| A1 | 0.155 | 0.937 | -0.293 | 0.067 | 0.443 | 0.386 |
| A2 | 0.07 | 0.949 | -0.18 | 0.054 | 0.401 | 0.39 |
| A3 | 0.126 | 0.964 | -0.235 | 0.098 | 0.42 | 0.388 |
| ATF1 | 0.896 | 0.162 | -0.163 | 0.758 | 0.137 | -0.333 |
| ATF2 | 0.908 | 0.059 | -0.217 | 0.752 | 0.129 | -0.281 |
| ATF3 | 0.882 | 0.121 | -0.213 | 0.721 | 0.142 | -0.234 |
| ATF4 | 0.819 | 0.054 | -0.175 | 0.618 | 0.173 | -0.225 |
| ATF5 | 0.871 | 0.028 | -0.118 | 0.67 | 0.09 | -0.179 |
| ATF6 | 0.886 | 0.147 | -0.123 | 0.714 | 0.094 | -0.276 |
| ATF7 | 0.882 | 0.083 | -0.169 | 0.716 | 0.146 | -0.195 |
| ATF8 | 0.917 | 0.198 | -0.243 | 0.743 | 0.178 | -0.189 |
| B1 | -0.209 | -0.25 | 1 | -0.274 | -0.17 | -0.207 |
| CH1 | 0.808 | 0.075 | -0.289 | 0.987 | 0.051 | -0.219 |
| CH2 | 0.732 | 0.099 | -0.257 | 0.943 | 0.018 | -0.203 |

| CH3 | 0.686 | 0.049 | -0.182 | 0.879 | 0.01 | -0.236 |
| CH4 | 0.72 | -0.014 | -0.119 | 0.834 | 0.003 | -0.258 |
| IR1 | -0.302 | 0.369 | -0.188 | -0.241 | 0.34 | 0.925 |
| IR2 | -0.241 | 0.34 | -0.15 | -0.23 | 0.378 | 0.932 |
| IR3 | -0.193 | 0.427 | -0.242 | -0.151 | 0.304 | 0.897 |
| ITATF1 | 0.09 | 0.374 | -0.145 | -0.033 | 0.843 | 0.333 |
| ITATF2 | 0.15 | 0.411 | -0.129 | 0.059 | 0.928 | 0.319 |
| ITATF3 | 0.187 | 0.403 | -0.179 | 0.072 | 0.9 | 0.346 |

## Moderating Model
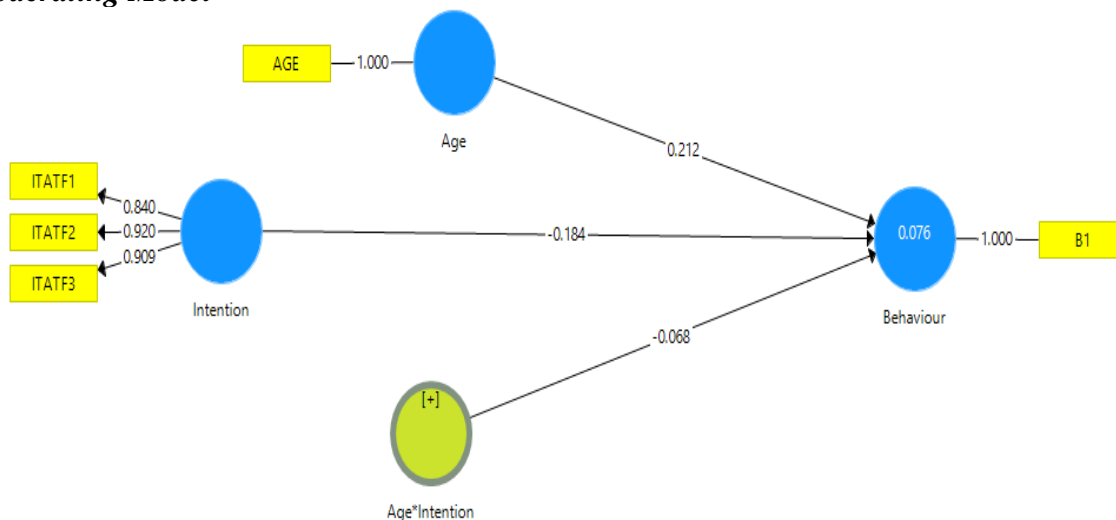


**Figure 1.4:** Moderating Model 1
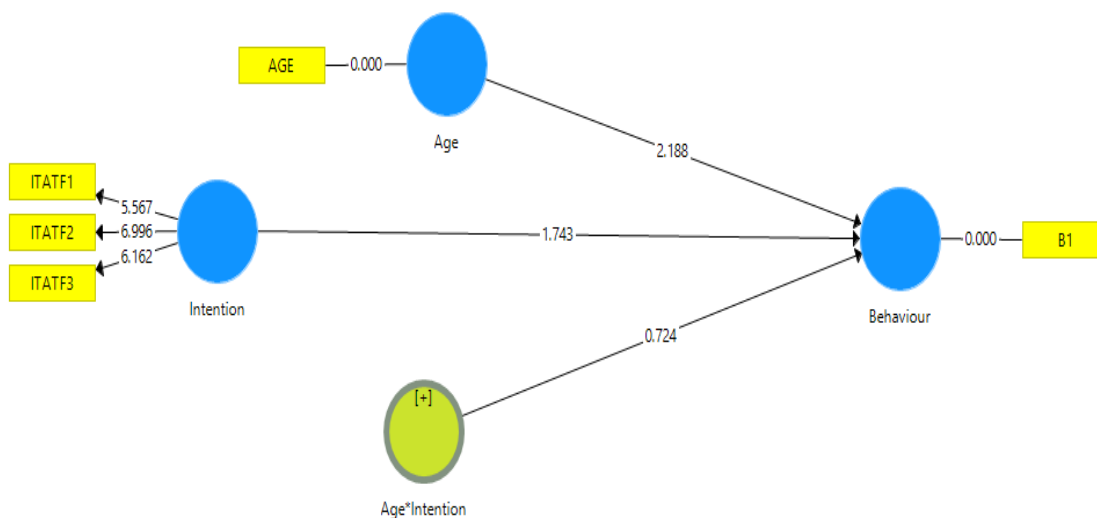


**Figure 1.5:** Moderating Model 2

## Moderating Effect of Intention towards Access to Finance-Age-Behavior

From the path model analysis, it shows that gender has a positive moderating effect on the relationship between intention towards access to finance and finance-age-behavior with path coefficient of -0.068 and it is not significant with t-value of 0.0.724 (one tail). from the result, it can be concluded that age is not significantly moderate the relationship between intention towards access to finance and age-behavior for this study

# Discussion

*Findings and Suggestions*

The outcomes of this study provide insights to the various SMEs in Malaysia for effective financing decisions. Besides, it also helps them to clearly understand their market along with creating "debt evaluation tools to reduce the problems of information asymmetry and adverse selection". The ministries and Government agencies can get fruitful information regarding the debt financing decisions of SMEs from this study. It also helps in making policies and schemes to lessen the imperfections in the financial market through providing equal opportunities to SMEs in order for their balanced growth and achievement as well.

*Awareness*

Financial institutions should develop an easy, simple and comprehensible system to improve the procedural aspects. This will help the institutions to become more effective and efficient. Any information related to the launching of the Government funding scheme should be properly disseminated. Information on "leasing, factoring and supply chain financing" should be more systematic and needs to be within the reach of SMEs.

*Interest Rate*

The rapid growth of microfinancing in the region may expand its operation in target small businesses with the help of interest free loans. Additionally, in cooperation with public credit guarantee agencies, commercial banks may provide their financial services to these small players. However, public support is required for this. Lastly, Abe, Troilo, and Batsaikhan (2015) have stressed on several initiatives from governments such as launching and further developing various direct financial assistance which should be interest free. This approach is in tandem with the needs of Muslim owned SMEs.

*Access to Finance*

The outcome of this study shows a significant association between "access to finance and growth of SMEs in developing economies". This increased access can improve economic conditions in developing countries through more "innovation, macro-economic resilience and GDP growth". Especially the SMEs in developing countries can take help from existing financial service providers such as microfinance banks to access more finances. On the contrary, more tailor-made financing packages for SMEs should be offered by the various financial institutions. Governments should promote more on these sorts of financial assistance.

*Credit History*

It would be wise for the Malaysian Monetary authority to make the credit accessible for the SMEs in the country by the various banks in an obligatory manner. In order to become successful, it is necessary to maintain a flexible and lenient approach when assessing the credit history of SMEs along with appropriate surveillance measures on their credit histories. Through simplifying the credit allocation requirements in terms of collateral and interest, it might be possible to acquire to grab the SME investors' interest in securing loans from banks so that adequate fund could be harnessed in this sector. Finally, as Fischer (2016) too has mentioned, through providing various incentives such as removing interest rate by the Government can undoubtedly encourage banks to lend to SMEs without solely focusing on their credit histories.

# Conclusion

Several studies have been done on the problems of SME financing as it has been a constant problem among Malaysian SMEs. This problem has been mostly analyzed from the owners' perspectives. The main issues analyzed are "grimy profile of the SMEs, business and promoters' background, availability and accessibility of fund". This study has explained the SME financing based on the owner-side focusing on "the practices of the supplier of credit, the environment that influences the supply of funds to SMEs, the risk that the supplier of funds incurred by servicing SMEs, and the high transaction costs involved in delivering credit to SMEs" in order to fill the research gap. It reveals new scopes for further academic research on the issues of fund accessibility among SMEs as an "engine of Malaysia's economic growth".

### Recommendation for Future Research Directions

This study is not possible to generalize the findings of this study due to the sampling bias. Future studies can incorporate other dimensions to generate "more comprehensive findings" rather than merely focusing on the variables as found in the current study. Badaj and Radi (2018) have mentioned that various socio-demographic variables can be used in the future line of research. It will help to analyses their impacts on the attitude of the owners and managers of various SMEs. It is possible to conduct this study in the context of other countries by utilizing the same survey instrument to uncover the differences in perceptions that might exist, especially in the case of perceived behavioral control. Future studies can also focus on exploring the reasons behind the likeliness of application for debt financing among the defaulters in SMEs rather than those with clean credit records.

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