

Mohd Yaziz bin Mohd Isa; Gazi Md. Nurul Islam; Mohamed, Zulkifflee

Article

Financing services sector: Effectiveness of operational coordination and process control, evidence from Malaysia

Global Business & Finance Review (GBFR)

Provided in Cooperation with:

People & Global Business Association (P&GBA), Seoul

Suggested Citation: Mohd Yaziz bin Mohd Isa; Gazi Md. Nurul Islam; Mohamed, Zulkifflee (2020) : Financing services sector: Effectiveness of operational coordination and process control, evidence from Malaysia, Global Business & Finance Review (GBFR), ISSN 2384-1648, People & Global Business Association (P&GBA), Seoul, Vol. 25, Iss. 4, pp. 12-24, <https://doi.org/10.17549/gbfr.2020.25.4.12>

This Version is available at:

<https://hdl.handle.net/10419/253310>

Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.



<https://creativecommons.org/licenses/by-nc/4.0/>



Financing services sector: effectiveness of operational coordination and process control, evidence from Malaysia

Mohd Yaziz Bin Mohd Isa[†], Gazi Md. Nurul Islam, Zulkifflee Mohamed

Universiti Tun Abdul Razak, Kuala Lumpur, Malaysia

ABSTRACT

Purpose: The paper assesses effectiveness of a financing scheme for services sector entrepreneurs by a financial development institution in Malaysia based on the competencies measurement for entrepreneur in services sector, i.e. productivity and service delivery effectiveness

Design/methodology/approach: The study employed 20 questionnaires based on the competencies measurement for entrepreneur in services sector

Findings: The results provided a better understanding of the entrepreneurial competencies, performance before and after receiving the financing, and the competitive environment facing the entrepreneurs in the services sector to mitigate negative impacts to their business and general economy following the extended recovery movement control order (CMCO) because of covid-19 pandemic in Malaysia until 31 December 2020.

Research limitations/implications: The sample size that limits to companies currently servicing loans is a limitation
Originality/value: The paper studied an actual financing scheme for services sector entrepreneurs by a financial development institution

Keywords: Financing services sector, productivity and service delivery effectiveness, operational coordination, process control

1. Introduction

Entrepreneurs of the services sector are the key sources to contribute to a nation's competitiveness (Suh & Kim, 2014). In the case of Malaysia, the services sector contributes the largest (56% in 2019) to the national GDP. The sector assumes an increasing share of GDP as the economy matures as is evident in the case of any developing and developed countries. Besides contributing to the growth in GDP, the

services sector contributes impactfully to the inflow of foreign direct investment (FDI), export and employment (Maiti, 2018).

The Government of Malaysia through previous initiatives such as the tenth Malaysian plan (from 2011 to 2015), the eleventh Malaysia plan (from 2016 to 2020); and the twelfth Malaysia plan (2021-2025) have all places the services sector an important sector of the country's economy. Despite the severely depressed activities of the services sector due to the impact of covid-19, it is targeted in 2022 to contribute 60% of the GDP. Therefore, mitigation measures and strategies are formulated to spur growth of the sector to above 6.0% per annum over the

Received: Sept. 9, 2020; Revised: Nov. 30, 2020; Accepted: Dec. 15, 2020

[†] Mohd Yaziz Bin Mohd Isa

E-mail: mohd_yaziz@unirazak.edu.my

next 5 years, but challenges remained in it's strives towards achieving the goal of transforming to a developed country. The strategies for the sector in the post-covid 19 is for the sector to respond to the new norms for business transactions that calls for digital transformation and for the sector to take corrective measure in view of disruptions in the supply chain the pandemic caused.

Another challenge posed to the sector is that data on the trade in services is not as comprehensive, detailed, timely and internationally comparable as compared to data on trade in manufactured goods) because the method of collecting data has not been adequate to capture the spectacular growth of the services sector exports. The methodology to measure value-added per worker in the sector is also not comprehensive.

The purpose of the study is to assess effectiveness of an actual financing scheme for services sector entrepreneurs by a financial development institution in Malaysia. The actual scheme is established and funded by the Government of Malaysia through the Ministry of Finance (MOF) and the fund is disbursed by the financial development institution. The institution promotes the development of services and industrial sectors in the country through the provision of financing for manufacturing-based small-and-medium enterprises (SMEs) and non-small-and-medium enterprises (non-SMEs).

Returning to the scheme, it was launched in December 2011 under the 10th Malaysian Plan (2011-2015). A total of RM160 million was received by the institution to date. Therefore, the schedule of repayment to the MOF will begin in 2022 and it will be over a six-year period as tabulated in Table 1 below.

The eligibility criteria and main features of the financing are:

- i . The SME and non-SMEs must be registered under the Company Act 1965
- ii . At least 60% equity is held by a Malaysian
- iii. Has a valid business license
- iv. Only for new or existing company
- v . Only for company is in the services sector

Table 1. Schedule of repayment

Year	Total disbursed (RM million)	
2000	160	
Year	Repayment (RM million)	Remaining balance (RM million)
2022	12	148
2023	32	116
2024	32	84
2025	32	52
2026	32	20
2027	20	0

The financing scheme is for new start-ups to create new service entrepreneurs because in crisis they are particularly vulnerable as funding dries up and their line of credit is stretched. And, for existing service-providers to expand, upgrade, modernise and diversify services into higher value-added activities and to productivity and operations.

The type of financing is loan with the minimum amount of RM100,000. The maximum is RM5 million. The tenure is up to 15 years including a moratorium up to 2 years (only service interest) for financing of land and buildings. For financing of machinery, it is up 6 years including a moratorium up to 1 year. Due to the adverse impacts of covid-19 pandemic on businesses, the Government of Malaysia has extended the moratorium for loan repayment until 30/9/2020 for all sectors of the industries.

The tenure of the financing is for up to 150 days for financing for working capital requirements. The scheme is also meant for term-financing working-capital for advertising and promotional costs. The financing rate is 4% per annum for small medium scale enterprises (SMEs) and 5% per annum for non-SMEs where both are on yearly-rest on reducing balance.

A. The Malaysian Plans

The financing scheme for services sector entrepreneurs by financial development institutions in Malaysia has evolved over time during the Malaysian Plans.

1. Tenth Malaysian Plan (2011-2015)

During the Tenth Malaysian Plan (2011-2015), it was identified the main problems that faced Malaysia are falling productivity rates, inefficient use of its resources, and lack of substantial pool of skilled labour, among others. So, the Plan was introduced targeting at overcoming these problems.

In a nutshell, the 10MP was targeting a gross domestic product (GDP) growth of 6% per annum over five years, which was supposed to be led by the private sector and underpinned by the services sector. However, the services sector was then still dominated by the traditional services subsectors while technology-driven services subsectors continued to remain stagnated during the review period. The situation is exacerbated by the global economic slowdown during the period, that has hampered the development of the services sector. Conversely, Maiti (2018) finds economic growth in India during the past few years is contributed by increases in trade in services.

Looking at in the context of Malaysia, during the Tenth Malaysian Plan, the country's economy grew on the back of increased domestic demand, particularly private investments in the services and manufacturing sectors. During the implementation of the Plan, the economy witnessed positive growth with the services sector taking the lead. It was reported the services sector contributed RM2,550 billion to GDP at 6.3% growth per annum. Regulatory reforms and further liberalisation increased the ease of doing business by improving accessibility of financing for the SMEs that continued to propel the economy. The strategies implemented included improving accessibility to financing for knowledge-intensive industries by considering innovative financing options and providing tipping point financing through the facilitation scheme of fund to bridge the viability gap in financing for strategic investment projects for the SMEs. Entrepreneurs were assisted not only in terms of financing, but also support services, and capacity building.

The initiatives under the Plan have resulted in more inclusive and sustainable growth, reflected by

rising household income, low unemployment rate, benign inflation, and a robust financial system. However, challenges still lie ahead for Malaysia.

2. Eleventh Malaysian Plan (2016-2020)

Moving to the next critical step to the country's journey to become an advanced nation that is inclusive and sustainable the Eleventh Malaysian Plan (2016-2020) was introduced. However, the global landscape continued to pose challenges as results of the decline in oil prices, realignment of exchange rates, as well as geopolitical risks. But to sustain the growth momentum, the services sector remained the primary driver of the economic growth. To achieve this, the focus of the Plan is on rapidly delivering high impact productivity outcomes to booth the capital economy and people economy at affordable cost. Consequently, there were various strategies that have bear fruits enhancing the competitiveness and resilience of the sector and promoted the migration the services sector into higher-value and knowledge-intensive activities. The Plan is expected to create additional jobs, with targeted improvements in labour productivity through the continuous shift from labour-intensive to knowledge- and innovation-based economic activities. Growth was to be driven by the private sector with private investment in all economic sectors expected to witness strong growth with the manufacturing and services sectors expected to contribute more than 75% of GDP. There was a shift towards modern services, supported by accessibility of financing schemes for entrepreneurs in the services. Islamic financing schemes for entrepreneurs in the sector played a critical role to make the scheme attractive.

The change in the government to Pakatan Harapan (PH) after the general election in 2018 impacted the Eleventh Malaysian Plan in terms of direction of government, so that it affected implementation on what has been agreed upon in the 11th Malaysia Plan and the upcoming government plan

The reform agenda under the government of Pakatan Harapan is to reform public service towards achieving greater transparency and accountability

though six pillars. To support inclusive growth and sustainable development, the fourth pillar of the reform agenda is empowering human capital focusing on knowledge-intensive services. Under the plan, growth in the services sector of 5.9% was mainly due to better consumer-related services sub-sectors such as wholesale and retail trade, accommodation as well as food and beverages that rose by 6.8% on account of strong recovery of the tourism-related activities.

But after less than two years the Pakatan Harapan (PH) government is out in March 2020.

3. *The Twelfth Malaysia Plan (2021-2025)*

The Twelfth Malaysia Plan (2021-2025) under by the current government, the Perikatan Nasional (PN) that took over from March 2020, will be tabled in early 2021. It premises on the shared prosperity initiative through economic empowerment, environmental sustainability and social re-engineering as the service sector continues to be core drivers and enablers of the plan. The services sector is projected to grow from 6.1% during last year (2019) to 6.2% year-on-year (y-o-y) during this year (2020) estimating it to become the fastest-growing sector of the economy. To achieve this growth, the sector needs to be supported. To this effect various relief packages and grants have been allocated for businesses including small and medium enterprises (SMEs) in services sector to help alleviate the immediate and targeted cash flow problems faced by SMEs for the sustainability of business operations. All economic sectors including services sector have access to financing to support growth. The growth in 2020 and beyond will be underpinned by an expansion in most the services sector's sub-sectors. Very importantly, however, the latest plan is being reviewed to reflect and takes in to account that the country is facing with a health and economic issue. The country is experiencing the deficit is 6 per cent this year and 5.4 per cent is expected next year, so expansionary budget for 2021 is the foundation of the Plan.

B. Problem statement of services sector

However, in view of the worst-than-expected 17.1% contraction of the GDP during the second-quarter of 2020, due to enforcement of the movement control order, the projected expansion of the services sector during this year remained in doubt. More so according to the Bank Negara Malaysia announcement on Friday 14/8/2020, the services sector declined 17.4% during the second quarter of this year. The manufacturing and construction sectors' projected expansions are in doubt too.

The government however will revamp the 12th Malaysia Plan (12MP) by taking into accounts the impacts of covid-19, which has caused economic slowdown in the country as well as globally. It is expected there would be more targeted policy response to contain the impacts of the covid-19 on the economy following re-opening of the economy from 4 May 2020 onwards. The revamped 12th Malaysian Plan (12MP) will be tabled in January 2021.

According to our reviews, what needs to be addressed is to lessen the country's dependence on the oil and gas sectors, which contribute as much as 20 per cent to the government's coffers. Because of the sharp decline in oil prices, the country's income has been affected. The country's income from the tourism industry is also affected and might cause the country to become more dependent on domestic tourists. There is also a desire need to speed up the process of digitalisation among services sector entrepreneurs that is seen as something that needs special attention. With the current Recovery Movement Control Order (RMCO) until 31st December 2020 which requires social isolation, businesses are more than ever reliant on conducting their transactions via digital and online platforms

II. Literature Review

The two areas in assessing entrepreneurial

competencies in the services sector are productivity and service delivery effectiveness (Lee, 2019; Storey & Easingwood, 1999; Murphy & Hill, 1996 and Azer, Hamzah, Mohamad & Abdullah, 2016).

A. Competency in services sector based on productivity

Productivity in the services sector represents value of output where economic of scale or relation between output and input proportions may not be most significant source of differences in productivity of the sector, not like the productivity in the manufacturing sector. Further, the productivity in the services sector represents value-added activity where higher productivity is not necessary achieved at the expense of lower service quality or restricted service offerings. However, to maximise performance, SMEs in services sector are encouraged to adopt and embark on market orientation practices and implement innovative practices, Bylon and Jerry (2019) finds in their research in Ghana.

B. Competency in services sector based on service delivery effectiveness

Effectiveness in service delivery represent the ability to obtain maximum output from given set of inputs. Therefore, the study focusses on measuring the performance of the companies before and after receiving the financing assistance to increase efficiency in service delivery, expansion into higher value-added activities and creating of new services entrepreneur. Yuliansyah, Rammal and Rose (2016) from their study on performance of financial services sector of the view indicators of effective performance of services sector is through quality of service that is less intangible than in manufacturing sector. On to the same theme i.e. financing, debt financing however is not conducive for SMEs growth by not lowering opportunity costs to riskier projects according to Cheong, Lee and Weissmann (2020).

In a similar study of entrepreneur competencies, Tehseen, Ahmed, Qureshi, Uddin and Ramayah (2018) found network professional relationships and alliances, mediated to drive growth of entrepreneurs in both services and manufacturing sectors.

III. Methodology

Based on the competencies measurement for entrepreneur in services sector identified, 20 questionnaires were developed and used in the survey.

Then, statistical analysis was conducted on the responses using statistical soft-wares E-Views and STATA, and the results provided a better understanding of the entrepreneurial competencies, performance before and after receiving the financing, and the competitive environment facing the entrepreneurs in the services sector.

The respondents were asked in the questionnaires to rate the extent to which each of the statement. From the literature review the two hypotheses were tested about services loans i. it did not increase output of economic of scale between output and input proportions, and ii. it did not improve delivery effectiveness in maximising output from given set of inputs.

On a scale of 1 (much worse) to 5 (much better) before and after receiving the financing. The analysis was able to determine whether the companies succeeded to lower the cost of doing business after receiving the funds, among others.

The survey responses from 35 companies, SMEs and non-SMEs from the Peninsular Malaysia, Sabah and Sarawak from a population size of 38 companies that were invited to participate in the study, were analysed. The 38 companies were invited because the companies had services loans still outstanding. The represented the companies receiving the services loans. The 35 companies out of 38 companies represented a response rate of 92% were analysed. Subsequently, 4 companies in focus group were added in open

discussions. The survey questionnaires intend to discover the performance of the companies that received full disbursements at least within the last 2 years before the survey was carried out. The survey date was from 1st April to 30th June 2020. The analysis encompasses issues with regards to financing, problems face by the companies, proposals & suggestions for improvements as well as conclusions about the scheme.

The population size 38 companies invited to participate in the study based on stratified sampling of several mutually exclusive sectors of the services industry.

A. Services sub-sectors

From the responses of the 35 companies in the sample, the engineering, architectural and technical services sub sector make up the largest i.e. 9 of the total 35 companies. The sub sector represents 26% of the sample, the largest sample. Next, is the wholesale and retail trade of petroleum products sub sector that includes companies that “resale” (sale without transformation) of new and used goods to retailers, industrial, commercial; or to other wholesalers; or involves acting as an agent or broker in buying merchandise for or selling merchandise to such companies. This sub sector represents 20% of the sample i.e. 7 companies of the total 35 companies

in the sample.

In addition, the accommodation services refer to hotels (including resorts), budget hotels, and chalets. This sub sector represents 17% of the sample i.e. 6 companies of the total 35 companies in the sample. There are 4 companies of the total 35 companies in the real estate and property sub sector, 3 companies in the education sub sector and one each in the medical supplies and operating & eating places sub sectors.

- (i) Professional engineering and technical services (9)
- (ii) Wholesale and retail trade and services-related to petroleum products (7)
- (iii) Accommodation hotel services (6)
- (iv) Real estate and property services (4)
- (v) Education services (3)
- (vi) Medical and other health services (1)
- (vii) Operation and services-related to restaurant and eating places (1)
- (viii) Other general services-related (4)

The sample size services sub-sector is shown in Figure 1 below

IV. Results & Discussion

The study finds there is still limited awareness

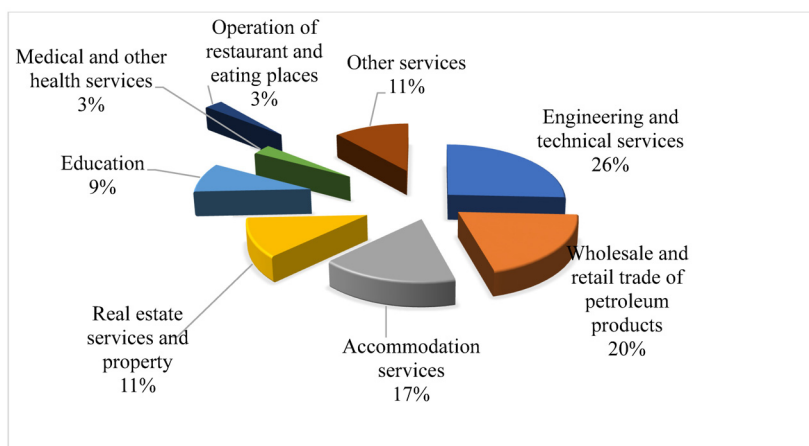


Figure 1. Sample size services sub-sector

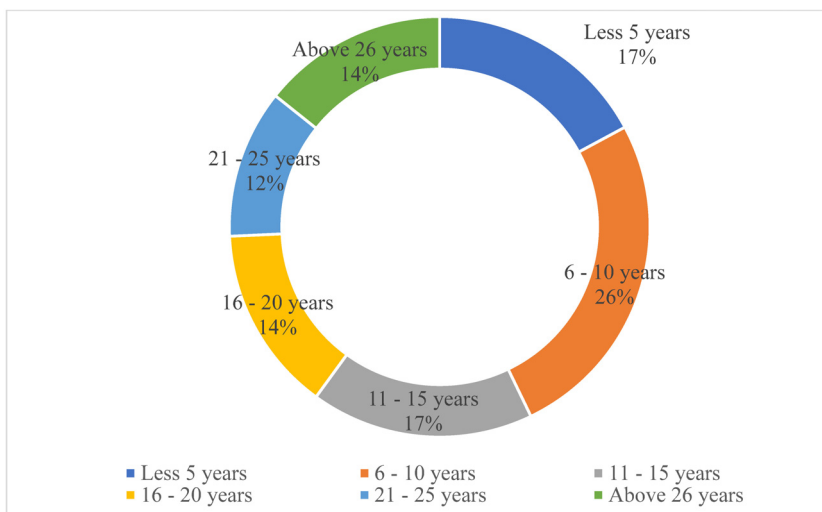


Figure 2. Year of establishment

among the SMEs and non-SMEs on the types of financing available. Therefore, there is a need to create greater awareness and increase participation in the financing from among start-ups SMEs and non-SMEs who are less than 5 years of establishment.

At present only 17% of the companies have accessed to the financing and a larger majority has limited access to the financing despite they are the targeted companies that serve as the engine of growth to propel and sustain the economy. These companies are primary drivers to the creation new service entrepreneurs, which is the main objective of the financing. This is shown in Figure 2 above.

The challenges can be addressed through innovative and diverse financial product offerings that meet the diverse needs and/or less stringent credit requirement, such as less strenuous collaterals for the financing.

In one open discussion, a petrol station dealer in a town of Seremban having obtained the financing to build a station, the owner of the station informed he was not aware of further financing for working capital.

The new start-ups SMEs and non-SMEs would continue not to qualify for the financing owing to lack of fixed assets to pledge as collaterals. However, bridging the finance gap will ensure that viable busi-

nesses stay afloat, and job losses among entrepreneurs are kept to the minimum. As indicated above, less stringent requirements on the collaterals is proposed.

A. Financing for purpose of business expansion

Achieving the goal of financing is very important for the new start-ups. About 77% of the new start-ups that received the financing to create new services reported improvements in productivity. The same is true for new start-ups that received the financing for upgrading as they reported achieving efficiency in service delivery after completion of upgrading work. This is shown in Figure 3 below.

However, new start-ups who cited the financing was for business expansion, did not report an increase in value-added activities. It shows, when the financing purpose was for business expansion, the new start-ups needed further guidance and monitoring to undertake business expansion.

Of the 27 companies that indicated the financing was for *creation of new services*, 25 companies reported improves *productivity*. This is shown in Figure 4 below.

Amid uncertainties over the economic slowdown, just any entrepreneurs will need to rise to meet

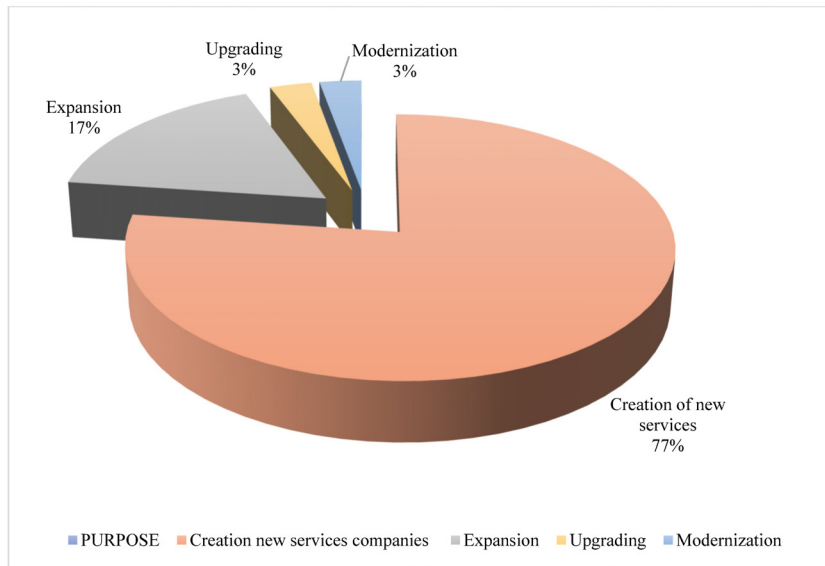


Figure 3. Financing purpose

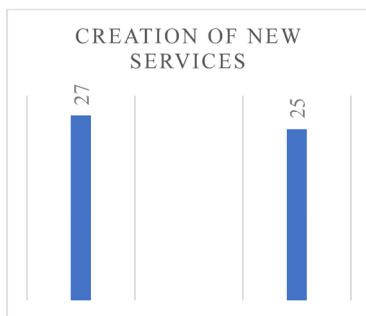


Figure 4. Creation of new services

challenges in the business expansion. They needed to bring forward in their expansion strategy to sell directly to end-consumers and accelerate (if they have not done so) the setting-up of e-commerce site. The financing is available under term-financing working capital for e-commerce to include trainings for skills development of the workforce to meet challenges under new normal in the post-covid 19.

The same is true for existing service providers. They too needed guidance and monitoring when the purpose of finance is for business expansion. To illustrate, of 12 existing service providers who cited the financing was for their business expansion, have

not increase their value-added activities.

Of the 12 companies that indicated the financing was for expansion, only 4 reported it had resulted in an increase in valued added activities.

B. Workforce cost

For any factories, workforce cost usually makes up 50-60% of total costs. It poses key challenges for SMEs and non-SMEs. Very few companies cited reduction in workforce wages after receiving the financing. In other words, they reported less impactful reduction in the numbers of workforce. Their numbers of workforce did not reduce in comparison to other improvements, including time or cost of service of delivery.

Against the backdrop of workforce cost making up 50-60% of total costs, an economic assessment of the services sub sector is discussed next. For the hotel and motels sub sector, tourist arrivals have increased before the covid-19 phase due to improved frequencies by major long-haul carriers. The increased tourist arrivals resulted in increased in tourist receipts with the top source countries are tourists from China

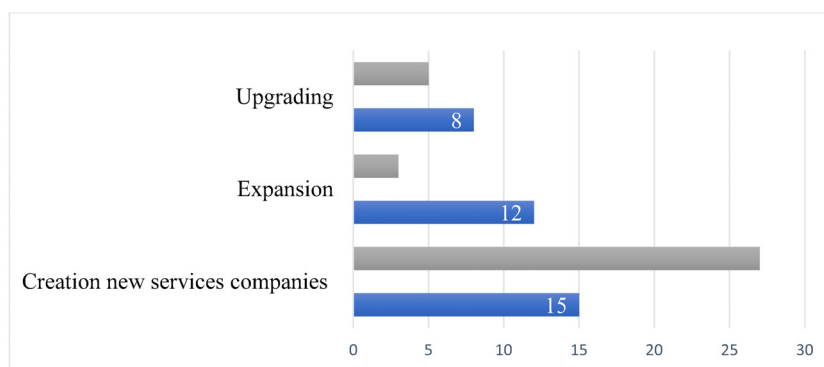


Figure 5. Existing service providers. How has financing improve productivity, increase value-added or efficiency in service delivery

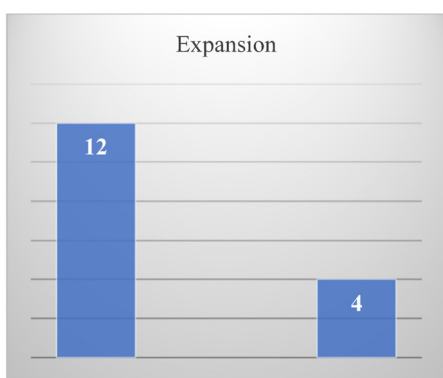


Figure 6. Expansion

and Korea. The engineering and technical services sub sector is expected to remain resilient following high demand for construction-related materials, and technical services brought about by the need to build more residential and commercial buildings, a greater concern for the environment, and global warming. The construction sub sector will be led by higher civil engineering activities.

The wholesale and retail trade meanwhile are expected to sustain in line with the global trade service and higher consumer spending and with the stimulus packages this trend should continue during the post-covid 19. The real estate and business service sub sector should continue to grow to be driven by demand for professional services particularly engineering services in the construction sector and legal and

accounting services. The growth in the construction sub sector may be spurred by rebates offered by developers, increase in civil servants' housing loan eligibility and flexibility in financing relief funds. On the account of the economic assessment, the three sub sectors to focus on providing financing are engineering and technical services (9), wholesale and retail trade of petroleum products (7) and real estate services and property (4).

The hiring of skilled local workforce has increased as opposed to skilled non-local workforce. On the other hand, the hiring of skilled non-local workforce has reduced as shown in Figure 7.

Whilst the move to become less dependent on skilled non-local workforce is commendable as the companies increased hiring of local skilled workforce, this move did not translate to increase in output. There is a need for training programmes to enhance local workforce' capabilities through support reskilling and upskilling.

We discovered the output per workforce of skilled non-local is much higher than that of skilled local workforce. To illustrate the impact of skilled labour on output, we measured the output of labour as dependent variable, and as independent variables are 1. local skilled and 2. foreign skilled

As shown in the Table 2 below, we found a one unit increase in skilled foreign labour increased output by 0.75 unit compared with 0.577869 unit that of local skilled labour. This on assumption to holding

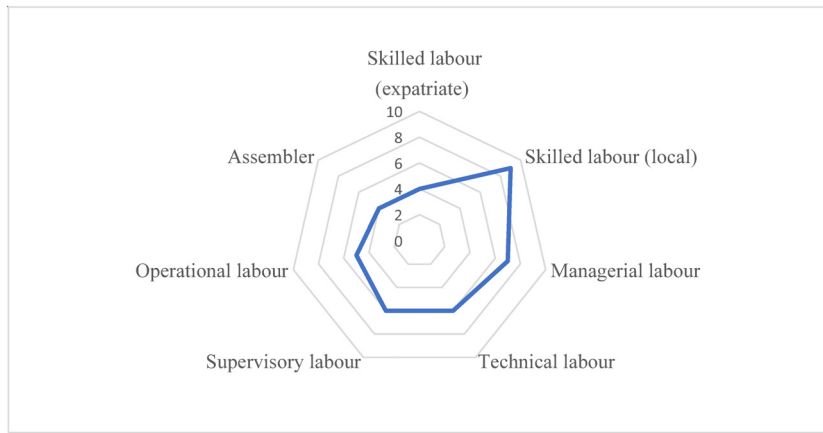


Figure 7. Category of Workforce

Table 2. should be addressed in the manuscript.

Dependent variable	Independent variable	Coefficient
Output of labour	1. Skilled local labour	0.577869
	2. Skilled foreign labour	0.750000

other variables impacting output of labour).

C. Services rendered

The demand for multiple technological competences among SMEs in the services sector present opportunities for collaboration in research to expand scope of services they offered (Narula, 2004).

Due to this fact, they are still struggling to generate revenues. The number of SMEs and non-SMEs that reported 0-5% pre-tax profit of sales turnover is about same level before & after the scheme. Only 4 of the companies surveyed had increased their pre-tax profit of sales turnover to above 20% after the scheme from before the scheme. Therefore, a supportive policy environment is necessary to provide the companies to execute long term strategies to expand the scope of services offered to generate higher revenue. With the Recovery Movement Control Order (RMCO) in place until 31 December 2020, e-commerce is now a bigger part of many shoppers' retails habit

so the companies can deploy the platform to expand the scope of services offered.

D. Operational Effectiveness

Effectiveness of coordination and process control is defined as the extent to which the coordination and process control are successful in producing the desired results either reducing operational costs and/or increasing productivity levels.

Initial results showed the SMEs and non-SMEs have room for improvements because they have not fully realized effectiveness from both areas of operations - coordination and process control. As such, they should focus more on driving revenues growth through increased effectiveness in both the areas of operations (coordination and process control).

The focus looking ahead is on the digital technology to improve operational effectiveness such as digitalization of their process control. The biggest benefit from the technology will be increased operational effectiveness. This can lead to increase revenue growth through applications of e-commerce platforms and data mining of customers.

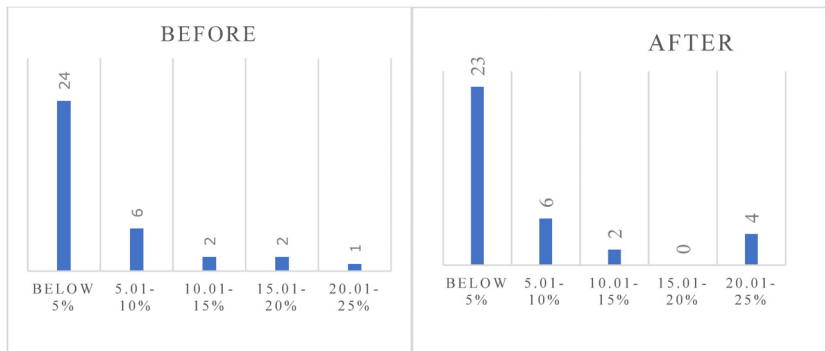


Figure 8. Before and after receiving the financing

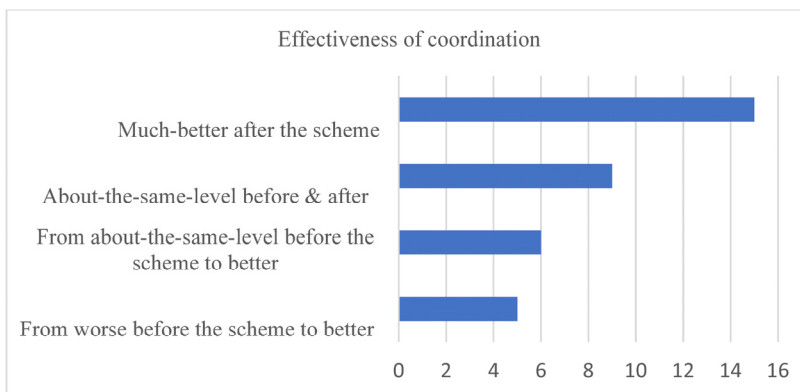


Figure 9. Effectiveness of process coordination after receiving the financing

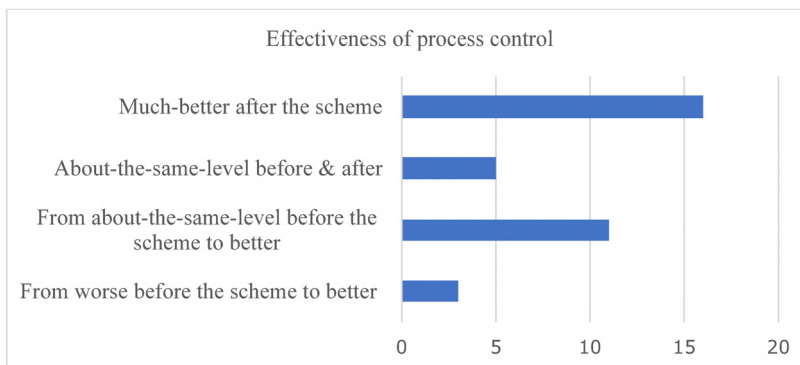


Figure 10. Effectiveness of process control after receiving the financing

V. Conclusions

The findings indicate the financing scheme has

achieved its two-fold objectives. The scheme has assisted new start-up companies and/or enterprises to create new service entrepreneurs. The existing service-providers meanwhile after receiving the

scheme have expanded, upgraded, modernised and diversified services into higher value-added activities and improved their productivity and operations.

The above findings are concluded as new service entrepreneur have created new entrepreneurs in an expanded supply chain, and among existing service providers they have reduced operational and production costs.

To stay current on the market is suggested to improve understanding of the client's operational needs. This would help to increase awareness of the challenges they face making the scheme more attractive. A more competitive interest rate compared to interest rate offered by others would also make the scheme more attractive.

The same positive results can be concluded as more than 30% of the company registered increased sales after receiving the assistance. Particularly more than 50% of new start-ups and existing service providers reported increased sales brought about by reduction in cost of services delivery and increased in output pre work force. The scheme allowed more than 30% of the companies to expand, upgrade, and modernize existing services making less difficult to meet clients' expectations.

The level of financing as documented by the respondents is adequate for majority of the respondents. This is important as its one of its strategic objectives of the scheme, which is to ensure that the level of financing is adequate i.e. meeting the amount required with no excess financing that open-up opportunities for most misappropriation. More importantly, that there is effectiveness in the conduit to disburse the funds. This ensures the funds are channelled for the intended purpose.

Still, there exist financing gap as the scheme to fully serve the SMEs and non-SMEs largely due to their perceived risks, lack of collaterals and insufficient credit history.

Moving forward, greater efforts needs to make the scheme more accessible to companies in the start-ups (i.e. less than 5 years of establishment with inadequate capital and/or collateral). As they are the specific and targeted companies that serve as the

engine of growth to propel and sustain the economy. They are primary drivers to the creation new service entrepreneurs who would go on to restructure the economic structure as targeted by the Government. The restructure will propel the country from a middle-income to a high-income economy based on innovation, creativity, and high value sources of growth. Otherwise, most small-sized businesses still find inaccessible to the financing for the long-term projects or face with issues in expanding their businesses due to the lack of ability of capital expenditure financing, seed financing, venture capital etc.

In the present circumstances of Recovery Movement Control Order (RMCO) until 31/12/2020, the services sector is severely impacted by the cautious consumer spending and the practise of "social distancing" making e-commerce a bigger part of many retail habits. The SMEs and non-SMEs will have to bring forward plans (if they haven't done so) for selling their services using digital technology like the e-commerce. They need to digitalize their services system, in short.

Also, to achieve value-added per worker, and move up the value chain, there needs to be a more refinement in the composition of the services sector to better leverage on the linkages between sectors, to focus more on knowledge-intensive services, and to step up internationalisation of service providers.

The services sector continued to be concentration on low value-added activities, limited innovation and technology adoption, and continuous dependency on low skilled workers, particularly among SMEs and non-SMEs continued to hamper the growth potential.

References

- Azer, I., Hamzah, C. H., Mohamad, S. M., & Abdullah, H. (2016). Chapter 11 Contribution of Economic Sectors to Malaysian GDP. *Springer Sciences Business Media, Singapore*, 183-189.
- Bylon, A. B., & Jerry, J. K. (2019). Market orientation and performance of small and medium enterprises in Ghana:

- The mediating role of innovation. *Cogent Business & Management, Taylor & Francis Journals*, 6(1), 1-16. <https://doi.org/10.1080/23311975.2019.1605703>
- Cheong, C. W. H., Lee, M. H., & Weissmann, M. A. (2020). Credit access, tax structure and the performance of Malaysian manufacturing SMEs. *International Journal of Managerial Finance*, 16(4), 433-454. <https://doi.org/10.1108/IJMF-08-2019-0308>
- Maiti, M. (2018). India's services: sector, trade and employment. *International Journal of Law and Management*, 60(6), 1377-1392.
- Lee, C. (2019). Manufacturing Performance and Services Inputs: Evidence from Malaysia. *ISEAS Yusof ISHAK Institute, Economics, Working Paper* (2), 1-24.
- Murphy, G. B., & Hill, R. C. (1996). Measuring performance in entrepreneurship research. *Journal of Business Research*, 36(1), 15-23.
- Narula, R. (2004). R & D collaboration by SMEs: new opportunities and limitations in the face of globalization. *Technovation*, (24), 153-161.
- Suh, Y., & Kim, M. S. (2014). Internationally leading SMEs versus internationalized SMEs: evidence of success factors from South Korea. *International Business Review*, 23(1), 115-129. <https://doi:10.1016/j.ibusrev.2013.03.002>
- Tehseen, S., Ahmed, F. U., Qureshi, Z. H., Uddin, M. J. & Ramayah, T. (2019). Entrepreneurial competencies and SMEs' growth: the mediating role of network competence. *Asia-Pacific Journal of Business Administration*, 11(1), 2-29
- Yuliansyah, Y., Rammal, H. G., & Rose, E. (2016). Business strategy and performance in Indonesia's service sector. *Journal of Asia Business Studies*, 10(2), 164-182.