

SMALL MEDIUM ENTERPRISES (SMES) IN TURKEY AND MALAYSIA A COMPARATIVE DISCUSSION ON ISSUES AND CHALLENGES

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ABSTRACT

Small and medium-sized enterprises (SMEs) in Turkey and Malaysia play significant economic and social roles by offering new job opportunities, lowering unemployment rate, increasing competition, productivity and providing substantial benefits to the economy of both countries. It has contributed to more than 90 percent of total establishments and more than 40 percent of countries GDP. The purpose of this study is to investigate issues and challenges that have affected the growth of SMEs in both countries. In identifying the issues and challenges, three factors in the Kobayashi (1997) micro model for SMEs namely, financial assistance, impact of knowledge-based economy and impact of marketing assistance were analyzed. The methodology employed is by means of secondary data and literature review. This study will contribute to understanding of the similarities and differences on issues and challenges faced by SMEs in both countries. This will assist policy makers and regulators in taking the remedial steps to improve their performances

Keywords: SMEs, Issues, Challenges, Turkey, Malaysia

INTRODUCTION

SMEs can be a great source of entrepreneurial development and future economic impetus to the country (UN, 2013), but it should also be reflective of a significant referral point for a country to provide a positive approach to policies and regulations enabling these SMEs to grow, expand and substantiate. The call to recognize SMEs as a key enabler for equitable, inclusive and sustainable social and economic development should be well received in the countries involved. In recognizing this, the nations that provide policy supports that can lead towards providing equal accessibility to SMEs vis-à-vis large enterprises.

Turkey and Malaysia are really concerned to develop Small and Medium-sized Enterprises(SMEs). Both countries identify that SMEs have taken part in their economic activities as an important contributor to stimulate the economic growth and later have become the most significant tools for economic development, Gross Domestic Product (GDP) and workforces (Abdullah,2015; World Bank, 2011; and Harif, 2010).

While considering SMEs in Malaysia, it is visible that they are involved in a variety of industries. It also represents the majority of total businesses in various sectors and a significant contribution in terms of GDP. There are some activities that are included in the classifications of economic activities involving SMEs which are primary agricultural, manufacturing or production (including agro-based), manufacturing related services, services, mining and quarrying, and construction. SMEs have played an important role in the economic development of the country. Recognizing its important contribution to the economy, various policies and programs have been developed by the government to support its development involving various ministries and agencies. It is not only the backbone of the country's economic development, but also a site for sharpening its entrepreneurial talent. SMEs can also be deemed as a place to train entrepreneur to move towards developing the company on a much larger scale.

Similar to Malaysia, Turkey issued one of the most important policies to foster SMEs due to the downsizing of larger firms in the early 1990s after the country became a member of European Union (EU) in the late of 1980s (Abdullah, 2015). Based on the World Bank's report (2011), the growth of SMEs performance and productivity was slower than that of large enterprises in Turkey and SMEs in other countries. Nonetheless, SMEs have become the center for creating jobs for underutilized and growing labor forces covering 79% of jobs in Turkey. SMEs in Turkey was verily supported by the economic, social and political positions (Kaygin et. al., 2008). Nearly every government has carried out diverse policies to shore up these enterprises (Isik, 2005). Several of policies and strategies have been developed to facilitate appropriate business environment for SMEs.

The contribution of SMEs is significant in Malaysia and Turkey in terms of GDP, employment and even exports. However, currently SMEs have been confronted with many issues and challenges such as access to financing, lack of human capital, infrastructure, innovation and technology, legal and regulations and access to marketing. However, in this paper we are only focusing on three factors in the Kobayashi (1997) micro model for SMEs namely, financial assistance, impact of knowledge-based economy and impact of marketing assistance were used., This is because of the need to further analyze these factors to find out the similarities or differences in the growth of SMEs between both countries. Therefore, the purpose of this study is to investigate the impact of these three factors in both countries and make recommendations on policies improvement.

The objective is to review what constitute SMEs in the context of Turkey and Malaysia. Moreover, this study is also carried out to point out the contribution and issues and challenges of SMEs in Malaysia compared to Turkey. In doing so, the article attempts to address the research questions, 1) What constitutes SMEs in context of Malaysia and Turkey? 2) What are the contributions of SMEs in Malaysia compared to Turkey? 3) What are the issues and challenges faced by SMEs?

The study reviews literature in the context of Turkey and Malaysia only as these two countries are the major developing Muslim countries in the world. Finding from these two countries can become a benchmark for the development of SME in other Muslim as well as Non-Muslim countries.

WHAT CONSTITUTE SMEs?

Small and medium enterprises (SMEs) are decided by the number of employees and or revenues they have. In order to be considered small and medium enterprise, these two determinants must fall under a certain standard held by the respective country. Different countries have varying standards to qualify for this identification SMEs are non-subsidary, independent firms which employ less than a given number of employees. This number varies across countries. The most frequent upper limit designating an SME is 250 employees, as in the European Union. However, some countries set the limit at 200 employees, while the United States considers SMEs to include firms with fewer than 500 employees. Small firms are generally those with fewer than 50 employees, while micro-enterprises have at most 10, or in some cases 5, workers. Financial assets are also used to define SMEs. The following table represents the SME definition of European Commission.

Table 1: SME Definition in European Commission

	Full time Labor	Sales Turnover (\$)
Micro	1 – 9	0 – 2,591,600
Small	10 – 49	2,591,600 – 12,958,000
Medium	50 – 249	12,958,000 – 55,719,400

Source: European Commission Official Website

Table 1 illustrates that the turnover of medium-sized enterprises (50-249 employees) should not exceed \$55,719,400 (or EUR 50 million); that of small enterprises (10-49 employees) should not exceed \$12,958,000 (or EUR 10 million) while that of micro firms (less than 10 employees) should not exceed \$2,591,600 (or EUR 2 million).

SMEs IN MALAYSIA AND TURKEY

Turkey and Malaysia are really concerned to develop Small and Medium-sized Enterprises (SMEs). Both countries identify that SMEs have taken part in their economic activities as an important contributor to stimulate the economic growth and later have become the most significant tools for economic development, Gross Domestic Product (GDP) and workforces (Abdullah, 2015; World Bank, 2011; and Harif, 2010).

For Malaysia, a review of the definition in 2013 and the new SME definition was endorsed at the 14th NSDC Meeting in July 2013. A business will be deemed as an SME if it meets either one of the two specified qualifying criteria, namely full-time employees or sales turnover, whichever is lower. The definition was simplified as follows:

Table 2 SME Definition in Malaysia

	Full time Labor		Sales Turnover (\$)	
	Manufacturing	Service & Others	Manufacturing	Service & Others
Micro	1 – 5	1 – 5	0 – 69,332	0 – 69,332
Small	5 – 75	5 – 30	69,332 – 3,466,605	69,332 – 693,321
Medium	75 – 200	30 – 75	3,466,605 – 11,555,351	693,321 - 4,622,140

Source: SME Corp Malaysia

For Micro Enterprises both manufacturing, service and others, the sales turnover should be within \$0 – \$69,332 or full-time labor within 1 to 5. In manufacturing category for small enterprises, sales turnover from \$69,332 (or RM300,000) to less than \$3,466,605 (or RM15 million) OR full-time employees from 5 to less than 75. For Medium Enterprises, Sales turnover from \$3,466,605 (or RM15 million) to not exceeding \$11,555,351 (or RM50 million) OR full-time employees from 75 to not exceeding 200.

As for services and all other sector Small Enterprise should have sales turnover from \$69,332 (or RM300,000) to less than \$693,321 (or RM3 million) OR full-time employees from 5 to less than 30. For Medium Enterprises, sales turnover from \$693,321 (or RM3 million) to not exceeding \$4,622,140 (or RM20 million) OR full-time employees from 30 to not exceeding 75.

The number of SMEs noticeably increased in the 1970s in Malaysia. Bumiputra participation in these enterprises began to grow after 1971, when the New Economic Policy (NEP) was implemented. Currently, SMEs account for a large proportion of the total number of establishments in various sector (Syed, 2008).

Table 3 Status of SMEs in Malaysia 2016

Sector	All Establishments	SMEs	Percentage of SMEs	Percentage of Structure
Services	818,311	809,126	87.9	89.2
Manufacturing	49,101	47,698	5.2	5.3
Construction	40,558	39,158	4.3	4.3
Agriculture	11,628	10,218	1.1	1.1
Mining & Quarrying	1,026	865	0.1	0.1
Overall Total	920,624	907,065	98.5	100.0

Source: SME Annual Report 2016/17

Some insights into recent trends can be gleaned from statistics furnished by SME corp. Malaysia, Economic Census 2016. According to SME annual report 2016/17, there were 907,065 SME establishments in all sectors of the Malaysian economy. Of these, 89.2 percent were in service sector, 5.3 percent in manufacturing, 4.3 percent in constructions and 1.1 percent in agriculture. Table 3 shows that SMEs accounted for 98.5 percent of all enterprises. It is now undeniable that SMEs have grown tremendously since independence.

Table 4 SME Definition in Turkey

	Full time Labor	Sales Turnover (\$)
Micro	1 – 9	0 – 281,309
Small	10 – 49	281,309 – 2,250,478
Medium	50 – 249	2,250,478 – 11,252,391

Source : Retrieved on May 06, 2017. <http://hurriyetdailynews.com/definition-for-smes--broadoned.aspx?pageID=238&nid=33953>

For Turkey, in micro level the sales turnover should be within \$0 – \$281,309 or full-time labor within 1 to 9. In Small Enterprises the sales turnover should be from \$281,309 and not exceeding \$2,250,478 or full-time labor 10 – 49. In Medium enterprises the sales turnover should be within \$2,250,478 to \$11,252,391 or full-time labor from 50 to not exceeding 249.

Table 5 SMEs Basic Figure- Turkey

Class Size	Number of Enterprises		Number of Persons employed			Value Added			
	Turkey		EU	Turkey		EU	Turkey		EU
	Number	Share	Share	Number	Share	Share	Number	Share	Share
SMEs	2 672 458	99.8 %	99.8 %	9 960 535	73.5 %	66.6 %	277 610	53.5 %	56.8 %
Large	4 858	0.2 %	0.2 %	3 598 549	26.5 %	33.4 %	241 579	46.5 %	43.2 %
Total	2 677 316	100.0 %	100.0 %	13 559 084	100.0 %	100.0 %	519 189	100.0 %	100.0 %

Source: 2017 SBA Fact Sheet Turkey

Turkish SMEs play a similarly important role in the ‘non-financial business economy’ as SMEs in other European countries. They account for more than half of total value added and nearly three in four jobs and account for more than half of total value added. Most SMEs (some 39 %) operate in the wholesale and retail trade sector, accounting for more than one fourth of SME employment and SME value added. Internal demand is the main driver of Turkey’s economic performance. New business registrations in 2016 totaled 106 452, a decrease of 7 % compared to 2015 and continuing the trend from the year before. De-registrations dropped by 2 % 45 903 in 2016, following the trend of falling de-registrations which started in 2012. Turkey’s performance is above the EU average on entrepreneurship and comparable to the EU average for skills & innovation and environment, ‘responsive administration’ and internationalization. In 2016 and the first quarter of 2017 which is the reference period for policy measures in this year’s fact sheet, Turkey addressed 6 out of the 10 policy areas under the Small Business Act. The main focus was on access to finance, skills & innovation and internationalization (2017 SBA Fact Sheet, Turkey).

CONTRIBUTION OF SMEs

Small and Medium Enterprises (SMEs) play a major role in most economies, particularly in developing countries. Formal SMEs contribute up to 60% of total employment and up to 40% of national income (GDP) in emerging economies. These numbers are significantly higher when informal SMEs are included. According to our estimates, 600 million jobs will be needed in the next 15 years to absorb the growing global workforce, mainly in Asia and Sub-Saharan Africa. In emerging markets, most formal jobs are generated by SMEs, which also create 4 out of 5 new positions. However, access to finance is a key constraint to SME growth. Without access to capital, many SMEs languish and stagnate. (Source: World Bank)

A World Bank Group study suggests there are between 365-445 million MSMEs in emerging markets: 25-30 million are formal SMEs; 55-70 million are formal micro enterprises; and 285-345 million are informal enterprises. Moving informal SMEs into

the formal sector can have considerable advantages for the SME (for example, better access to credit and government services) and to the overall economy (for example, higher tax revenues, better regulation). Also, improving SMEs' access to finance and finding solutions to unlock sources of capital is crucial to enable this potentially dynamic sector to grow and provide jobs.

Malaysian Context: In Malaysia the development of SMEs serves a strategic importance in the agenda for socio-economic development, particularly in developing the Bumiputra community. In earlier decades of independence, Chinese entrepreneurs dominated Malaysian SMEs, and Malays and Bumiputras were left far behind. To bring about better income redistribution in this multi-racial country, that situation had to be changed. Thus, the government has assisted a substantial proportion of Bumiputra-owned SMEs (Syed, 2008).

Based on the SME Annual Report 2015/2016, the current trend indicates that the Malaysian SMEs remained resilient with SMEs GDP sustaining a respectable growth of 6.1%. Despite the weak external environment due to domestic demand, particularly consumption and investment activities, the growth is higher than the overall GDP of the country which was only 5% in 2015. Related to the employment rate, the contribution of SMEs to the total employment was higher than that of large firms in 2015. The SMEs employment increased by 5.6% to 6.6 million workers compared to the employment growth of large firms that was only 3.4%. Besides the two measurements mentioned above, the SMEs labor productivity, which was measured by real value added per worker, slightly escalated by 0.4% after declining by 6.6% in 2014.

The strategic contribution of SMEs to Malaysia's growth could also be highlighted when considering the question of innovation. Even though it is hard to directly relate SMEs to innovation in Malaysia, their involvement in economically diverse activities suggests that they do contribute significantly this aspect of development. They are more adaptable, flexible and dynamic, and more sensitive to shifts in demand than large firms. Malaysia's economic development has been closely linked to developments in the global economy, due to the openness of its economy and the dominance of trade activities. Resource-based products, mainly from agriculture and mining, contributed 60 percent to overall industrial growth in the early years of independence. This contribution, however, fell in the 1970s with a rise in the importance of non-resource-based industries, most particularly electronics and textile. A study found that they contributed little or insufficiently to the deepening and widening of Malaysia's domestic industrial structure, while linkages with the rest of the economy were weak. It is against this background that the strategic role and growth potential of SMEs in general, and technology-based export-oriented SMEs in particular, should be seen, especially in the context of their role in providing an impetus to Malaysia's development within the globalized economy (Syed, 2008).

Turkey context: In the case of Turkey, one of the most important policies to foster SMEs was due to the downsizing of larger firms in the early 1990s after the country became a member of European Union (EU) in the late of 1980s (Abdullah, 2015). Based on the World Bank's report (2011), the growth of SMEs performance and productivity was slower than that of large enterprises in Turkey and SMEs in other countries, the SMEs has become the center for creating jobs for underutilized and growing labor forces covering 79% of jobs in Turkey. Until the year 2010, Turkey had approximately 3.5 million SMEs and about 3,000 large firms. From all these SMEs, 95.7% were micro-enterprises, 3.7% of which were small, and 0.6% were medium-sized. About 12.6% of the SMEs are operating in manufacturing sectors. The Turkish Statistical Institute portrayed, in 2013, SMEs constituted 99.9% of the total number of enterprises, 76% of employment, 53% of wages and salaries, 63% of turnover, 53.3% of value added at factor cost and 53.7% of gross investment in tangible goods and the proportion of the SMEs was 62.6% for exports in 2012.

Since 2009, SMEs have benefited fully from the upswing of the economy. From 2010 to 2014, their total value added, and employment grew by around 73 % and 28 % respectively, even though the number of SMEs only increased by 15 %. The accommodation and food service sector were among the sectors with strong growth between 2010 and 2014. Employment rose by around 34 %, with an even bigger increase in value added of 77 %. The wholesale and retail trade play a key role in the economic performance, with value added having risen by 72 % between 2010 and 2014 and the number of people employed by 17 %. Construction was another booming sector between 2010 and 2014. It grew by 74 % in terms of value added and by 80 % in terms of employment. SMEs fully participated in the growth, with respective increases of 89 % and 81 %. (2017 SBA Fact Sheet, Turkey).

ISSUES AND CHALLENGES OF SMEs

Small and Medium Enterprises (SMEs) are often confronted with problems that is uncommon to the larger companies and multinational corporations. The issues and challenges faced by SMEs is worldwide. SMEs **face a wide range of problems on a daily basis, both internally and externally.** According to **Sarah Watts, head of the Information and Advisory Services at the IOD.** Small companies in the UK face myriad problems on a day-to-day basis. External problems are countless and include the state of the economy, high cost of insurance, taxes, red tape, health and safety, lack of bank lending, competition within the UK and from abroad, transport issues, employee skills gaps and shortages – the list goes on. Internal problems are also no less strenuous. The issues facing by Britain's small businesses directly related to business planning phase are like finding and managing the cashflow. Most businesses experience problems in getting paid on time by their customers and with debt recovery. Among the issues faced are **ineffective leadership, sales and marketing effectiveness issue, lack of execution.** **Other common problems facing SMEs are finding and keeping clients and/or customers, preventing clients from wasting away business's profits, time management, knowing how to price your services correctly, writing bids, proposals and other pertinent business activities.**

However, irrespective of the country, SMEs face common problems in respect to their survival or take competitive advantage. According to the literature more than 50 percent of SMEs collapsed within first five years of operation (Resiss, 2006, Ahmad and Seet, 2009). SMEs are less likely to be able to obtain bank loans than firms. At the initial stage, they rely on internal funds or cash from friends and family to launch and initially run their enterprises. About half of formal SMEs do not have access to formal credit. The financing gap is even larger when micro and informal enterprises are taken into account. Overall, approximately 70% of all micro, small and medium-sized enterprises (MSMEs) in emerging market lack access to credit. While the gap varies considerably region to region, it is significantly wider in Africa and Asia. The current gap for formal SMEs is estimated to be US 1.2 trillion; the total credit gap for both formal and informal SMEs is as high as US\$ 2.6trillion. (Source: World Bank)

Just like the other countries Turkey and Malaysia have their own issues and challenges which contribute significantly to the growth of SMEs of each country. They are classified under the three factors in the Kobayashi (1997) micro model for SMEs namely, financial assistance, impact of knowledge-based economy and impact of marketing assistance are as follows:

FINANCIAL ASSISTANCE

Access to financing is very critical for the sustainability of SMEs. This is because of their need for expansion in business. However, at the initial stage, capitals are usually sourced from internal funds such a personal savings and family contributions but are limited. Lenders are reluctant to provide financing due to the risk of failure. If they wish to borrow, lenders will impose collateral as a condition for approval which many cannot afford (Hasnida 2016), SMEs will be charged with high interest rate due to higher risk profile. Some may even have to close their business as they are not able to pay their financing instalments.

Financial assistance is perceived as the most severe obstacle faced by SMEs in Turkey (Nurrachimi, R et al, 2015). It is one of the four main reasons, mentioned under The Turkish Industrial Strategy Document that SMEs have difficulty in obtaining financing. Another study indicated that financial impossibilities constitute to 30 percent of the primary problems that restricted full capacity production. In another survey conducted by Seker and Correa (2010) several other indicators revealed that SMEs in Turkey are dependent on bank finance.

Turkish firms are more dependent than their peers in other countries on bank finance to fund their investment in fixed assets. This is especially true for medium size firms in which bank finance accounts for 47 percent of total funding. Muftuoglu (2009) confirmed that the main factors complicating the access of SMEs to financial resources are lack of information and difficulties encountered in finding collateral. Thus, he suggested the need to implement innovative models aimed at solving these problems

In 1990, KOSGEB was established in Turkey to provide services and supports for the production industry SMES only until 2009. However, due to increase in the value production and employment other sectors to also grow. Today KOSGEB offer a wide range of measures which include financing based on low interest loan. From 2003-2007, 44,544 small and medium sized enterprises have benefited from KOSGEB' support schemes (Moreu, 2011). In addition to financing, this body also provide technical and managerial advice, training programs and laboratory.

As for Malaysia, financial assistance is provided by commercial banks and Government institutions like GIAT MARA, Development Bank. There is a dedicated bank known as SME bank that provides financing directly to this sector. Malaysian Government also co-ordinates financial assistance provided to SMEs in the form soft loan, matching grants, guarantee scheme and Shariah-compliant SME Financing Scheme. Malaysia has achieved substantial progress over the years in improving access to financing of SMEs particularly in the banking sector. At present banking institutions represent 80-90 percent of all SMEs lending (SME Master Plan, 2012-2020). The share of SME financing outstanding to total business increase from 30 percent in 1999 to 41 percent. However, SMEs particularly micro enterprises still faces challenges in obtaining financing constrained either due to poor credit worthiness, weak recording of financial accounts or lack of business viability. The results of the Census of Establishment and Enterprise (Census) showed that most SMEs used their own internal generated funds and funds sourced from friends and family members to finance their operations. Only 16% of SME respondents indicated a reliance on financing from financial institutions (that is, banking and development financial institutions). In contrast, 50% of large companies indicated that financial institutions were their main source of funding. The Census highlights lack of collateral as the main obstacle faced by SMEs when seeking financing from banking institutions. This is followed by insufficient loan documentation and lack of financial track record, as well as business viability. Most of respondents indicated long processing time is also a problem.

In order to address the issue, the Malaysian Government stressed on the assistance needed for its development to be a very significant sector. In the 11th Malaysia Plan, the government has allocated RM1.039 billion to the SME Corp Malaysia. This amount is divided into four fractions usefulness. RM200 million allocated to the Export Promotion Fund (GEB), RM45 million for Youth Entrepreneurial Fund (TUBE), RM633 million has been allocated to SME Master Plan 2012-2020 and RM10 million for Micro Enterprise Development. There are also efforts directed towards developing SMEs as the engine of growth and innovation. This is to promote the development of SMEs competitiveness and resilient in all sectors to enhance the contribution of SMEs to the economy.

IMPACT OF KNOWLEDGE BASED ECONOMY

Knowledge seems to be less impacted compared with other elements such as financial assistance or marketing assistance. According to a European Union Journal by a group of Doctors named Lucia, Margarita and Maria. SMEs faces the problem because of lack of effective management and cutting edge derived from the lack of development of their managers/owner that retain traditional knowledge and obsolete, which entails that these companies cannot face the complex world competition. Hence, there is a recent trend that advanced skills such as MBA course are being developed with the help of universities to increase the managerial skills of entrepreneurs. In addition, many developing countries prefer to focus on IT and advanced technology oriented industrial development with venture capital which requires more management skills rather than basic accounting or low technology skills.

Turkey has a huge unutilized potential for business enterprise and human capital development. The major challenge they are facing is from the absence of specialized knowledge to prepare themselves on marketing strategies, planning and implementation. Moreau (2011) showed that Turkish SMEs have yet to reach the status of knowledge based, innovation, internationally competitive small firms that are acknowledged to be engine of growth in the more developed countries. More over Muftuoglu (2009) also argued that SMEs in Turkey is still lacking in research and of information about innovations. These are essential tools for development.

Furthermore, there is insufficient know how and low levels of technology are common in most Turkish SMEs. A majority (80%) of manufacturers operate in medium-low and low-level industry sectors, which prevent them from benefiting low cost advantage. Lack of innovativeness as a result of high cost of research and development, is a major cause for unsatisfactory levels of modern technologies for SMEs. Smaller sized businesses are faced with various challenges when conducting research and development and realizing high tech business ideas which can be turned into business opportunities. Funding challenges limit industry-university cooperation. Despite the positive trend of SMEs which undertake research and development activities, the share of SME sector in total research and development cost is still around 40 percent (KOSGEB, 2012).

Malaysia is also facing some issue regarding knowledge development. Many employees in SMEs do not have a high level of education (Chee, 1986). As a result, these employees found it difficult to secure well -paid jobs in the labor market. Out of 882 full-time workers in SMEs in Kuala Lumpur, studied by the author in 1991, 59.1 per cent had attained the Lower Certificate of Education (LCE) or equivalent while 29.5 per cent of them had only attended primary school (Moha Asri, 1993, p.144) None of them had obtained a tertiary certificate. Similarly, Chee (1986) found that 74.8 per cent of SME owners did not have upper secondary education. According to Moha Asri (1996), management problem in SMEs arise largely because they do not have a high level of education nor professional training. This will cause major problem because they are expected to know many aspects of management such as finance, marketing, accounting and other discipline. However, in some cases enterprise do not understand financial statement or use them for planning purpose. The labor supply for SMEs in Malaysia is reported to be lack job readiness hence resulting in mismatch between supply and demand. Hence, it is imperative that SMEs need to address the country's efforts towards achieving the knowledge-based economy through training and upgrading of their workers (MohaAsri 1996).

In the area of innovation and technology adoption, comparative studies showed that the level of innovation of Malaysian firms was at par or higher than of middle-income countries but for below the levels in the high-income countries (SME Masterplan, 2012-2020). SMEs have limited diffusion of technological innovation due to lack of participation in the national innovation system. SMEs collaboration with universities has also been limited due to lack of facilities in emerging areas such as green technology

Most SMEs do not engage in R & D activities (R & D) expenditure of SMEs only accounted for 0.05% of GDP in 2006) as the capital investment is usually beyond the means of SMEs. Even there are several tax incentives to support R & D activity, only a small fraction operates using technological frontier. They view productivity improvement activities as a cost rather than as a long -term investment. Hence, SMEs are reluctant to invest in automation to gain from long-term productivity which may not compensate for high initial cost in acquiring machinery or equipment. They also lack knowledge in new field such as nanotechnology and green technology and does not have the resources to evaluate the marketability of their innovation.

IMPACT OF MARKETING ASSISTANCE

This issue on providing marketing assistance is also related to the lack of knowledge described in the previous paragraph. Many small businesses do not take enough time to understand what their unique selling points are. In doing so, they compete in conflicting areas, such as lowest price and highest service. One takes away money and the other adds cost. The major issues that SMEs left out are the importance of hiring the right people in marketing, increasing sales, making payroll, filing taxes and providing remarkable customer service.

Turkey benefited highly from EU membership by having larger niche and new market and easy access to international market (OECD, 2004). However, despite of this Muftuoglu (2009) lamented that SMEs in Turkey does not have any marketing strategy and they do not allocate financial resources to market development measures. This include activities such as advertisement, promotion, market research or sales techniques This incompetency has affected SEMs ability to market for the products although they have an international access. In addition, Turkey's SMEs is not competitive in export is due to the lack of quality and standardization and the high price of their product.

In order to address the above issues, the Turkish government is taking steps to increase SMEs international competitiveness industrial SMEs in order to make them more outward-oriented and increase their level of exports. One way is by the government providing marketing information about the demand in foreign countries and government be a facilitator to help with strategic alliances or partnership. Another is to increase encourage more joint ventures between Turkish industrial SEMs and large businesses, especially foreign-owned internationally oriented firms.

In the case of Malaysia, SMEs also lack information about marketing channels and fail to establish marketing networks. Hashim and Wafa (2002), as well as Muhammad's study (2010), identified that the main problems faced by SMEs in Malaysia are the lack of knowledge regarding marketing techniques, exporting, branding, customer loyalty, and also, the lack of good contacts with other local and international enterprises (as cited in Khalique et. al., 2011). In addition, according to Moha(1996), mentioned that the problems in marketing SMEs' products are due to poor designs, poor quality of finished products due to the use of poor quality raw materials and lack of quality control, lack of skilled labor and after sales service. Moreover, the difficulties in finding an export market are also due to a number of external factors like stiffer competition from exporting countries, the price increase of raw material and the fluctuations in international currencies.

In the domestic market, SMEs have limited access to procurement by Government and large companies. This is due to the perception that products and services by SMEs are low quality (SME, Master Plan, 2012-2020). In addition, SMEs also have limited capacity to full large orders. Supplying to government and large firm is an important step to penetrate into the export market. In meeting the requirements of the international market, SMEs lack adequate knowledge and resources. The cost of gathering market information and adhering to the requirements would often require significant resources that skilled managerial resources. In addition, the low capacity volume of SMEs imits their bargaining power in the supply chain. Hence, this also affect their export potential as they are not able to produce large volume in order to achieve the economics of scale in purchasing of raw materials needed for the export market.

DISCUSSION

In the overall analysis of the Turkish and Malaysian SMEs industries, we observed that they play a very significant role in stimulating the economy measured by the growth of their respective Gross Domestic Product (GDP) (Abdullah,2015; World Bank, 2011; and Harif, 2010. The industry provides new job opportunities, lower unemployment rate and increases productivity substantially to benefit both countries. More than 90 percent of total establishments in Turkey and Malaysia are SMEs

In terms of classification of SMEs, the industry falls under three similar categories i.e., micro, small and medium enterprises. It can be further sub divided by the number of employees and sales turnover generated. However, they have a different set of qualifications. In Malaysia the full-time employees for "small" SMEs category ranges from 5 to 75 and "medium" 75 to 200 where as in Turkey, 10 to 49 and 50 to 249 respectively. As for sales turnover the "small" SMEs in Malaysia ranges between US 69,000 to less than US 3,500,000. and "medium" between US 3,500,000 to US 11,500,000. where as in Turkey, US 281,000 to US 2,250,000 and US 2,250,000 to US 11, 250,000.

We also observed that both SMEs in Turkey and Malaysia industries are confronted with many issues and challenges that have affected the growth in both countries. In identifying the issues and challenges, three factors in the Kobayashi (1997) micro model for SMEs namely, financial assistance, impact of knowledge-based economy and marketing assistance were analyzed.

The need for financial assistance due to poor access to finance is common among SMEs in both nations. Financial assistance is essential for SMEs especially at the initial stage which is provided by their families. However, as the businesses grow, financial assistance is necessary especially for micro and small entrepreneurs who do not have sufficient capital. In Turkey, financial assistance is one of the main obstacles faced by SMEs and constitute 30 percent of the main problems that restricted full production. SMEs in Turkey are more dependent on financing compared with their counterpart in other countries to purchase fixed asset especially for medium size firms. In view of this inadequacy, the Turkish government has established KOSGEB in 1990, to provide services and support including financing based on low interest,

Although the issue for financing SMEs still exist in Malaysia, the access to financing is less severe compared to Turkey as there are financial institutions established by the government such as GIAT MARA, Bank Pembangunan (Development Bank). In addition, commercial banks have programs that can assist SMEs. In fact, there is a dedicated bank known as SME bank that provides financing directly to this sector. At present banking institutions provides 80 percent to 90 percent lending of all medium size SMEs. Nonetheless, the micro enterprises still face challenges in obtaining financing due to poor creditworthiness, lack of collateral, insufficient loan documentation, lack of financial recording and business viability similar to the counterparts in Turkey.

The second comparative analysis made between Turkey and Malaysia SMEs is based on the impact of knowledge-based economy. Knowledge seems to be less impacted with other elements such as financial or marketing assistance. Recent trends indicated that MBA qualification is preferred for advanced skills programs. Many developing countries prefer more advanced technology oriented industrial development program compared to basic accounting, management skills or low technology. Turkey has huge unutilized potential for business enterprise and human capital development. However, they faced major challenges from absence of specialized knowledge. Thus, to date, Turkish SMEs have not reached the status of knowledge-based innovation expected in developed countries. In fact, SMEs in Turkey still lack research and information about innovations. A

majority of manufacturers still operate in medium -low and low-level industry sectors which prevent them benefiting from low cost advantage. Lack of innovativeness due to high cost of research and development is a major cause for unsatisfactory levels of modern technologies for SMEs. Smaller sized businesses face various challenges when conducting research and development and generating ideas for business.

Similarly, Malaysia also faces issues regarding knowledge development. Many employees in SMEs do not have a high level of education. Hence, they found it difficult to secure well paid jobs in the labor market. In a survey conducted in 1991, more than half of SMEs attained low education and a quarter of them had only attended primary school. None of them obtained tertiary certificate. The lack of higher management knowledge like MBA and professional skill caused a major problem to SMEs to solve a variety of management issues such as finance, marketing, accounting and other disciplines. In some cases, enterprise do not understand financial statements needed for planning purpose. Likewise, in the in the areas of innovation and technology, SMEs in Malaysia have limited diffusion of technological innovation as they do not participate in the national innovation system. Most SMEs do not engage in Research and Development as the capital investment is beyond their means. Hence, as can be seen the issues faced by SMEs with regards to lack of knowledge in the labor market, lack of innovation, research and development in Turkey are also similar as in Malaysia.

The third and last factor for comparison made between Turkey and Malaysia is the impact of marketing assistance. This issue is also related to the two previous factors that is financial assistance and the lack of knowledge. Many small businesses do not take enough time to understand what their unique selling points are due to lack of knowledge. Hence, although, Turkey as a member of EU have a large niche and international market it has not benefitted the country due to lack of knowledge in marketing such as advertisement, promotion, market research and sales techniques. This incompetency has made SMEs in Turkey not to be competitive in export market as they are not able to effectively develop and market products that meet the quality, standardization and competitiveness in pricing their product for international market

Apparently, SMEs in Malaysia also faces several issues on marketing that requites assistance similar to their Turkish counterparts. Firstly, the main problem is the lack of knowledge regarding marketing techniques, exporting, branding, customer loyalty and good contacts with other local and international enterprises. In addition, there are also issues with regards to poor designs, poor quality of finished products due to use of poor quality raw materials, lack of quality control, unavailability of skilled labor and after sales service. Moreover, they also face issues on competition from exporting countries, price of raw materials and fluctuations in international currencies. In the domestic market, SMEs have limited access to procurement by Governments and large companies. This is due to the perception that products and services by SMEs are low quality. In addition, SMEs have limited capacity to full large orders. Supplying to government and large firm is an important step to penetrate into the export market.

CONCLUSION AND RECOMMENDATIONS

It has been revealed that SMEs account around 99 percent of all the sectors in both Malaysia and Turkey. The contribution by SMEs is also significant boosting the economy of both Malaysia and Turkey. It can be seen that from the analysis of the issues and challenges, three factors in the Kobayashi (1997) micro model for SMEs namely, financial assistance, impact of knowledge-based economy and marketing assistance were analyzed. The general analysis indicated that Turkey and Malaysia face almost similar issues and challenges with regards to the three factors. Financial assistances are needed by SMEs in Turkey and Malaysia although the intensity differs. Turkey should mobilize KOSGEB its agent to assist SMEs in providing more financing. This can be carried by increasing SMEs accesses to bank financing, raise their awareness on export credit assurance system and venture capital. In addition, KOSGEB should also provide its own financial support programs. In Malaysia, financial assistance is obtained with the support of SME Corporation Malaysia, SMEs bank and commercial banks. SME Corp Malaysia provides integral financial assistance in the form of government and private sectors funding, some examples of these are matching grants, grant for skills upgrading, soft loans and venture capital. In the 11th Malaysia Plan, the government has allocated RM1.039 billion to the SME Corp Malaysia. This amount is divided into four fractions that is Export Promotion Fund (GEB), Youth Entrepreneurial Fund (TUBE) SME Master Plan 2012-2020 and Micro Enterprise Development. There are also efforts directed towards developing SMEs as the engine of growth and innovation. This is to promote the development of SMEs competitiveness and resilient in all sectors to enhance the contribution of SMEs to the economy.

In order to address the issue of increasing knowledge of SMEs in Turkey, KOSGEB should provide them access to improve their basic skills and operations for small entrepreneurs. Medium to large entrepreneurs should be exposed to technology and provide assistance to enhance their knowledge in innovations, research and development. In addition, supporting grant should also be provided to finance their venture into business. Likewise, in Malaysia, there is also a need to upgrade the micro and small entrepreneurs with basic skills in accounting, finance and marketing so that they can successfully plan for their products. As for the medium SMEs, they should be provided knowledge for innovation, technology and encourage to do research and development. SME Corpis providing support through collaboration with universities to cater for these needs and access to the national innovation system. In addition, the Malaysian government is offering tax incentives to further support research and development for SMEs.

Finally, with regards to marketing assistance, KOSGEB has arranged for an entrepreneurship support program for SMEs in Turkey It is known as Applied Entrepreneurship program comprise municipalities, NGOs and universities involve in training entrepreneurs to prepare business plan. The graduate will be eligible for start-up capital given by KOSGEB. In addressing issues on SMEs international readiness, the government is providing marketing information about the demand in foreign countries and

facilitate strategic alliances or partnership. Another initiative is to increase encourage more joint ventures between Turkish industrial SMEs and large businesses, especially foreign-owned companies. Meanwhile in the case of Malaysia, SME Corp has arranged several marketing accesses programmed to prepare SMEs for local and export readiness. This include industrial linkage programmed, entrepreneur showcases, market promotion and market development. Furthermore, there are also several advisory services by sectors such as manufacturing, services and agriculture that SMEs can attend to prepare themselves. In addition, there are also SMEs industrial sites and incubators centers.

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