

## The awareness and use on government assistance programs among tourism entrepreneurs in Malaysia



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### ABSTRACT

This paper examines the characteristics of tourism entrepreneurs in Malaysia. In recent times, Tourism Small and Medium Enterprises (TSMEs) have played crucial role in sustaining economic growth and development in Malaysia. The Malaysian government has implemented programs and policies aimed at ensuring the success of the tourism industry. The paper explores the socio-economic and demographic characteristics of tourism entrepreneurs in Malaysia to explore the awareness and use of the government assistance tourism related programs based on a survey of 346 tourism entrepreneurs. Overall, the study finds that a tourism entrepreneur in Malaysia do not avail the assistance schemes and support provided by the Malaysian government. Many TSMEs operators are still unaware of the available assistance programs and not well utilized by TSMEs. The paper concludes with the policy implications drawn from the study.

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### 1. Introduction

The Malaysian government has encouraged active participation of both the public and private sectors through vigorous promotion and marketing, diversifying target markets, as well as improving the competitiveness of tourism products and services in an effort to sustain tourists' interest in Malaysia. The Malaysian government has a series of five-year economic development plans that have been implemented since the country's independence in 1957. Prior to the first Visit Malaysia Year (VMY) campaign in 1990, the country's tourism revenue from 1981 to 1988 was in the range of RM1000 million to RM2000 million. In 1989, tourist receipts rose by 39% to RM2.8 billion and by 61% during Visit Malaysia Year 1990 to RM4.5 billion. By 1998, the country's, boosted by the second Visit Malaysia Year campaign. In 2015, the tourism industry in Malaysia increased by up to RM69 billion tourist receipts from 25.72 million tourist arrivals in the country (Tourism Malaysia, 2016). The industry has become the second major contributor to the nation's GDP and is now one of the fastest growing sectors in the Malaysian economy.

Tourism Small and Medium Enterprises (TSMEs) performance and survival in the industry are particularly important to Malaysia because apart from their key role in delivering tourism products to the tourist, they also play an active role in advancing the local community (King et al., 2014; Set, 2013). It is essential to observe TSMEs performance to ensure TSMEs reach their full potential. Since the 2nd Malaysian Plan until 10th Malaysia Plan, the Malaysian government has provided numerous of financial and non-financial assistance programs with the objective to assist and spur the performance of TSMEs in Malaysia (EPU, 2011). Thus, this study focuses on exploring the awareness level and use of government assistance programs by Malaysia TSMEs.

### 2. Literature review

Based on a review of previous empirical studies (Young and Wook, 2010), government involvement also factors as one of the important resources for SMEs success (Set, 2014) and is regarded as an external resource toward factors affecting SME success (Chittithaworn et al., 2011). Some studies have identified the ineffectiveness of government support toward SMEs performance. According to Crick and Lindsay (2015), government influence on TSMEs can exert either a positive or a negative influence. According to Kozan et al. (2006), Turkish SMEs suffer from a lack of financial support, a high

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burden of taxed and regulations and too few government programs. [Wanhill \(2013\)](#) examined the theory and practice of government intervention in the tourism industry to understand market failure. The study focused on issues of investment strategy and principal instruments for implementation, namely investment incentives. Results show that businesses, which dominate the sector, face numerous problems to guarantee success. These difficulties relates to (1) structuring small business finance, (2) upgrading standards, (3) improving communication channels and (4) a lack of market intelligence. The rationale for government intervention lies in the complex nature of tourist products, which makes it unlikely for the private sector to assist in implementing the country's tourism policy objectives by producing conditions and facilities that meet the needs of visitors, benefit the host community and are compatible with the wishes of the same community. According to [Wanhill \(2012\)](#), market mechanism and governance should not been seen as mutually exclusive activities but rather complementary actions. Besides that, it also added that an action program is needed to create the right business environment for SMEs in order to improve their quality, diversity, competitiveness and profitability. [Sharma and Sneed \(2008\)](#) investigated performance efficiency of small hotels in three major cities in Tanzania. Spatial performance analysis and comparison of small hotels in Tanzania's key tourism location were used to seek out the factors that affect small hotels. To look at the performance efficiency of the hotels, [Sharma and Sneed \(2008\)](#) evaluated factors such as the scale, location effects and employee skills and their effect on hotel's performance. Results show that the biggest challenge facing small hotels in Tanzania is increasing capacity to capitalize on cost-savings associated with larger operations. This requires the government to provide education and training for the industry. The above measures may also improve critical infrastructure in certain parts of the key tourism locations to allow the industry to increase tourist and visitor traffic. Thus, marketing and promotion effort of hospitality and tourism require the industry to partner with the government ([Sorooshian et al., 2011](#)). In Canada, its tourism industry is promoted as big business which is important to all stakeholders where private sector task force is cooperating with the government to produce the its national tourism blueprint strategy ([Murphy, 2013](#)). This indicating in most of tourism countries, government assistance is still playing an essential role to support the private sector particularly the TSMEs ([Roxas and Chadee, 2013](#)) where it is regarded as the backbone of the tourism industry by implementing numerous initiatives including continuous products and service innovation in order to remain competitive.

### 3. Research background

As the tourism industry in Malaysia is one of the largest industries and employers in Malaysia,

Ministry of Tourism and Culture Malaysia (MOTAC) is also responsible for developing the tourism industry in a sustainable manner and for maximizing its potential as a primary and new growth industry which in turn generates substantial employment for Malaysian. Thus, besides planning and developing national tourism products, MOTAC also provides tourism-related courses for tourism workers, publics and especially to tourism operators to increase their competency and competitiveness and to expand the opportunities for long-term careers in tourism.

[Table 1](#) lists the courses provided by MOTAC to offer and support the human capital in tourism industry with appropriate skills. In 2012, there are 58 MOTAC registered tourism training institutes that offer and conduct such courses all over Malaysia ([MOTAC, 2016a](#)). MOTAC also offered extensive training supervised by National Tourism Human Resource Development Council (NTHRDC) and the National Vocational Training Council (MLVK) to improve the quality of tourism services. MLVK has developed 77 National Occupational Skills (NOSS) covering hotel, tourism and travel segments, theme parks and recreational activities to provide semi-skilled employees to meet the labor force demand of Malaysia's tourism industry. According to the 7th Malaysia Plan review, in 2005, there are more than 2,500 tourism related training programs offered in 113 training places throughout Malaysia ([EPU, 2006](#)).

**Table 1:** Courses programs by MOTAC ([Ibrahim, 2009](#))

1.	Mesra Malaysia
2.	Think and Act Tourism
3.	Tourism English
4.	Basic Tourist Guide Course
5.	Local Nature Tourist Guide Course
6.	Homestay
7.	Ethics/Communication/Appearance
8.	Crisis Management
9.	Tourism Awareness
10.	Hotel and Services Management
11.	Halal Product
12.	Marketing
13.	Train the Trainer
14.	Eco-Host Malaysia
15.	Product Development
16.	Foreign Language
17.	Hygiene Awareness
18.	Excellent Customer Service
19.	Tourist Boat Operating Course and Courteous Taxi Driver Course

In order to further enhance TSMEs competitiveness, Malaysian government offers wide ranges of financial and non-financial assistance programs to TSMEs in Malaysia and at the same time to encourage new and young entrepreneur to venture businesses in tourism industry. [Tables 2](#) and [3](#) indicate the list of both financial and non-financial support provided by Malaysian government.

## 4. Methodology

### 4.1 Sample and data collection

This research has applied a survey instrument to obtain information from TSMEs in Malaysia related

to their awareness and usage on TSMEs assistance programs provided by Malaysian government. This research involved 750 TSMEs located in Kuala Lumpur, Kedah, Pahang, Pulau Pinang and Sabah.

**Table 2:** Lists of financial assistance for TSMEs in Malaysia (SME Corporation, 2016)

1.	Tourism Special Fund
2.	MARA Business Financing Scheme
3.	Tourism Infrastructure Fund
4.	Graduate Entrepreneur Fund
5.	TEKUN Financing Scheme
6.	Bumiputera Entrepreneur Project Fund
7.	Soft Loans for SMEs
8.	Fund for Small and Medium Industries 2
9.	Special Fund for Tourism 2
10.	Initiative Financing Scheme
11.	New Entrepreneur Fund 2
12.	Rural Economy Financing Scheme
13.	Soft Loan for ICT Adaption
14.	Special Assistance Scheme for Women Entrepreneur
15.	Youth Business Scheme
16.	Tanmiah Scheme
17.	Tourism Special Fund

**Table 3:** Lists of non-financial assistance for TSMEs in Malaysia (MOTAC, 2016b)

1.	Tourist Guide Course
2.	Marketing and Promotion
3.	Strengthening Skill of Workforce
4.	Entrepreneurial Development Programs
5.	Mesra Malaysia Course Budget
6.	Advisory Services
7.	Tourist Boat Operating Course
8.	Think Tourism
9.	Hotel Efficiency Improvement Course

The survey area focused on these five localities were based on the highest tourist arrival compare to other locations in Malaysia (Tourism Malaysia, 2016) and due to the limitation of the incomplete data of TSMEs population based on locations. Out of 750 questionnaires distributed, 346 of the returned questionnaire were used for the purpose of the study. The data of TSMEs were obtained from Ministry of Tourism, Tourism Malaysia and Malaysia department of Statistics. Due to the fragmented nature of TSMEs type of business and the nature of the available data, the sample is limited to TSMEs providing accommodation services and travel agency services, tour operator and tourism guide services. The completed questionnaire was collected at the TSMEs premises.

This personally administered approach helps in increasing the participations among the tourism entrepreneurs in Malaysia as the key informant for this study. In measuring the level of awareness and use of government assistance programs, this study adopted a list of assistance programs from SME Corp and MOTAC (Table 2 and Table 3). This allows for the analysis of rank data in measuring the variable.

## 5. Results and discussion

Of the 346 owner managers of TSMEs surveyed, majority were males (77.5%). The respondents ranged in age from 25 and above, with 85.2% of the respondents aged 31 years and above. Majority of

the respondents have tertiary education (59.4%), 36% with secondary education and the remaining 4.6% with primary education.

Interestingly, all the respondents have some form of formal education. Most of the tourism entrepreneurs in this study are of Malay origin (44.5%), nearly 39% of owner managers are of Chinese origin, 14.7% of Indian origin and the remaining 2.3% are of other origins. Most tourism entrepreneur of TSMEs has had some form of work experience in the tourism industry (87.3%), with very small number with no prior work experience in the industry (12.7%). Most of TSMEs were registered as private limited companies (40.2%), and approximately 56% of the TSMEs in this study were not family businesses.

Table 4 comprises the background of TSMEs. As can be seen, TSMEs offering accommodation services represent 51%, while the other 49% comprises of travel agents, tour operators and other tourism guide services. Firm size in this study is measured by the total number of full-time employees. Primarily, TSMEs in this study are in small-sized with 62% while medium-sized make up the remaining 38%. The ownership structure among TSMEs is differentiated in terms of sole proprietorship, partnership and private limited company. Majority TSMEs in Malaysia choose to establish their business in sole proprietorship with 40%, followed by partnership and private limited. This is supported by SME Corporation (2016), the simplicity in establishing and terminating sole-proprietorship compared to private limited companies has made it the most common ownership among Malaysian SMEs. In terms of TSMEs age structure, majority are considered experienced firms with 57% have been in operation for more than 30 years. These TSMEs has been in tourism industry in between 2002 and before 1980. While, there are 43% were established after 2003. This can be attributed to the 8th Malaysian Plan (2001-2005) where major programs were implemented on tourism industry including the provision of medium budget accommodation (EPU, 2008).

**Table 4:** TSMEs' profile

Variable	%
<b>TSMEs businesses</b>	
- Accommodation services	51
- Travel agents, tour operators and other tourism guide services providers	49
Firm size structure (Number of full-time employees)	
- Small-sized (5-19 employees)	62
- Medium-sized (20-50 employees)	38
Ownership structure	
- Sole proprietorship	40
- Partnership	36
- Private Limited Company	24
Firm age structure	
- Before 1980	5
- In between 1981-1991	17
- In between 1992-2002	35
- In between 2003-2009	43

Tables 5 and 6 list the financial and non-financial assistance provided by the Malaysian Government to TSMEs in the country. In this study, most of the

respondents have a low level of awareness on both of financial and non-financial assistance programs where most of the programs ranged between 2.74 and 3.04.

In terms of level of use of financial assistance and the non-financial courses and training, the majority

of TSMES do not use both assistance types provided by the government. One of the challenges by Malaysian SMEs is poor access to financial assistance due to differing criteria for eligibility for receiving funds and the bureaucracy that exists within the government agencies.

**Table 5:** Level of awareness and use on the financial tourism assistance programs

Assistance provided	Mean	s.d	Rank	Frequency (%)	
				Yes	No
Tourism Special Fund	3.04	1.19	1	122 (35.3)	224 (64.7)
MARA Business Financing Scheme	3.01	1.20	2	118 (34.1)	228 (65.9)
Tourism Infrastructure Fund	2.93	1.18	3	109 (31.5)	237 (68.5)
Graduate Entrepreneur Fund	2.87	1.18	4	106 (30.6)	240 (69.4)
TEKUN Financing Scheme	2.84	1.24	5	111 (32.1)	235 (67.9)
Bumiputera Entrepreneur Project Fund	2.82	1.18	6	108 (31.2)	238 (68.8)
Soft Loan for SMEs	2.81	1.19	7	112 (32.4)	234 (67.6)
Fund for Small and Medium Industries 2	2.80	1.18	8	99 (28.6)	247 (71.4)
Special Fund for Tourism 2	2.79	1.14	9	105 (30.3)	241 (69.7)
Initiative Financing Scheme	2.77	1.17	10	101 (29.2)	245 (70.8)
New Entrepreneur Fund 2	2.76	1.18	11	103 (29.8)	243 (70.2)
Rural Economy Financing Scheme	2.73	1.18	12	102 (29.5)	244 (70.5)
Soft Loan for ICT Adoption	2.72	1.19	13	105 (30.3)	241 (69.7)
Special assistance scheme for women entrepreneurs	2.69	1.18	14	100 (28.9)	246 (71.1)
Youth Business Scheme	2.68	1.17	15	104 (30.1)	242 (69.9)
Tanmiah Scheme	2.65	1.17	16	108 (31.2)	238 (68.8)

**Table 6:** Level of awareness and use on the non-financial tourism assistance programs

Assistance provided	Mean	s.d	Rank	Frequency (%)	
				Yes	No
Tourist Guide Course	3.09	1.22	1	139 (40.2)	207 (59.8)
Marketing and promotion	2.99	1.20	2	152 (43.9)	194 (56.1)
Strengthening skills of workforce	2.97	1.17	3	143 (41.3)	203 (58.7)
Entrepreneurial development programmes	2.91	1.16	4	135 (39)	210 (60.7)
Budget Hotel Efficiency Improvement Course	2.87	1.25	5	133 (38.4)	213 (61.6)
Advisory Services	2.87	1.21	6	138 (39.9)	208 (60.1)
Tourist Boat Operating Course	2.80	1.24	7	121 (35)	225 (65)
Think Tourism	2.75	1.19	8	131 (37.9)	215 (62.1)
Mesra Malaysia Course	2.74	1.21	9	126 (36.4)	220 (63.6)

Further analysis shows that nearly half (157 respondents, 47%) of the TSMES in this study are not members of any tourism associations in Malaysia, while a little over half (174 respondents, 53%) are registered with a tourism association. This indicates that many Malaysian tourism entrepreneurs have a lack of information related to the government's available financial and non-financial programs (Yusoff, 2011).

## 6. Conclusion

Government assistance is regarded as one of SMEs' important external resources. Both financial and non-financial assistance from the government can have an influence on TSMES' performance, particularly during the start-up stage. Furthermore, some studies have identified that lack of government support is one of the major reasons for SMEs' failure.

In general, government support has a positive impact on the performance of SMEs because government support has been shown to be important for small firm success (Yusoff, 2011). Likewise, the effect of government policy is need for SME success (Porter, 2008; Storey, 2008). It was also supported by other studies that there is a positive association of external supports by the government toward the success business growth among SMEs (Johnson et al., 1999; Storey, 2016).

It is important to note that, although the government assistant programs initiatives to boost the competency and competitiveness among tourism workers, publics and especially to tourism entrepreneurs, participation of all stakeholders within tourism industry is crucial to ensure the existing assistance programs are offering the assistance needed by TSMEs in Malaysia. At the same time, the information is widely distributed and reaching to TSMEs operators. It is suggested that future research focus should be on investigating the effectiveness on TSMEs assistance programs in Malaysia (Komppula, 2014).

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