

IMPROVING BANK'S ATTITUDE TOWARDS
FINANCING THE SMALL AND MEDIUM
ENTERPRISES (SMEs):
A CASE FOR MALAYSIA

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Improving Bank's Attitude Towards Financing the Small
and Medium Enterprises (SMEs):
A Case for Malaysia

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ABSTRACT

This study examines the relationship between bank's attitude and access to financing for SME companies for Malaysian local banks. It is evidence that large part of the private sectors consist of SMEs in Malaysia. The role of SMEs in economic growth has become more important than ever in line with the government envisioned New Economic Model. There is substantial evidence that SMEs face larger growth constraints and have less access to financing.

Using data collected from lending officers from local banks, we examine the banks practices in evaluating the SME financing. We found that banks attitude affects SME access to financing and that government supported initiatives and lending technologies affect Banks attitude towards financing the SMEs.

We suggest that in order to improve bank's attitude towards financing the SMEs, a paradigm shift need to be initiated by the banks and other bodies involved in this issues.

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