

CHAPTER TWO: LITERATURE REVIEW

2.1 THE IMPORTANCE OF SME IN OTHER ECONOMIES

Following the intensified international trading activities and more liberalised and globalised business environment, to better understand the new challenges facing by Malaysian SMEs, we need to understand the importance of SME in terms of output and employment in other economies and make comparison.

European Union (EU) Region

Globally, it is recognised that approximately 80% of economic growth comes from the SME sector. A total of 99% of all businesses in **North America and Europe** are SMEs (Adam, Dogramaci, Gangopadhyay and Yesha, 1998).

In **United Kingdom and Germany**, SMEs' contributions to the total turnover of company in 1988 were 60% and 63% respectively (David Lauder, Grahame Boocock and John Presley, 1994).

In **UK**, SMEs are increasingly viewed as the major source of jobs within the UK, but there is considerable evidence that many fail to grow (Roy McLarty, 1988). In **Scotland**, 98.8 percent of all businesses employ fewer than 50 people, accounting for 47.6 percent of the total Scottish workforce [The Scottish Office Statistical Bulletin Index 1998].

Asia Pacific Region

In **Asia Pacific Region**, SME comprises well over 90% of all enterprises in the region and provide employment for over half of the region's workforce and contribute somewhere around 50% of the region's GDP (Hall 1995).

In **Taiwan**, SME development is supported by public R & D organisations for the purpose of spinning off small industries while at the same time facilitating the transfer and assimilation of advanced technologies (Wade, 1990).

In **China and Indonesia**, in spite of the apparent dominance of large multinational conglomerates, much of the domestic manufacturing innovation is produced by small and medium-sized firms (Hill, 1998).

In **Brunei**, SMEs contributed 92% of employment in the private sector and a little over 66% of GDP in the non-oil sector of the economy. SMEs in Brunei are businesses with 1 to 100 employees. Majority of them are micro-enterprises and small enterprises.

In **Singapore**, the SMEs comprise 92% of total establishments, employ 51% of the workforce and generate 34% of the total value added. However, their productivity is only about half of the non-SME establishments (SME 21, 2000).

With increased growth across the economies of the region, and increased access to new technologies, a considerable proportion of SMEs become successful high-growth enterprises in national and regional economies (Liu, 1995).

2.2 THE CAPABILITIES AND CAPACITY OF THE SMEs

In facing the stiff challenges of a more liberalised and globalised environment, to ensure sustainable economic development, the SMEs have to adopt different approaches to develop their capabilities and capacity. This involves commitment from the highest levels of government in policy formulation and implementation, and also the self-awareness of SMEs.

Competitive advantage is seen to be founded on a complex of competences, capabilities, skills and strategic assets possessed by an organization. Teece *et al.* (1991) define **core capabilities** as “a set of differentiated skills, complementary assets, and routines that provide the basis for a firm’s competitive capacities and sustainable advantage in a particular business” . Such capabilities or core competences are not built on discrete independent skills but are “the synthesis of a variety of skills, technologies and knowledge streams (Hamel and Prahalad, 1994).

Capabilities are defined by Sanchez, Heene and Thomas (1996) as “repeatable patterns of action in the use of assets” . A list of capabilities believed to be of critical importance for most companies involved in international business has been put together as bellows:

- Efficient and reliable evaluation of foreign markets
- Empathy with foreign cultures
- Establishing foreign contracts

- Maintaining customer ' s trust
- High transactional efficiency
- Selecting optimal market entry mode
- Smooth and efficient management of the overseas based operations
- Ability to conceive and negotiate mutually acceptable solution of business problems
- Generating and sustaining high level of customer confidence in company professional efficiency

Today modern technology and global competition required global business skills, which could be a new area for SMEs. Sanchez, Heene and Thomas (1996) define **skill** as “a special form of capabilities used in a specialised situation or related to the use of specialised asset” .

In his doctoral dissertation, Jagodka has conducted a global Delphi survey (Jagodka, 1997) and established a number of international marketing skills considered critical by thirty experts from America, Europe and Australia. To penetrate the foreign market, SMEs have little choice other than to acquire the necessary international marketing skills to success. These marketing skills are presented as bellows:

Ability to:

- Determine appropriateness of product adaptation versus standardization
- Evaluate the effectiveness and efficiency of international marketing activities
- Review packaging, packing and labeling requirements
- Write and implement an international marketing plan
- Secure foreign country/government approvals
- Assess foreign market size and potential
- Identify “what you are selling”
- Develop insights concerning foreign customer buying/technical decision-making behaviours
- Evaluate and select appropriate foreign market entry alternatives
- Adapt to foreign business practices, cultural differences and protocol
- Identify, evaluate, qualify and select foreign distributors / agents
- Communicate clearly with others when English is not their first language
- Select, recruit, compensate, train, and manage an international sales force
- Analyse import/export government regulations (costs/risks)
- Evaluate and select appropriate promotional mix
- Evaluate and select international pricing strategies
- Identify and abide by legal issues relative to foreign promotion
- Evaluate and select appropriate international payment methods
- Evaluate and select appropriate communication channels
- Negotiate effectively in a multicultural setting
- Develop promotional/presentation materials/ product literature
- Determine costs associated with overseas customs duties and regulations

- Use trade shows to promote international trade
- Assess product suitability to foreign markets
- Explore other promotional alternatives that may be characteristic of given country

On the other hand, the performance and competitiveness of SMEs are very much depending on their owners/managers. As such, SMEs' individual and interpersonal **managerial competence** is essential.

Researcher (Henry, 1989, p. 59) found that human relations between workers and managers, and among workers themselves, were primary determinants of worker's efficiency. Conversely, material incentives and working conditions, while relevant, were less significant as motivators of productivity.

Used at times interchangeably with capability, **capacity** may be understood as the inherent endowment possessed by individuals or organizations to achieve their fullest potential. Capability would refer to the action taken on capacity in order to realize this potential. Clearly, capacity and capability are interrelated concepts (Jay D. Jurie, 2000).

Cottrell (1977) described **capability** as involving both commitment and participation. Lappe and DuBois (1994) described **capacity building** as the enhancement of problem solving and an integral aspect of "relational self-interest" , or the linkage of one's own interest to those of others.

As discussed, to be able to compete beyond the domestic market, the SMEs have to build their global core competencies, capabilities and skills. The critical question would be, in facing the challenges in a globalised economy, have Malaysian SMEs equipped with all the above capabilities to compete in international business?

2.3 IMPACT OF TRAINING ON THE CAPACITY AND CAPABILITIES

To determine whether training programs produce real benefits for small and medium-size enterprises (SMEs), we must investigate the relationships between those programs and their effects on the business performance of SMEs.

An educated and well-trained work force is considered to be essential to the maintenance of a business firm's competitive advantage in a global economy. It is also believed that training can and should be a powerful agent to facilitate a firm's expansion and the development of its capabilities, thus enhancing profitability (Cosh et al., 1998).

However, Westhead and Storey (1997) suggest that employees in small and medium size enterprises (SMEs) are much less likely to receive training than their counterparts in larger organizations.

In a survey of 1,480 SMEs in Canada, Baldwin et al. (1994) found both the proportions of employees receiving training and training expenditure per employee to be negatively correlated with business profitability. They also discovered that the most successful firms tend to train fewer workers than less-successful ones. A study by Wynarczyk et al. (1993) of fast-growth SMEs in the UK showed an insignificant relationship between the provision of training and firm performance when other related variables were controlled. Another survey conducted by the Cambridge Small Business Centre (1992) in the UK, found no clear link between firm growth and the provision of training. Storey and Westhead (1994) after examining previous research on the relationship between training

and small business performance, concluded that the association between these two variables is not well established. Finally, Marshall et al. (1995) suggested that management-training projects have little effect on the performance of small firms, though they may be successful in larger companies with greater management skill and capacity.

More recently, Cosh et al. (1998) investigated a sample of 1,640 UK SMEs that had participated in surveys in 1991 and 1995. As a result of their investigation, they found a positive link between training and firm survival and also a strong relationship between training to employment and sales growth, but unrelated to profit margins.

Management support and training effectiveness SME owners and managers play a pivotal role in making decisions relating to the provision of formal, job-related training (Matlay, 1996). The owners and managers of smaller firms tend to demand less training than those of larger ones do (Westhead and Storey, 1997). One possible explanation of this tendency is that time-related pressures and the high direct cost of training may make SMEs reluctant to invest in training or to allow their employees to attend training courses. We may thus expect a strong correlation to exist between the degree of management support for training and training effectiveness.

In a study on Taiwan manufacturing firms (Tung-Chun Huang, 2001), it was revealed that a very strong relationship between management support and training effectiveness. With the size of the training budget, number of training

hours, and proportion of training coverage all varying directly with the degree of management support, support from management may be the most critical element of all in achieving training effectiveness.

In view of the above, we need to know the staff training level in Malaysian SMEs whether their staff are much less likely to receive training than their counterparts in larger organizations and what types of training are required by them to improve their international competitiveness.

2.4 SUPPORT SYSTEM TO SME

A large portion of this study is on the SME support system, namely, government assistance in marketing and business operation, types and channels of government or private sector advisory services, loans facilities from financial institution, special funds from the government and credit guarantee from CGC.

To build an international standard support system for Malaysian SMEs, and to equip the relevant institutions to assist not only the large but also the small establishments, this study hopes to examine the role and efficiency of the government SME institutions and to use the United Kingdom and German's SME support system as the benchmark (David Lauder, Grahame Boocock and John Presley 1994).

In German, SME support policy is enacted within a rigidly imposed legislative framework. Under the federal system more power is allocated to the local level

and most of the Länder (states) have enacted small firm legislation. By contrast, SME support policy in the UK is centrally controlled, operates within a less stringent legislative framework and has been correspondingly slower to develop.

The German system of support is certainly more firmly entrenched than that of the UK. In Germany, two main bodies represent business interests: the Association of Chambers of Industry and Commerce (DIHT), Deutsche Handelskammern, and the Handwerkskammern. The German Chambers are located throughout the country and enjoy a legal status requiring that all SMEs register. The British Chambers of Commerce are less widespread and enjoy no similar legal status.

In Germany, institutional arrangements for assisting small firms are well established; vocational training within the SMEs is co-ordinated by the Chambers of Commerce (Deutsche Handelskammern) and Chambers for Craft Enterprises (Handwerkskammern). It is the Handwerkskammern which have the main responsibility for training in the SMEs. These bodies are also responsible for the accreditation of training qualifications (Abschl prüfung).

In both the UK and Germany considerable resources have been devoted to information and consultancy support for SMEs.

In Germany, most schemes are delivered by local agents. The Training and Enterprise Councils (TEC) consultancy programmes were to promote business development or to cope with change. Most TECs provide a consultancy programme, although there is great diversity in the programme offered:

List of Consultancy Programme by German TEC:

TEC	Name	Max. finance £
Avon	Joint Action on Training	
Aztec	Business Change	10,000 or 50 per cent
Bury and Bolton	Business Review	4,000 or 66 per cent
Cambridgeshire	Management Development Initiative	2,500 or 50 per cent
City and in London	Management Change	
Devon and Cornwall	Business Development	15,000
Dorset	Managing Business Change	1,600-5,000
Durham	Managing Change	50 per cent
Dudley	Plan for Change	4,000 or 50 per cent
Essex	Business Development Programme	5,000 or 50 per cent
Gwent	Business Development Initiative	
Hertfordshire	Managing Business Change	5,000 or 50 per cent
Humberside	Plan for Change	15,000-20,000
Kent	Business Development Strategy	5,000
Lanes and Area West	Small Business Development	6,000 or 60 per cent
Merseyside	Increased Business Competition	15,000
Milton Keynes and Bucks	Business Development Plan	7,500
Normid	Managing Change	15,000
North London	Managing Business Change	16,000
North Wales	Business Development Project	15,000 or 50 per cent
North West Wales	Business Development Project	15,000
North East Wales	Management Consultancy	
Nottingham (Greater)	Management Development Programme	10,000
Powys	Business Consultancy	
Sandwell	Business Skills	10,000 or 75 per cent
South and E. Cheshire	Performance Improvement Programme	
Suffolk	Managing Business Change	15,000
Sunderland	Consultancy Initiative	66 per cent
Teesside	Consultancy Initiative	66 per cent
Tyneside	Managing Change	15,000
Warwickshire	Business Development Initiative	
West and Wales	Management Development Initiative	10,000

Source: David Lauder, Grahame Boocock and John Presley, (1994), The System of Support for SMEs in the UK and Germany

In German, consultancy associations have compiled registers listing the specialisms offered by their members. There is a structural data bank covering member firms of the Bundesverband Deutscher Unternehmensberater (BDU) (Federal Association of German Management Consultants). This lists

approximately 250 specialist areas covering over 100 branches of industrial and commercial activity.

Largely for political and cultural reasons, there are no comparable local support systems in the UK.

It may not be suitable to transplant the German or UK's systems to Malaysia, also, it would be wrong to suggest that in every respect the Western system is superior. However, it would be a good benchmark for our institutions in enhancing their developmental aids to SMEs.

In Malaysia, to encourage more usage of ICT among SMEs, the government has allocated RM5 million as a grant for local Electrical and Electronic (E&E) companies to implement RosettaNet, an Internet based common messaging standard for global supply chain management. It enables companies in the supply chain to communicate and conduct business electronically through common codes for sourcing of parts and components.

It is aimed at preparing Malaysian companies for early adoption and implementation of global supply chain management system.

Besides, the government also introduce the E-Manufacturing Grant to provide assistance to SMEs to use information and communication technology (ICT) to improve competitiveness, efficiency and productivity.

Before that, the government has introduced E-Commerce Grant in 2000. However, with effect from 27 June 2002, the programme has been discontinued

as it has reached the allocated budget and there is no additional fund. SMIDEC has received an overwhelming response towards the program but it doesn't indicate that SMEs is aware about the importance of ICT in doing business as many of them just using the grant for setting up a simple website.

2.5 LIBERALISED AND GLOBALISED ENVIRONMENT

In studying the efforts needed to channel to SMEs, we need to understand the nature of globalisation; the factors underlying the globalisation of production and distribution; how Malaysian SMEs are responding to globalisation and what is driving their responses; and what government policy changes can maximise the benefits and minimise the costs of globalisation.

Globalisation and Regionalisation

Globalisation is the process by which the world's economy is transformed from a set of national and regional markets into a set of markets that operate without regard to national boundaries. Global company is a company that is able to operate across national boundaries in pursuing both international and global opportunities (Jane Fraser and Jeremy Oppenheim, 1997).

On the other hand, Asian Development Bank's (ADB) views globalisation as "the ongoing economic, technological, social and political integration of the world that began after World War II" (Asian Development Outlook 2001). And as contained in the UN 1999 Human Development Report, globalisation is described as

"increasing the contact between people across national boundaries – in economy, in technology, in culture and in governance".

There are also some recent researches suggested that globalisation is a myth. Alan M. Rugman argued that, far from taking place in a single global market, most business activity by large firms takes place in regional blocks. There is no uniform spread of US market capitalism, nor are global markets becoming homogenized. Government regulations and cultural differences divide the world into the triad blocks of **North America**, the **European Union** and **Japan**. Rival multinational enterprises from the triad compete for regional market share and so enhance economic efficiency. As such, top managers actually need to design triad-based regional strategies, not global ones (Alan M. Rugman, 2001).

Globalisation and Trade Barriers

Globalisation has been under way for decades, however, the pace of globalisation has quickened. Internationalisation of the production and distribution of goods and services, and the associated trade and capital flows, has accelerated in most countries during the past 15 to 20 years (Peter G. Graham).

Australia's Economic Planning Advisory Commission (EPAC) "Total world trade in goods and services has expanded year after year, with few interruptions, for more than four decades" (EPAC, 1995a, p. 13). They also identified three main factors as bellows (EPAC, 1995a, p. 4):

- (1) Technological improvements;

- (2) A greater global outlook at the firm level; and
- (3) Government policy initiatives in both developed and developing countries.

The statistics also show that the tariff rates have been gradually lowered to encourage the global trade:

Tariff Rates in Large Developing Countries (%)

	1984-87	1988-90	1991-1993	Post-Uruguay Round
Indonesia	18.2	18.0	12.6	6.3
Brazil	50.2	28.4	14.7	11.7
China	29.2	29.2	30.6	16.6
India	90.0	62.4	42.6	30.9
Korea	20.2	11.3	10.0	7.7
Malaysia	14.7	11.5	11.2	6.4
Mexico	9.1	8.9	12.3	10.4
Thailand	26.9	38.0	36.9	26.1
Turkey	21.9	19.0	9.0	2.8

Source: World Bank. 1998. "Indonesia: Strengthening International Competitiveness." Processed. The World Bank, Washington D.C.

Globalisation And AFTA

The leaders of ASEAN and China have also endorsed the proposal for a Framework on Economic Cooperation and agreed to establish an ASEAN-China free trade area within ten years. With a combined market of 1.7 billion people, a gross domestic product of US \$2 trillion and total trade of US \$1.23 trillion, that is a market that Malaysia SME can't afford to ignore.

The realisation of AFTA is a drive for SME to build their capacity and capabilities in competing in a more liberalised and regionalised market.

The elimination of tariffs and non-tariff barriers among the ASEAN members has served as a catalyst for greater efficiency in production and long-term competitiveness.

For ASEAN Free Trade Area (AFTA), at the beginning of 2002, only 3.8% of products in the Common Effective Preferential Tariff (CEPT) Inclusion List, or 1,683 items out of 4,060 would have tariff above 5%. ASEAN countries further agreed to eliminate all import duties by 2010 for the six original members of ASEAN and by 2015 for the new members (ASEAN Secretariat, 2002).

Not only the SMEs, the government also plays a significant role in liberalised business environment. Asundi (1996, pp. 340-1) in assessing the effect of globalisation and growth of international trade on small businesses believes that to become strong in markets conditioned by recent global developments, nations must excel in three areas:

- (1) The country must maintain economic competitiveness;
- (2) Influence trade regulations and advance reciprocity in trade;
- (3) Encourage business enterprises to develop a global orientation.

Globalisation And SMEs' Capacity and Capabilities Building Process

For SMEs to success in the more liberalised and globalised environment, Adam J. Koch has indicated that a company needs to fulfil the following general conditions for it to be **globally competitive**:

- (1) Possess the capacity to assess the impact of the changes in its international business environment competently and faster than most its competitors in the same competence group;
- (2) Have considerable degree of flexibility in choosing various geographic and entry mode options in its the international business expansion;
- (3) Have a superior capacity (for the relevant competence group) in attaining and sustaining a strategically meaningful, leading global position in product and/or process innovation and/or implementing an effective flexible long term sourcing strategy capable of sustaining cost advantage over most global competitors;
- (4) Continuously leverage company competencies through participation in various forms of global strategic alliances;
- (5) Be capable of eliminating all significant competence gaps with respect to all markets and forms of international business in which it is involved, and
- (6) Be able to timely recognise and properly interpret idiosyncratic requirements and to adapt its offerings to individual markets and customers to their full satisfaction.

Notwithstanding globalised or regionalised, the business environment is going to be more liberalised. As such, Malaysian SME owners and managers need to think and act across Malaysia and also AFTA national and cultural borders.

AFTA, the single ASEAN market of 500 million people requires a new outlook of business managers and owners. Markets are generally now multi-cultural and trans-national. Large companies have responded to this by adopting a similar cultural profile and by internationalising their operations. The challenge to SMEs is how to follow.

Malaysia SMEs need to know what sort of skills do they require, and if they do not have them how can they be acquired. Generally, large companies have the financial and time resources available for training, but the situation in smaller companies is generally held to be far worse than this.

As such, training and learning plays a major role in SME growth and the globalisation or regionalisation of SMEs.

In 1987 Thorelli pointed out that psychological barriers constitute important barriers to small business engagement in international marketing (Thorelli, 1987, p. 197). Hence the attitude, motivation and preparedness of smaller firms to compete in the global economy are matters of some interest to encourage participation in that economy.

Malaysia Chinese enterprises, from SMEs to big corporations, have already increased their participation in the international marketplace. However, the official statistics on this aspect are still lacking.

In a study to assess internationalisation and SME development in transition economies, David Smallbone; Bogdan Piasecki; Urve Venesaar; Kiril Todorov

and Lois Labrianidis (1998) have indicated that the ability of SMEs in transition countries to compete in foreign and domestic markets is varies between sectors.

Some SMEs in the emerging private sector are responding to new foreign market opportunities and, in the short term at least, managing to achieve competitiveness. However, there is also evidence that their current basis of competitiveness in foreign markets contains weaknesses which may affect their ability to sustain their export effort in the longer term.

With their limited resources, SMEs' ability to fully utilise the resources effectively is very crucial for them to survive. For the SMEs, liberalisation, globalisation or internationalisation are the learning processes and also the capacity and capabilities building process.

2.6 PROBLEMS FACED IN CAPACITY AND CAPABILITIES BUILDING

Although SMEs are the backbone of Malaysia ' s economy, their potential has not been fully developed due to various aspects of problems.

A recent **Malaysia** research indicated that the major problems faced by SMEs could be summarised as follows (Lim Yau Seong, 2002):

- **Financial** problems – most SMEs have limited access to working capital and other financial assistance. They unable to maintain a satisfactory financial records and unaware of the grants and loans provided by the Government
- Inadequate levels of **technologies and managerial skills** and lack in technological information and R&D capabilities.
- Difficulties in seeking **finance** from financial institutions and capital rising.
- SMEs are threatened by the potential competition from larger industries under intensified **globalisation**.

In Singapore, they believe that the SMEs face structural weaknesses, which lead to their poor **productivity performance** (Singapore SME 21). These include:

- Weak entrepreneurial culture
- Insufficient management know-how and professionalism
- Shortage of professional and technical manpower
- Insufficient use of technology
- Outmoded, unproductive methods of operation

- Limited ability to tap economies of scale
- Small domestic market

It is believed that unless the SMEs overcome these weaknesses and build their global capacity and capabilities, they will not be able to compete in the new economy of the 21st century.

In a recent survey of 1,000 small businesses in Australia (Yellow Pages Australia, 1995), it was revealed that “bureaucracy” is cited as a major problem:

	Percentage
Bureaucracy	13
Shortage of capital	10
Cost of travel or transport	9
Competition from other exporters	9
Time involved	8
Insufficient production	7
Obtaining information	7
Lack of government assistance/funding	6
Difficulty in obtaining contracts	4
None	21
Source: <i>Yellow Pages Australia</i> (1995a)	

As mentioned earlier, one of the most critical problems is their financial weaknesses. In this aspect, the lending market, especially the commercial banks play a critical role.

In **Canada**, bank debt is the primary choice of financing for small- to medium-sized enterprises (SMEs) (Conner, 1995; Petersen and Shulman, 1987). In

Canada, six large multi-branch institutions that hold more than 80% of the market for SME banking services characterize the supply side of the interface between banks and their SME clients. The demand side comprises a large number of very small businesses (Judith J. Madill, Lisa Feeney, Alan Riding and George H. Haines Jr, 2002).

At the end of 1997, there were approximately 950,000 employer businesses in Canada and at least as many self-employed individuals. Most of these businesses are, indeed, small firms: 75.5% employ fewer than five people; 97% report fewer than 50 employees (Statistics Canada, 1996; Lagace, 1997).

In **UK**, commercial banks are also the major source of external finance for small firms. There was an emphasis on financial information, gearing and security which reflects the capital-based approach to bank risk assessment in the UK. However, there was variation among banks in the way managers assessed the credit proposition (Margaret Fletcher, 1995).

In **Malaysia**, as at end-December 2000, the total approved loans of RM5 million and below to SMEs was stood at RM7,949.9 million (Bank Negara Malaysia Annual Report 2001). As a leading SME bank in Malaysia, OCBC Bank (M) Berhad has contributed RM650million or 8.21% of the total portfolio (Source: Emerging Business Department, OCBC Bank (M) Berhad). However, the above figures do not represent all the SME loans, which have loans more than RM5 million.

In order to identify the financial needs of SMEs in capacity and capabilities building, a survey by the Japan Bank of International Cooperation (JBIC) and the Federation of Malaysian Manufacturers (FMM) from December 1999 to March 2000 (Naohiro Kitano, 2000) found that 59.3% (131 firms) of firms demanded additional loans, with 22.2% (49 firms) reporting "urgent" demand. The major complaints of SMEs against banks are: unfavourable loan term, high transactions cost and unmet credit requirements.

The major financial source for working capital is still commercial banks with the usage rate of 62.4% in 1999. However, the survey findings showed that financial institutions do not always regard transactions with SMEs as profitable.

However, things have changed. In a recent interview with Mr. Lim Yau Seong, Head of Emerging Business, OCBC Bank, most of the financial institutions in Malaysia regard transactions with SMEs as profitable. Although many banks have imposed more stringent credit criteria, the banks still regard middle market as the target market for business loans.

The government and the financial institutions have to understand the current position of Malaysian SMEs and find the effective ways to assist the SME sector, especially the capacity and capabilities building and financing assistance.