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SMEs Development in Malaysia: Lessons For Libya

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ABSTRACT

Malaysia has recognized the importance of small and medium enterprises development since early in the 1960s. The need to strengthen SMEs development is crucial, because SMEs are expected to be an essential element of economic growth, employment creation and transformation towards developed country by year 2020. Consequently, Malaysia has given priority to SMEs and has put in place policies and institutional framework that address their developmental needs. This paper reviews the Malaysian Government's efforts to support SMEs focussing on financial and technical programs that have been implemented. Many of public policies have been established to provide the favourable environment for the growth of small and medium enterprises, increase their competitive advantages locally and globally, and improve their export performance which will enhance SMEs' contribution to GDP of Malaysia. The paper also reviews governmental programs to enhance the Malaysian human resources via SME-University collaboration in order to create an innovative generation who have the ability to compete in international markets. Lessons from Malaysia will be proposed as a guide for policy makers in Libya in general, and for the people in charge of the national programme of small and medium enterprises which was established in 2007. The main target of the Libyan national programme for SMEs is to support youths to enter the business field and access to innovative work and to exploit the economic opportunities that are available in the new Libya after the Arab Spring. In the new Libya greater involvement of economic activities is encouraged moving away from state control.

Keywords: SMEs development, Governmental programs, Governmental support.

INTRODUCTION

Malaysia has attracted much attention internationally by recording an extraordinary economic performance; Malaysia has successfully upgraded itself from being an average developing country to an advanced developing country in a relatively short period. Also, Malaysia has improved the quality of life of its population enormously in terms of amenities. Hence, there are many important lessons that can be learned from the Malaysian experience.

The Malaysian economy has undergone significant structural change since achieving Independence in 1957. The economy was dependent on the twin pillars – rubber and tin. Malaysia has successfully embarked on an industrialisation program beginning with import substitution industrialisation (1958-1968), export oriented industrialisation (1968-1980) and heavy industrialisation and second round import substitution industrialisation (1980-1985) (Rajah Rasiah, 2013). The manufacturing sector has increased it's share in national output and employment, and the production base has expanded. The share of the agricultural sector in GDP has declined from 30.8 per cent in 1970 to 7.7 per cent in 2011, while the share of manufacturing sector has increased from 13.9 per cent in 1970 to 24.6 per cent in 2010 (Department of Statistics, 2011). The contribution of agriculture to employment has declined from 53.5 per cent in 1970 to 11.5 per cent in 2011 and manufacturing share has increased from 8.7 per cent to 16.3 per cent in 2010 (Department of Statistics, 2011). The manufacturing sector has played a key role in the transformation of the Malaysian economy. Some reviews indicate that more than 90 per cent of total manufacturing establishments in the country are SMEs. The SME sector plays an important role in Malaysian's economic development as about 90 per cent of businesses consist of SMEs and they contribute 32 per cent to gross domestic product (http://smeinternational.org/2011/11/boosting-growth-of-smes-in-malaysia/11:30am). Hence, the government's commitment and concern for the development of SMEs was apparent from the beginning of the 1970s with the introduction of the New Economic Policy in 1971. SMEs has been promoted with a view to increase Bumiputera participation in the secondary sectors (Habibah Lehar, 2007). Besides this SMEs play an ancillary role to heavy industries and in the diffusion of technology; help development of resource-based industrialisation by enhancing value-added of local commodities and resources; and contribute to balanced regional development with opening of SMEs in less-developed states.

The aims of this paper are to review the role of the Malaysian government in the development of SMEs and to draw lessons for Libya. The paper is structured as follows. The definition and contribution of SMEs to the Malaysian economy are given after the introductory section. This is followed by a discussion on the challenges faced by SMEs and summary of policies and programmes formulated by the Government to develop SMEs. We then give a brief background of the Libyan economy, SMEs in Libya and suggest a number of lessons for Libya to develop SMEs there based on Malaysian experiences. The final section gives the summary and conclusion.

SMEs: DEFINITION AND CONTRIBUTION TO THE ECONOMY

Definition of SMEs

The categorization of SMEs used in this paper follows the definition evolved by the National SME Development Council. In general SMEs in Malaysia are defined as follows: Firm in manufacturing sector has sales turnover less than RM25 million or full-time employees less than 150; Firm in services and other sectors has sales turnover less than RM5 million or full-time employees less than 50.

SMEs contribution to Malaysian economy

The census results showed that there were 645,136 SMEs operating in Malaysia, representing 97.3 % per cent of total business establishments which was 662,939 (Department of Statistics, 2011). Recently, SMEs have been performing well registering average annual growth of SMEs of 6.8% in the period 2004-2010. Since 2004, the value added growth of SMEs has consistently outperformed the growth of the overall GDP (4.9% p.a.).

(TABLE 1)

The value of gross output and value added generated by SMEs in 2010 was RM507.1 billion and RM213.9 billion respectively. Despite accounting for 97.3 per cent of total businesses in the country, the share of SMEs to gross output was only 28.5 % per cent and the share of SMEs to value added was 30.2 %, Department of Statistics (2011).

In 2010, value added growth of SMEs rebounded to 8.4% higher than the overall GDP growth of 7.2 % for the period 2004-2010. The average growth rate of SME productivity in recent years has been increasing at a slightly higher rate compared with large companies. The trend continued in 2010 reflecting 5.9% growth in productivity of SMEs versus 5.5% for large firms. Since 2004, contribution of SMEs to total employment has been increasing as a result of the steady increase in employment by SMEs compared with that of large enterprises. In 2010, it is estimated that the share of employment by SMEs increased to 59.5% compared to 56.4% in 2004.

(TABLE 2)

Salaries and wages paid by SMEs in the various sectors indicated that average annual salary per employee was RM18,335. The highest average annual salary per employee was in the mining and quarrying sector (RM22,759) and the lowest was in the agriculture sector with an average annual salary per employee, RM 12,479.

CHALLENGES FACED BY THE SMEs IN MALAYSIA

SMEs in Malaysian still face many domestic and global challenges in order to compete internationally. Among the key constraints faced by SMEs are in terms of management ability and skilled workforce; access to finance and markets; inability to exploit economies of scale and lack of bargaining power;

low level of technology and limited access to international markets. Procedures and regulations also disproportionately affect SMEs compared to large firms. Saleh and Nudbisi (2006), Munusamy (2008). Teoh& Chong (2008) found that SMEs are dealing with intensified global challenges, new emerging technologies in ICT and production processes as well as increasing factor costs. All of these affect their competitiveness in the export markets. Financing is one of the critical success factors identified to finance establishment of and future expansion in the enterprise (Norhanie et al. 2011). According to a performance monitoring survey by SME Corp Malaysia in 2010 and 2011, the results indicated that the increase in the cost of raw materials and inputs are the main constraints in doing business. In addition, the other problem often encountered by SMEs is access to research and development (R&D). In addition to these difficulties, SMEs also find it difficult to enter into the market. http://themalaysianreserve.com/main/sectorial/enterprise/1434-shaping-the-future-of-smes-despite-challenges (17/3/2013-5:20pm).

SMEs development

The government programmes have been designed to address the constraints faced by SMEs to promote their growth, enhance their competitiveness, and achieve the socio-economic needs of SMEs. The strategies and initiatives to promote SME development emerge significantly in all of the government's economic development plans over the years, which aimed to fostering further growth in the country. Recently, a clear path for accelerating the development of SMEs has been reflected in the current national development agendas, namely:

The Economic Transformation Programme (2011-2020)

Under the Economic Transformation Program the government has identified 12 National Key Economic Areas (NKEAs) that Focus would be to unleash the growth potential of SMEs in areas, where Malaysia has comparative and competitive advantages, as well as expand those areas that have high multiplier effects. A total of 131 Entry Point Projects have been allocated under the NKEAs, of which an estimated 60% of the initiatives are expected to benefit SMEs across all economic sectors (http://etp.pemandu.gov.my/. Accessed in 20/3/2013).

Third Industrial Master Plan (IMP3): 2006-2015

The Industrial Master Plan aims to achieve long-term global competitiveness through transformation and innovation of the manufacturing and services sectors including GLCs and SMEs, to become globally competitive. The industrial master plan has been outlined a total of 10 strategic thrusts which are categorized into 3 broad spectrums namely: development initiatives; promotion of growth areas and enhancing the enabling environment. The government has identified 12 target growth industries in the manufacturing sectoras well as 8 services sub-sectorsfor further development and promotion given that these industries are strategically important to contributing to greater growth of the manufacturing sector.http://www.miti.gov.my/cms/content.jsp?id=com.tms.cms.section.Section_8ab58e8f-7f000010-72f772f7-dbf00272. (accessed in 21/3/2013).

Tenth Malaysia Plan (10MP):2011-2015.

The 10MP has been formulated in line with the New Economic Model. The Plan contains a number of new approaches that aim to transform Malaysia to become a high income, high productivity and developed economy by 2020. The main challenge identified by the 10MP is to encourage private sector investments to grow at 12.8 per cent per annum. The 10MP is constructed on five key strategic thrusts viz. to generate an environment that fosters private sector as the main driver of the economy; to design government philosophy and approach to transform Malaysia; Moving towards inclusive socio-economic development; Developing and retaining a First-World talent base; Building an environment that enhances quality of life (Tenth Malaysia Plan, 2010).

SMEs Master Plan (2012-2020)

The 13th National SME Development Council (NSDC) meeting has agreed to launch the SMEs Master Plan 2012-2020. The Plan defined the policy direction of SMEs in all sectors towards achieving Malaysia's goal of becoming a high income nation by 2020 in line with the New Economic Model. The

Plan seeks the implementation of 32 initiatives, including 6 high impact projects that will promote the SME sector (http://www.smecorp.gov.my/v4/node/2124 accessed in 22/4/2013).

Strategic Goals of the SMEs Master plan

To speed up the growth of SMEs, the Master plan has identified six key challenges faced by SMEs which are: Innovation and Technology Adoption; Human Capital Development; Access to Financing; Market Access; Legal and regulatory environment; Infrastructure. The Plan has determined several strategic goals namely:

• Increase business formation of SMEs by an average annual increase of 5% in business registration (Limited liability).

• Reduce the share of informal sector to the Gross National Income (GNI) from 31% in year 2000 to 15% in year 2020.

• Expand number of high growth and innovative SMEs by an average annual increase of 10%.

• Raise productivity of SMEs labour productivity from RM 47,000 per worker in 2010 to RM 91,000 per worker in 2020.

The accelerated growth is expected to increase the contribution of SMEs to the economy in 2020 in terms of GDP from 32% in 2010 to 41% in 2020, increase employment from 59% in 2010 to 62% 2020, and increase exports from 19% in 2010 to 25% (http://ilmuonline.mpc.gov.my/elmu-cis/document/SME%20Master%20Plan%202012-2020.pdf accessed in 14/4/2013).

The National SME Development Council

In 2004 the Government established the National SME Development Council (NSDC). The Chairman of the Council is the Right Honourable Prime Minister. The Council is represented by 14 Ministries and three agencies that are involved in SMEs development. The Council reflects the Government's substantive commitment to promote SME development in Malaysia. The tasks of NSDC are to prepare strategies for SME development across all economic sectors, coordinate the tasks of related Ministries and Agencies, encourage partnership with the private sector, as well as ensure effective implementation of the overall SME development programmes. Initiatives under NSDC included enhanced access to financing, financial restructuring and advisory services, information, training and marketing coordination and a comprehensive SME database to monitor the progress of SMEs across all economic sectors. Programmes to be implemented by the Council are premised on the following three strategic thrusts aimed at: Strengthening the infrastructure for SME development, building the capacity and capability of SMEs and enhancing access to financing by SMEs. The structured approach implemented in managing SME development programmes has enhanced the effectiveness and efficiency of these programmes, as well as has increased inter- and intra-Ministerial and agency collaboration and consultation in streamlining SME development programmes (http://www.massa.net.my/news/y7_q2_a3.htm accessed in 10/4/2013).

Small and Medium Enterprise Corporation Malaysia (SME Corp. Malaysia)

In 2007, the NSDC appointed a single agency to formulate complete policies and strategies for SMEs and to coordinate programmes across all related Ministries and Agencies. The NSDC launched the Small and Medium Enterprise Corporation Malaysia (SME. Corp. Malaysia) on 2nd October 2009. SME Corp. is now acting as the central point of reference for information and advisory services for all SMEs in Malaysia. It provides capacity building programmes and support through financial and non-financial incentives.

Government Support for SMEs

The Government support in Malaysia is divided into two segments; financial and non financial. Examples of financial support are property loans, working capital and grants. Examples of non-financial supports are: advisory, marketing, management, networking, research and development and technical support. This study will focus on three types of supports that are provided by SMEs Corp:

Human Resource Development

The enhancement of skills is an important aspect of the SMEs' workforce. Towards this end, incentives were given to SMEs to continuously train and re-train their workforce, in order to increase technical and management skills, as well as entrepreneurial know-how. In addition, SMEs were encouraged to acquire relevant knowledge and capacity to operate advanced and specialized equipments to suit different industries. To fulfil the demand for skilled workers in the new business environment many programs were implemented to provide training to employees of SMEs through many skills development centres. A grant of the cost of training was extended to companies to assist in reducing the cost of training.

Skills Upgrading Programme

The Skills Upgrading Programme is aimed at enhancing the skills and capabilities of employees of SMEs in the technical and managerial levels, particularly in critical areas such as the electrical and electronics, information technology, industrial design and engineering fields. Skills upgrading and retraining is vital to enhance the quality of the workforce in order to increase the efficiency of SMEs and adapting to the dynamic business environment. The objectives of the skills upgrading programme are to enhance knowledge the owner the SMEs in managing business; to enhance skills & capabilities employees of SMEs. Grant of 70% on the training fees for SMEs is for Technical and Soft Skills. Currently SME Corp. Malaysia has appointed 51 training centres to undertake technical and soft skills training for SMEs. http://www.smecorp.gov.my/vn2/node/55 (accesse in 25/3/2013).

SME@University Programme

SME Corp. Malaysia is introducing the SME @ University Programme which provides a structured learning opportunity to the CEO's of Small and Medium Enterprises (SMEs). The Programme is designed to help develop capable human capital that will drive diverse management innovation and creativity in developing the business acumen of new and existing entrepreneurs. The Programme is based on the SME University of Japan's hands-on approach, model for participants to learn on what it takes to become a world-class CEO (http://www.smecorp.gov.my/vn2/node/56 accessed on 25/3/2013).

SME-University Internship Programme

This program was initiated in 2008 as an initiative to link SMEs to the universities as part of the Government's efforts to enhance the synergy between the industry and university to upgrade the SMEs' capacity and capability. A Memorandum of Understanding (MoU) was signed between SME Corp Malaysia and Ministry of Higher Education (MOHE) to roll out this Programme to all public universities throughout Malaysia. The programme's aims are to assist SMEs in improving business performance and productivity through consultative approach by university students, under the supervision and guidance by their lecturers, as well as SME Corp. Malaysia's Business Counsellors ; to promote entrepreneurship among students and to provide exposure on real life business environment; and to help the students to acquire the essential skills required both, either for working in the small firm or to start their own enterprises upon leaving full time education. (http://www.smecorp.gov.my/vn2/node/57 accessed to 25/3/2013).

Financial Support

Malaysian Government co-ordinates financial assistance provided to SMEs in the form Soft Loan, Matching grants, Guarantee Scheme and Shariah-compliant SME Financing Scheme (SSFS):

a. Soft Loans for SMEs

Soft Loan (SL) offers assistance to SMEs in modernizing and automating their operations as well as working capital and is applicable to both start-ups and existing companies: Project Financing; Fixed Asset Financing; Working Capital Financing. Eligible expenses under SLSME including: Industrial/Commercial land and factory/business premises construction, ready-built factories/business premises, plant, machinery/equipment and IT hardware/software; Costs incurred for initial store renovation and upgrade of store display for retail trade; Working capital.http://www.smecorp.gov.my/v4/node/2951 (2/4/2014).

b. Matching Grant

Matching grants offer assistance in the form of matching grant where 50% of the approved project cost is borned by the Government and the remainder by the applicant. Matching grants provided for SMEs are illustrated ias follows: matching grant for business start-ups; matching grant for product and process improvement; matching grant for certification and quality management system; matching grant for market development.

c. Guarantee Scheme

Guarantee Scheme aims to assist viable SMEs adversely impacted by the current economic slowdown continue to have access to adequate financing. With CGC's guarantee, it is envisaged that SME's access to financing will be enhanced and at reasonable cost.

d. Shariah-compliant SME Financing Scheme (SSFS)

The government has undertaken to pay two percentage points of the profit rate charged by participating Islamic banks to SMEs when financing approved projects.SMEs undertaking Shariah-compliant business activities in all sectors excluding financial product and services for where the activities are regulated under, among others, the various banking, insurance, takaful and unit trust laws and regulations (http://www.theborneopost.com/2013/01/29/syariah-compliant-schemes-to-provide-further-aid-to-malaysias-sme-growth/accessed in 27/3/2013).

Technology Support

As SMEs in Malaysia face increasing challenges and competition as the result of globalization, it is apparent that they need to upgrade their technological capabilities. Production technologies such as Computer Numerical Control (CNC), Computer Aided Design (CAD), and Computer Aided Engineering are some of the technologies which can be usefully adopted by Malaysian SMEs. The Government provides assistance to upgrade SMEs' technological capabilities by issuing matching grants as follows:

a. Promoting the Application of ICT

SMEs need to develop their ICT capabilities in order to be compatible with, and participate in, the supply chain of MNCs. In this regard, and in order to support the participation of SMEs in the international supply chain, the Government provides financial assistance for eligible enterprises to adopt Rosetta Net common messaging standards for business communication in the Electrical and Electronics sector. While other sectors are to utilize the EBXML (e-business Extensible Mark-up Language), as advised by the United Nations (SMIDEC, 2004). The Enterprise Resource Planning (ERP) system permits organizations to manage resources across an enterprise and integrate its manufacturing systems while helping to automate and manage back-office operations (for example supply chain management, human resources etc). This will help to improve the efficiency of business operations. Aid was given to SMEs to acquire and implement the ERP solution through the e-Manufacturing Grant Scheme. Fast changing market trends and shorter product life cycles are putting mounting pressure on SMEs to respond by adopting the latest technology.

b. Research & Development (R & D) and Innovation

The Government encourages innovation through R&D via many channels: Ministry of Science, Technology and Innovation (MOSTI) – Industry Research and Development Grant Scheme (IGS) and MTDC – Commercialization of Research and Development Findings (CRDF).

c. Technology Commercialisation Platform to encourage innovation

The program provides the necessary support services required from Proof of Concept (POC) to commercialization. This will be done through provision of financial and technical assistance; market information; incubation facilities; testing facilities and other relevant services, all in a single platform. Creation of a national network of TCP promotes business-to-business linkages, enhance knowledge sharing and facilitate trade and export opportunities through linkage to similar program in other countries. Currently there are numerous research institutes, incubators and testing facilities operated by both the private and public sectors. Infrastructure for such incubation services typically include technology parks and shared research facilities, as well as funding schemes that enable entrepreneurs to gain access to capital, SME Masterplan (2012-2020).

THE LIBYAN ECONOMY

Libya's economy is largely dependent on the oil and gas sector, which accounted for more than 71% of nominal GDP, more than 97 % of exports and 90% of government revenues in 2007 (EN, 2013). Libya is the second largest oil producer in Africa and its proven reserves are the largest in that continent. It is also the third largest external supplier of oil to the EU and its fifth largest external supplier of gas. Libya is one of the richest countries in Africa in terms of GDP per capita (EN, 2013).

The main problem facing Libya is the limited availability of agricultural land. This makes Libya comprehensively dependent on imports of food. On top of that is the lack of water in the country which has required a huge investments to solve it. Climatic conditions and poor soils limit agricultural production, and domestic food production meets only about 25% of local demand. (http://en.wikipedia.org/wiki/Economy_of_Libya)(accessed on 5/4/2013).

Despite Libya having a high per capita income in the region, most of the individuals fairly have low income. The foremost problem is a high rate of unemployment, especially among young people. Physical infrastructure such as roads and ports, and telecommunication networks all are very poor. Public services sectors (education, healthcare and other services) are contributing only 9% to Libya's GDP, but are employing 51% of the formal workforce who have low skill levels. The economy is dominated by state-owned enterprises (SOEs) which are inefficient (Porter &Yergin, 2006). The efforts to diversify the economy have started generally in the manufacturing sector. The major products they are manufacturing are petrochemicals. This added value to their exports and it also created jobs. The disadvantage of that it makes the economy even more dependent on oil. (http://en.wikipedia.org/wiki/Economy_of_Libya)(5/4/2013.5:28pm)

On the whole, the operations of Libyan companies are much unsophisticated by international standards in all public sectors and private, including small and medium-sized enterprises. This is because of the Government and foreign investors' focus on oil and gas sectors. Such focus has not led to the enhancement of the rest of the Libyan economy (Porter &Yergin, 2006) Demand is also limited, both naturally by the size of the market, as well as artificially by Libya's historical isolation and the price-focused purchasing policy of government bodies, who are the main actors in most markets(Porter &Yergin, 2006).

SME in Libya

The focus of the Libyan government has been on securing the country and not so much on creating an encouraging business environment, which must be the next main concern (Porter and Yergin, 2006). The improvement of the private sector has been more problematic than anticipated, that is because of the underdeveloped financial system, insufficient infrastructure, ineffective public administration and the lack of supply of educated employees and workers. One of the main problems faced by private companies is the uncertainty created by different and shifting interpretations of the law, in particular the legislation on taxation, and the absence of rapid and transparent mechanisms for resolving commercial disputes (EN, 2013). All of these circumstances keep out foreign ventures. Consequently, the domestic situation prevents Libyan business of access to experts, technology, know-how and resources (Porter &Yergin, 2006).

There is also a large number of Small and Medium-sized Enterprises (SMEs) in the Libyan economy, though the exact size of the sector is unknown. While 180,000 private enterprises are officially registered with the Libyan tax authorities, what is more, senior Libyan government officials believe that there are many of productive enterprise in the informal sector, where it is inefficient, risky and difficult to achieve scale. Most small enterprises have conducted their business outside the formal economy to avoid taxation and other fiscal and regulatory considerations (Porter&Yergin, 2006). Currently the SME sector is dominated by the production of food products, wood products, and metal for construction. Some small firms also engage in the production of clothing, ceramics and bricks, grain milling and press and publication goods (EN, 2013). Most small scale manufacturing is concentrated in Benghazi, Jebel Akhdar and Al-Marqab(EN, 2013).

Indeed, private companies report a lack of specialised skills among Libyan-trained students, prompting them to hire foreign labour. The labour force has been increasing rapidly in recent years due to the large quantity of young people entering the job market (EN, 2013). The private sector also finds it difficult to access appropriately-priced capital or basic banking services. Also entrepreneurs do not have the active support of the government — it takes almost 100 days to start a business. (Porter&Yergin, 2006). The Libyan government is seeking to recognize these activities and remove the obstacles to formal enterprise, if that succeeds the size of the non-energy economy could rapidly double or triple (Porter&Yergin, 2006). Libya has decided to change the balance between the private and public sectors (EN, 2013).

In an effort to develop private companies, the government has created in 2009 an SME development fund and opened a first incubator for start-up companies. It intends to open many more such incubators. It has established a cooperation partnership with Singapore with a view to acquiring information, knowledge and skills for developing a full-fledged SME policy in Libya. (EN, 2013).

The Libyan government launched the Libya Enterprise in 2012 to promote entrepreneurial culture and provides business support for start-ups in Libya. Libya's enterprise mission is to develop entrepreneurship and innovation culture throughout Libya, and creating a supportive environment for small and medium enterprises. Libya Enterprise currently runs eight Incubators and Enterprise centres. Incubators and Enterprise centres are the central component of Libya Enterprise due to their role in decreasing the failure rate of start-ups in their early stages and providing business support services. http://sme.ly/index.php/libya-enterprise(accessed in 12/4/2013).

LESSONS FOR LIBYA

There are many general lessons that can possibly be learned and adopted by Libya from Malaysia's experiences. This paper has reviewed the literature regarding the development of SMEs in Malaysia and concluded that the initiatives taken by the Government and its agencies in supporting SMEs may be used as recommendations or lessons that may benefit the Libyan experience in the development of SMEs growth and development. These lessons can be summarized under the following points:

1. Effectiveness and commitment of the top management in the Libyan government to support the SMEs is the first factor on the road to success in the development of SMEs.

2. The second factor in successful public and private efforts to support SMEs is to establishing an effective central committee engaged in policy making, planning, management and coordination.

3. The Libyan Government has to strengthen the business infrastructure and enhance the capacities and capabilities of SMEs to progress locally and internationally and become more competitive.

4. The Libyan Government has to offer wide range of initiatives and incentives for SMEs such as increasing access to financing, advisory and consultancy, access to information and ICT adoption, infrastructure, access to markets, training in management and planning, networking and business linkages.

5. The government should deliver incentives through a few non profit agencies, and disassemble the bureaucratic procedures that may cause ineffectiveness in government initiatives and projects.

6. The Libyan government should instil in the SMEs not to rely on government support only, but they should seek to find their own pathway of growth by relying on strategies which allow them to access new markets, expand their customer base and increase their incomes.

7. Libyan government should oestablish consultancy centres to provide expert services to SMEs, and engage more experts in different areas. Also the government should ensure that SMEs are able to access these incentives in an effective way.

8. The government should support the entrepreneurship philosophy and encourage SMEs to find more opportunities that increase their chance to growth locally and globally.

CONCLUSION

Malaysia has recognized the great potential of SMEs to contribute to economic growth and human development. Malaysian experience provides valuable insights on what to do and what to avoid. The government has implemented various policies, action plans and programs to assist them in difficult circumstances. Initiatives for SMEs in Malaysia have focussed on addressing constraints and enhancing their capacities and capabilities in areas such as strengthening enabling infrastructure, access to financing, market access, branding, human resources, technology development and ICT. It is worthy to mention, SMEs in Malaysia are still capable of absorbing the depressing global economic condition due to the well-structured supporting plans tailored by the government and related agencies. Internal strengths of the SMEs as a result of the continuous development and innovation as well as knowledgeable workforce have also contributed to their resilienceto face global competition. Malaysia's SMEs must continue to strive to increase their competitiveness; and their experiences should provide important lessons. They have tended to inadequately address quality and competitive aspects, and many are threatened in the face of a more liberal trading environment. There are generic and broad lessons that can possibly be adopted or adapted from Malaysian experiences. Those lessons may benefit the Libya's quest to develop SMEs growth with paying attention to build their model to restructure the national economy and develop the public and private sectors based on Libya's circumstances.

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TABLE 1: Key Indicators of SMEs, 2010

	Total	**SMEs**	**%**
Number of establishments	662,939	645,136	97.3 %
Gross output (RM million)	1,777,317	507,089	28.5 %
Value added (RM million)	707,489	213,921	30.2 %
Employment (persons)	6,963,973	3,669,259	52.7 %

Source: Department of Statistics, Malaysia. 2011

TABLE 2: Employment And Salaries & Wages Paid By Smes By Sector, 2010

Sector	**Total**		**Salaries & wages paid**		**Average annual salary per employee**
	Number	**%**	**RM million**	**%**	**RM**
Total	3,669,259	100%	54,675	100%	18,335
Agriculture	78,777	2.1	911	1.7	12,479
Mining and quarrying	5,765	0.2	130	0.2	22,759
Manufacturing	698,713	19.0	13,079	23.9	19,569
Construction	275,631	7.5	4,403	8.1	16,810
Services	2,610,373	71.1	36,152	66.1	18,323

Source: Department of Statistics, Malaysia 2011