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Micro Financing for Microenterprises in Malaysia: A Review

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Abstract: Access to financing is one of important factors for the growth and development of microenterprises to continue their business operations. Malaysian government continues to provide financing for microenterprises by introducing microfinance framework in 2006 by participating several financial institutions. The participating financial institutions are of Banking Institutions (BIs), Development Financial Institutions (DFIs) and Microfinance Institutions (MFIs). The framework identified three strategies are involving the defining of appropriate micro financing parameter to increase the awareness on micro financing and to attract financial institutions by providing solution for micro financing issues. However, there are still have issues related to these micro financing provider in terms of loan requirements and the facilities that have been offered. This study investigates the availability of micro financing sources for microenterprises and the challenges in obtain financing from micro financing provider. Many of microenterprises were obtain financing from banking institutions and followed by microfinance institutions and development financial institutions. Therefore, the banking institutions remain as a main provider of micro financing for microenterprises in Malaysia.

Key words: Micro financing, banking institutions, development financial institutions, microfinance institutions, microfinance framework

INTRODUCTION

The role of Small and Medium Enterprises (SMEs) is very important in the Malaysian economy and also known as the backbone of the development of industrial field in the country. SMEs make a major contribution to regional incomes, as well as a nation's economy by creating jobs, producing essential goods and services and promoting the development of rural economies. Therefore, the contribution of the SMEs to the economic growth of a nation is well recognized.

The definitions of SMEs are different among countries. The definition of Small and Medium Enterprise (SMEs) in Malaysia based on the yearly sales turnover or quantity of full-time workers. However, a new SME definition was endorsed at the 14th NSDC Meeting in July 2013. According to SME Corp. Malaysia, the definition was simplified into two categories. The first category is manufacturing with sales turnover not exceeding RM50 billion or full-time employees not exceeding 200 workers. The second category refer to services and other sectors for sales turnover not exceeding RM 20 million or full time employees not exceeding 75 workers. A business will be known as an SME if it meets either sales turnover or full-time employees which ever is lower. Generally, SMEs are consists of different sized of enterprises namely micro, small and medium enterprises. In Malaysia, microenterprise was the highest number of establishment among SMEs which is about 496,458 that represent 77% of the total SMEs in Malaysia. In the meantime, small enterprises represent 20% of total SMEs or 128,787 enterprises and about 3% from total SMEs are medium enterprises. Therefore, microenterprises have a major contribution in the total of SMEs in Malaysia.

For growth and development, microenterprises need financial assistance and funding to continue their business operation. Many microenterprises always faced many obstacles and difficulties in raising funds. Christopher identified that a main challenges of microenterprises for their rapid development is lack of both debt and equity financing while to succeed in business operations, to compete with others, to create employment and to contribute in poverty alleviation require financial accessibility.

However, the challenges and constraints in obtaining funds from financial institutions always been faced by microenterprises. Ahiabor (2013) also agreed that access to finance remains a dominant constraint to micro scale enterprises in Ghana because there have been credit constraints pertaining to working capital and new

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materials. In China, microenterprises have been facing challenges of financing or refinancing since their birth as it is difficult to obtain conventional loans from commercial banks to start up their business. This situation occurs because of most microenterprises require credit facilities for their business start-up which is they are new and not capable to provide collateral and sufficient financial data that demanded by bank for loan application. Since their sizes are small, most of formal financial institutions are reluctant to approve their loan application.

Literature review: Micro financing is one of financial assistances for microenterprises in obtain funds to developing and maintaining their business activities. Micro financing has been growing rapidly in the past three decades to serve the 'non-bankable' segment of society and being used as an effective tool to fight poverty (Hassan *et al*., 2013). Generally, micro financing for loan (microcredit) is the provision of small-scale financial services to people who was denying by traditional banking institution to obtain services from and usually involving very small amount of loans for self-employment (Karlan and Goldberg, 2011). In addition, there have several products that offered in micro financing services. Micro financing is also refers to the provision of broad range of financial services such as credit, savings, insurance, money transfer to poor and low income households and their micro-enterprises (Tuyon *et al*., 2011).

Micro financing is well known as a small business loan for business financing only such as for working capital and for capital expenditure. Micro financing helps many unbanked people such as poor and microenterprises in raising their income. Luyirika (2010) agrees that micro financing has been used to provide low-income people with several financing services such as small grants, micro-credits and other micro financing services to enhance their business activities an to improve their quality of life. With access to micro financing, people can earn more and better protect themselves against unexpected losses and barriers. In short, they can take real strides towards breaking the cycle of poverty and improve their living standard.

Micro financing programme is the one of the poverty eradication strategy and has been implemented, since 1987 (Mokhtar *et al*., 2012). The history of micro financing began in 1974, when Muhammad Yunus, an economics professor from Bangladesh, decided to apply the altered economic theories to the poor. He designed an experimental programme to serve them andfound the successful in lending to the poor with the small loans to enable self-employment. Therefore, the first microfinance bank was introduced in 1976, known as the Grameen Bank and now one of the largest and most influential microfinance institutions.

MATERIALS AND METHODS

Micro financing in Malaysia: Micro financing had broadly developed in Malaysia to provide business financing to micro, small and medium enterprises. Malaysian government saw it was important that a sustainable micro financing industry is developed. The various Ministries and agencies has put initiative in giving priority to financing accessibility by supplanting private sector funding with government funds, schemes and guarantees. The focuses are more for businesses in early stage, addressing asymmetric information and enhancing financial inclusion to cover the rural areas and excluded segment. The category of government financial assistance consists of soft loan, grants, equity financing, venture capital, guarantee scheme and tax incentives.

The growth of micro financing plays the important role in bridging the gap between commercial banks and microenterprises in terms of funding sources. The aim micro financing is to ensure that microenterprises have access to financing from the formal financial systems. Financing the microenterprises is necessary to help them start and expand of business activity including their operations, production facilities, inventory and staff.

Furthermore, since the introducing of microfinance framework in 2006, Bank Negara Malaysia and the participating FIs have been actively promoting micro financing through various promotion channel to improve the financing support to microenterprises. The participating financial institutions are as Banking Institutions (BIs), Development Financial Institutions (DFIs) and Microfinance Institutions (MFIs).

In the microfinance framework, three strategies have been highlighted as government initiatives in enhancing micro financing. The three strategies are involving the defining of appropriate micro financing parameter, to increase the awareness on micro financing and to attract financial institutions by providing solution for micro financing issues. With the microfinance framework, micro entrepreneurs will able to access financing without collateral, more convenient in loan application procedures, minimal documentation and a quick loan approval and disbursement. The loan application became more convenient with the short duration of median approval time and median disbursement time. The median of loan approval time is 4 days and the median of loan disbursement time is 3 days which are quicker than other business financing. This is important to ensure that microenterprises have adequate and continuous access to financing.

The microfinance framework also emphasized the promotion of micro financing to raise awareness of the availability and benefits among microenterprises. In 2007, Prime Minister had launched the national logo of Pembiayaan Mikro . Financial institutions that offer micro financing will display this logo at their branches while borrowers who have obtained micro financing are encouraged to display the logo at their business premises. In addition, the promotion also includes the direct distribution of flyers and articles through newspaper and advertisement on television and radio.

The participation of financial institutions such as banking institutions, development financial institutions and microfinance institutions are also a part of strategies in microfinance framework to assist microenterprises in accessing funds. Following this initiatives, 10 local banks are now offering the micro financing product providing a channel for microenterprises to obtain financing from the formal financial institutions. Most of the FIs providing funds for microenterprises by adopted their different business model and strategies adopted their different business models and strategies that appropriate with their policy. As the micro financing industry grows, FIs and non-bank will continue to broaden the range of financial services and will contribute towards greater financial inclusion.

The micro financing resources and challenges: The microfinance framework that was introduced in 2006 was a government initiative in enhancing micro financing accessibility for microenterprises through several financial institutions that consist of Banking Institutions (BIs), Development Financial Institutions (DFIs) and Microfinance Institutions (MFIs). These three main financial institutions offer different kind of services to assist microenterprises in providing micro financing.

The framework also highlighted that with micro financing, micro entrepreneurs will able to access financing without collateral, simple application process and approval, minimal documentation and quick loan disbursement to meet the unique financing needs of microenterprises.

Banking Institutions (BIs): Banking institutions remain as main financial sources for most micro, small and medium enterprises in Malaysia. The banking institutions have given more attention to loan for microenterprises, while the large corporations have moved to the capital markets to fulfil their financing requirements. In 2011, 88% of total financing outstanding to SMEs was contributed by banking institutions. Consequently, banking institutions seen as a major contributor in financing most microenterprises.

In order to improving the banking institutions facilities, outreach and services to microenterprises, Bank Negara Malaysia had initiated efforts to offer better access to financing from the banking institutions. According to Bank Negara Malaysia in SME Annual Report 2007, to enhance financial accessibility for SMEs, all commercial banks have.

Established a dedicated unit to deal with micro, small and medium enterprises customers. The role and function of the unit covers a broad spectrum of micro, small and medium enterprises issues ranging from identifying and structuring appropriate financial requirements to providing cash management services and other ancillary services such as financial management and insurance protection.

Set up bumiputera development unit: The unit is entrusted with the mandate to address the financing needs and development of Bumiputera entrepreneurs.

Established a complaints unit: The unit aims to provide a proper channel for customers including microenterprises, to raise complaints and serve as the focal point in the banks for managing complaints.

Client charter: Banking institutions are required to display a client charter on processing of loans to micro, small and medium enterprises which should disclose at least the following:

- Relevant documents and information to be submitted to the banking institutions
- Eligibility criteria for obtaining loans
- Duration taken to process a loan application
- Requirement to inform reasons of rejection to applicants

Bank Negara Malaysia in 2015: There are several BIs involved as a micro financing provider for micro, small and medium enterprisess in Malaysia. There are six commercial banks such as Alliance Bank, AmBank, CIMB Bank, EONCAP Islamic Bank (known as Hong Leong Islamic Bank), Public Bank and United Overseas Bank actively promoting micro financing. Now a days, many BIs have taken initiatives in offering micro financing for SMEs business development.

Table 1: The list of DFIs

Under purview of Bank Negara Malaysia (Governed by the Development Financial Institutions Act 2002)	Other DFI's (not prescribed under Development Financial Institutions Act 2002)
Bank Simpanan Nasional	Malaysian Industrial Development Finance Berhad
Bank Pertanian Malaysia Berhad (Agro Bank)	Sabah Credit Corporation
Bank Pembangunan Malaysia Berhad	Sabah Development Bank Berhad
Bank Kerjasama Rakyat Malaysia Berhad	Borneo Development Corporation (Sarawak).Sdn. Bhd
Export-Import Bank of Malaysia Berhad (EXIM Bank)	Borneo Development Corporation (Sabah) Sdn. Bhd
Bank Perusahaan Kecil Dan Sederhana Malaysia Berhad (SME Bank)	Credit Guarantee Corporation Malaysia Berhad (CGC)
Sederhana Malaysia Berhad (SME Bank)	LembagaTabung Haji

Bank Negara Malaysia, Royal Custom Department, 2014)

Although, BIs remains as main micro financing sources for SMEs needs, they still faced constraints and challenges in accessing funds from banking institutions in terms of their financial statement and collateral. Since SMEs are from different sizes of operations that consist of micro sized, small sized and medium sized, therefore, many of them unable to provide the guarantee of their loans. Many of BIs prefer to provide financing to high performance SMEs that mostly came from medium size enterprises. The research conducted by Zairani and Zaimah (2013) was revealed that without complete financial statement it is difficult for the banks to approve a loan, as many microenterprises unable to convince the bank in loan repayment. In addition, Zairani and Zaimah (2013) also pointed out that although not stated in writing, collateral was an important factor considered by banks in loan application. Anis find out that the have many challenges faced by Malaysian microenterprises in obtain financing such as lack of collateral, inadequate documents and insufficient financial track record.

A study of Ab. Wahab and Buyong revealed that 84.3% of respondents had experienced difficulties in obtaining external financing. The finding shows that the respondent agreed that short loan duration, inadequate amount of finance and difficulty in providing collateral are among challenges faced by most microenterprises. Collateral and insufficient data were remaining as constraints and challenges that have been faced by most microenterprises in obtain credit from banking institutions. Microenterprises still complain about financial constraints which continue to encounter the lack of financing access from the banking systems. Therefore, many of microenterprises are unable to reach the services from many banking institutions because of the fragility of their company.

Development Financial Institutions (DFIs): In Malaysia, Development Financial Institutions (DFIs) was established by government with their roles to develop and promote key sectors for the development of overall socio-economic of the country. The existence of DFIs is to support the development of certain important economic sectors and sub-sectors of the economy such as agriculture, infrastructure development and international trade. As explained by Lau and Lin, DFIs were established and funded by the Government with specific objective to develop and promote strategic economic sectors such as the manufacturing and exports sectors, micro, small and medium enterprises as well as the agriculture, infrastructure and maritime sectors.

The main role of DFIs is to provide financing through several financial institutions by providing long-term capital and know-how to local SMEs; to private sector intermediaries which invest in private companies that involved in development projects. Therefore, DFIs generally specialise in providing the medium and long term financing of projects development that carry higher credit or market risk.

The main purpose of DFIs is filling the gap in the financial market by providing small loan while the commercial banks would not. DFIs are plays a function in providing financial services that are not being provided by the banking institutions. For example in poorer countries and sectors, providing finance involves higher risk. By taking on this risk, DFIs allow development projects to begin when they otherwise may not or to continue when plans may have otherwise been abandoned due to a lack of long-term financing and knowhow.

DFIs in Malaysia are consisting of six under the purview of Bank Negara Malaysia through the enactment of the Development Financial Institutions Act (DFIA) 2002 and few DFIs was funded by the government and have their own specific mandates. The list of DFIs is shown in Table 1.

DFIs have been introduced since 1960, by establishment of Malaysian Industrial Development Finance Berhad (MIDF) which is the first DFIs in Malaysia. The involvements of DFIs in providing micro financing for microenterprises are yet prevalent. Therefore, government takes initiatives in strengthening the functions of DFIs in providing financing to meet the microenterprises needs.

However, until 2010, only 1.4% of microenterprises obtain financing from DFIs compared to medium enterprises. The numbers indicate that there still have many microenterprises unable to obtain micro financing from DFIs even many schemes were provided to assist microenterprises.

RESULTS

Micro financing institutions: Micro Financing Institutions (MFIs) played important roles to provide financial sources to microenterprises and was subsidised by the government since their existence. Nawai and Mohd (2013) agreed that most of the MFIs in Malaysia are subsidised institution where they received funds in the form of grants from the government and local governments and majority of them are too dependent on the grants that make them not sustainable. It has been used to provide small amount loan as an inducement to expand and develop their business.

MFIs in Malaysia were introduced, since 1980s that consist of Amanah Ikhtiar Malaysia (AIM), Yayasan Usaha Maju (YUM) and Tabung Ekonomi Kumpulan Usaha Niaga (TEKUN). According to Mokhtar *et al.* (2012), AIM and YUM were established in 1987, were modelled on the Grameen Bank framework while TEKUN was established in 1998. AIM is a Non Government Organisation (NGO) while YUM and TEKUN are under the Ministry of Agriculture and Agro-based Industry Malaysia, respectively. AIM is the dominant microfinance institution in Malaysia.

Amanah Ikhtiar Malaysia (AIM): The first Malaysian MFIs was birth in 1987 when Amanah Ikhtiar Malaysia (AIM) was established as non-government organization by replicating Grameen bank model of group lending (Shami *et al.*, 2014). AIM was targeting in providing of financial services to those who are unable to obtain financing from financial institutions without collateral. The AIMs loan schemes were divided into three categories that consist of loan for economic purposes, non-economic purposes and for recovery.

AIM was introduced micro financing schemes that known as Ikhtiar Financing Scheme to help alleviate poverty and strengthen financial inclusion within the less privileged amongst the society. The scheme is focuses on the loan disbursement to needy group such as poor household by helping to finance income-generating activities to alleviate poverty in Malaysia. This scheme will able to help the poor by providing a channel to learn new skills and earn larger incomes without collateral and guarantor lending system and weekly payment plan.

AIM was the largest microfinance institutions in Malaysia that rapidly developed. The participants of AIM were known as sahabat was starting with 20 participants in 1986. After a decade of operation, AIM has managed to reach a total of 42,861 participants in the year 1996 and the numbers of participants increase to 211,069 in 2009. The statistic shows that AIM has managed to convince many people and organizations to participate in their scheme. The cumulative loan disbursement of AIM was starting with RM 891,488 in 1990 and the amount was increased to RM 3.7 billion as at December 2004. The total participants of and loan disbursement from 1986 till 2009 is shown in Table 2.

Table 2: The participants and loan disbursement from 1986 until 2009

Year	Number of participant	Loan disbursement (RM)
1986	20	-
1987	359	-
1988	283	-
1989	909	-
1990	3220	891,488
1991	9401	2,970,467
1992	18,918	7,318,141
1993	25,470	18,512,693
1994	33,001	23,339,550
1995	39,401	34.716.000
1996	42,861	47,912,552
1997	51,052	90,216,140
1998	55,954	102,685,700
1999	59,716	82,980,990
2000	66,683	107,247,260
2001	77,283	128.126.650
2002	85,229	140,712,480
2003	88,657	152,082,150
2004	148,628	325,969,550
2005	154,614	304,531,030
2006	164,261	344,883,284
2007	173,973	423,497,990
2008	191,432	565,911,058
2009	211,069	744,947,630
Total loan disbursement (until December 2009)	3,726,052,763	

The increasing amount of loan disbursement shows the development of microenterprises in creating economic activities which can generate revenues. Until 31 October 2012, AIM has 325, 477 members, 123 branches and monitored by 2115 staffs. Total capital disbursed was RM7.89 billion with repayment rate around 99.35%.

Yayasan Usahawan Maju (YUM): Yayasan Usaha Maju (YUM) one of micro-credit institutions in Malaysia, established on 30 June 1995. It is a registered trust under the name of "Registered Trustees of the Foundation of Business Developed" under the Trust Ordinance (Incorporation) Act 1951 Cap.148 (Sabah). YUM began as a pilot project in Kota Marudu in 1988 and expanded to the rest of the state in 1989 as a project under the Rural Development Corporation (KPD), the Ministry of Agriculture and Food Industry.

In June 2006, YUM have been placed under the supervision of the Ministry of Finance. YUM is providing loan based on Grameen Bank Model, adapted to the

Table 3: Loan schemes of YUM

Loan schemes	Loan amount	Repayment period	Eligibility of borrowers
Pinjaman Perniagaan (business loan)	RM 500-200,000	50-250 weeks	Income: below RM 3,000
Skim Pinjaman Am (General loan scheme)			
Skim Pinjaman Usahawan (Entrepreneur loan scheme)	RM 21,000-100,000	50-250 weeks	Income: RM 3,000 and above
Pinjaman Peningkatan Kualiti Hidup (Improvement of life loan)			
Skim Pinjaman Perumahan (Housing loan scheme)	RM 2,000-10,000	50-250 weeks	Has been borrowing at least 3 times

Table 4: The achievement of YUM as of 31 December, 2008

Variabls	Values
No. of borrowers	8,252
No. of branches	20
No. of staff	165
Loans disbursed	RM 46,070,700
Repayment rate	90.72%

(Mokhtar *et al*., 2012)

situation in Malaysia, especially in Sabah. The target clients of YUM are women who are housewives, single mothers, small-scale traders, farmers, ranchers, fishermen and small entrepreneurs in need of capital to undertake economic activities that will generate income. The concept of micro-credit programs operating YUM is focused on the target group of poor; without surety; without collateral; and emphasized the responsibility of a group (collective responsibility). Since its inception, YUM has been successful in helping the needy and work to generate income through business activities in agriculture, livestock, fisheries, purchase, processing, trade and service. YUM currently operates through 24 branches involving six regions across the state.

YUM has offered two loan schemes, namely Pinjaman Perniagaan (business loan) and Pinjaman Peningkatan Kualiti Hidup (Improvement of Life Loan). Each loan scheme has different eligible loan amounts and duration of loan instalments. The details for each loan scheme are shown in Table 3.

Until 31 December 2008, the YUM's borrowers was achieved about 8,252 with a total of loan disbursement was RM 46,070,700 and 90.72% of repayment rate (Mokhtar *et al*., 2012a). Table 4 shows the YUM achievements as of 31 December 2008. The amount of loan disbursement was increasing until RM 238.404 million in the end of 2014. The increasing amount shows that people in Sabah have aware the important to develop their own income to eradicate poverty. YUM also assist many microenterprises in Sabah by providing loan without collateral and guarantor to enhance the economic activities in rural area.

Tabung Ekonomi Kumpulan Usaha Niaga (TEKUN) TEKUN Nasional was introduced since 1994 and was the project outcome of Penang Bumiputera Economic Convention. The project was proposed a system with additional channel for access capital more quickly, easily to overcome the problems in business financing that always been faced by small Bumiputera entrepreneurs. TEKUN was known as Tabung Ekonomi Kumpulan Usaha Niaga (TEKUN) started as a pilot project of Universiti Sains Malaysia (USM) in 1995. The pilot project was later extended to Jeli, Kelantan in 1996 and to Besut, Terengganu in 1997. TEKUN project was expanded through the country to benefit the small Bumiputera entrepreneurs. The chronology of TEKUN establishment as stated in Table 5.

The objectives of establishing TEKUN Nasional is to provide simple and quick financing facilities to bumiputeras in order to kick-start and further expand their businesses. In addition, the functions of TEKUN are:

- To provide easy business financing
- To provide support services and guidance to entrepreneurs who participate in TEKUN's programmes
- To provide business opportunities and entrepreneurial information
- To develop a progressive and dynamic TEKUN Entrepreneur community and business network
- To instill entrepreneurship culture among Malaysians

To encourage savings lifestyle among TEKUN's entrepreneurs Since 2008, TEKUN has expanded its services by providing business opportunities and training to its borrowers and to improve the networking among entrepreneurs from all over Malaysia (Mokhtar, 2011). As at end-July 2012, TEKUN Nasional has a network of 198 branches nationwide and has provided micro financing totalling RM2.2 billion to 222,004 entrepreneurs since its establishment. Now, TEKUN Nasional is an institution that provides business opportunities such as income generate opportunities and business capital financing as a support services for entrepreneurs.

Although, many MFIs offer financing services that easier to be obtained by microenterprises, there are also several issues arising related to the facilities packaged offered by the MFIs. Most of these agencies are providing limited financial assistance to microenterprises where the amount is relatively small and some of the facilities are not suit the micro-sized business needs (Hassan *et al*., 2013). Many of them offer

Table 5: The chronology of TEKUN establishment

Years	Chronology
1994	The Penang Bumiputera Economic Convention has adopted a resolution on a very urgent need to establish additional capitalloans to small Bumiputera entrepreneurs
1995	The Policy Research Centre,of USM, Penang has established a research team to implement the pilot project known as Tabung Ekonomi Kumpulan Usaha Niaga (TEKUN)
1996	The pilot project was expanded to Jeli, Kelantan
1997	The pilot project was expanded further to Besut, Terengganu
Mei 1998	The Government decided to expand the TEKUN project to small Bumiputera entrepreneurs throughout the country.
16 September 1998	The Government has decided to place TEKUN under the purview of the Ministry Entrepreneur and Cooperative Development (MECD)
2 February 1999	TEKUN Nasional Foundation beganoperations
12 February 2008	A rebranding and repositioning exercise renamed TEKUN Nasional Foundation to TEKUN Nasional
1 April 2009	As the result of a restructuring exercise on governmental governance, TEKUN Nasional is placed under the responsibility of the Ministry of Agriculture and Agro-based Industry

(Portal Rasmi TEKUN Nasional)

standard short-term credit to their core micro clientele. However, small businesses often need other products that many MFIs do not currently offer (Glisovic and Martinez, 2012).

In addition, micro financing also meets challenges to reach people who need access to credit especially in rural areas. According to Omar *et al.* (2012), one of the challenges has been the inability of Microfinance Institutions (MFIs) and Non-Governmental Organizations (NGOs) to reach the people that need access to credit the most. Though there are many schemes offered by MFIs, many microenterprises still faced many challenges in obtain financing. Many of them are easy to obtain financing from MFIs but the issue of inadequate products of micro financing causing them to have to find other sources of finance to enable them to continue their business.

DISCUSSION

There are abundant of financing sources that available for microenterprises to obtain the financial assistance. Micro financing is one of the financing options for most microenterprises in obtaining funds for their growth and development in every country including Malaysia. In addition, micro financing expected to fill the financial gap between formal financial institutions and microenterprises. The Malaysian government has taken the initiative by introducing the micro financing framework to assist microenterprises to access the business financing facilities. The micro financing framework that was introduced in 2006 was a government initiative in enhancing financial accessibility for microenterprises through Banking Institutions (BIs), Development Financial Institutions (DFIs) and Microfinance Institutions (MFIs). The framework also highlighted that with micro financing, micro entrepreneurs have an opportunity to access financing without collateral demanded, applies simple application requirements and procedures, minimal documentation, quick loan approval and disbursement to meet the microenterprises financing needs.

Table 6: The percentage of micro, small and medium enterprises in obtain micro financing from BIs

Size of enterprises	Percentage
Micro	10.4
Small	26.1
Medium	41.8

Since then, BIs remain as a higher contributor in providing micro financing for microenterprises. In 2010, about 10.7% of microenterprises obtain financing BIs and only 1.4% from DFIs and 4.1% from MFIs. However, there are many microenterprises unable to cater the financing services provided by BIs, since they are not qualifying for loan requirements. Collateral and sufficient financial data become a vital factors considered by banks as main requirements in loan application even it is not stated in writing. These requirements are considered as guarantor of the borrower to ensure the company will be able to perform in loan repayment. Therefore, the micro financing services provided by BIs only will be obtained by high performing SMEs such as medium enterprises. According to Department of Statistics in 2011 about 41.8% of medium enterprises obtain micro financing from BIs compared to micro and small enterprises that comprises of 10.7% and 26.1% respectively. The percentage of SMEs in obtains micro financing from BIs shown in Table 6. The statistics shows that many of medium enterprises able to meet the requirement in bank loan application. However, micro and small enterprises are usually from early stage of operation; therefore they are unable to provide collateral and sufficient financial records for the bank loan requirements.

DFI is another micro financing sources for many microenterprises to obtain financing. The establishment of DFI is to cater the financing necessity of microenterprises that unable to be met by BIs. However, there is still having several issues that should be considered. The economic census 2011 shown that there are only few micro and small enterprises manage to obtain micro financing from DFIs. Only 1.4% of microenterprises are able to cater the micro financing services from DFIs. The percentage of SMEs in obtains micro financing from DFIs shown in Table 7.

Table 7: The percentage of micro, small and medium enterprises in obtain micro financing from DFIs

Size of enterprises	Percentage
Micro	1.4
Small	2.6
Medium	4.2

Table 8: The percentage of micro, small and medium enterprises in obtain micro financing from MFIs

Size of enterprises	Percentage
Micro	4.1
Small	2.0
Medium	1.7

MFI is another solution for microenterprises to obtain micro financing without any collateral and sufficient financial data as loan requirements. MFIs is one of the micro financing sources for microenterprises that funded by government. Many microenterprises are easier to obtain micro financing from MFIs, since the aim of MFIs establishment is to provide financing for “unbankable” people. The percentage of microenterprise in obtain micro financing from MFIs is about 4.1% as shown in Table 8.

However, microenterprises also faced problems in acquiring credit due to problem such as the facilities packaged offered by these MFIs. Most of the MFIs are provide limited financial assistance to microenterprises where the amount is relatively small and some of the facilities are not suit the micro-sized business needs. Many of these microenterprises need more financing assistance to develop their business into the next stage of operation.

CONCLUSION

There are many micro financing sources for microenterprises to suit the different stage of business lifecycles. However, every financial institution has their strength and weaknesses in providing micro financing for microenterprises. They have their own rules and regulations that should be adhered by the borrowers. Government should play an important role in monitoring the micro financing provider so that microenterprises could obtain micro financing easier for their business operations.

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