

# **Government role and Tourism-related Micro and Small Businesses in the World Archaeological Heritage Site of Lenggong Valley Malaysia**

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## **Abstract:**

Tourism and small businesses has been proven to have impact on economic development. Recognizing the important role played by SMEs in the nation's economic activities, the government has introduced several programs and incentives to assist the tourism related SMEs. This study reviews the incentive and programs provided by government agencies for tourism related SMEs in Lenggong Valley. Lenggong, as a new UNESCO World Heritage Site in the state of Perak, Malaysia, provides vast opportunities for new businesses that are associated with micro and small businesses as the main contributor to enhance the economy in rural area. Thus, supervision by the government is essential for Lenggong Valley to excellently develop in tourism and economic sector. The study shown that most of the businesses were started by the middle age group with their own initiative, limited capital and less training. The study indicated that over half of the businesses had received government's support but the level of supportiveness was found explicitly low. Moreover, the study has discovered that many government agencies have been supporting the tourism related SMEs in Lenggong Valley. Among the government supports provided for the local businesses were capital, loan, course and training, marketing, consultancy, allocation and equipment supports. Amanah Ikhtiar Malaysia, MARA, TEKUN and Ministry of Tourism and Culture Malaysia, Perak are among the supportive government agencies. The government agencies assistance is crucial to ensure the tourism related SMEs maximise the advantages from tourism development.

*Keywords: Small businesses, rural, tourism development, Lenggong Valley, Government support.*

## **1. Introduction**

Small and medium enterprises (SMEs) have been recognized as the backbone of economic growth and development. The National SME Development Council (NSDC) has defines SME's is mainly based on firm size, annual turnover, number of full time employess as well as the activities run by the enterprises. Besides that, SMEs are divided into thre categories; namely Micro-enterprises, Small-enterprises and Medium-enterprises. According to the recent SME's definition by SME Corp. Malaysia (2013), a micro enterprise in the service sector is an enterprise with less than five full-time employees, or a sales turnover of less than RM300,000. A small enterprise in service sector has five to thirty full-time

employees or annual sales turnover of RM300,000 to less than RM3 million. While a medium enterprise has 30 to 75 full-time employees and annual sales turnover of RM3 million to RM50 million. According to the Census, Malaysian SMEs now represent 97.3% (645,136 establishments) of the total establishments of 662,939 in the country (SME Corp. Malaysia, 2014). Furthermore, SMEs accounted for 99.2% of the total business in Malaysia and contributed over 50% of GDP, and over 65% of total employment in 2011 (SME International Malaysia, 2013).

In recent years, Malaysia has become one of the most important tourist destinations in the world. Currently, the tourism sector is an important contributor to the economy and is identified as one of the major sources of foreign exchange earnings and catalyst to the economic growth (World Tourism Organization UNWTO, 2014). The development of the tourism industry in Malaysia have experiencing growth from year to year. In 2013, Malaysia recorded a position at the third place in the list of countries with the highest international tourist arrivals within Asia Pacific, which accounted for 25.7 million people (World Tourism Organization UNWTO, 2014). Tourism industry contribute at least about 16.1% percent of the GDP with MYR158.2 billion (*Economic Impact 2014 Malaysia Report*). Almost two million jobs indirectly, representing 14.1% of total employment in Malaysia were supported and created by tourism sector and tourism-related industries in 2013 (MoT, 2013).

The development of the tourism industry has successfully shown positive achievement and depends on the existing micro and SMEs in various related sectors. The Malaysian government has acknowledged on the importance of SMEs in tourism industry performance and has been concerned in their development since the early 1970s. SMEs tourism in Malaysia has account for about 85 per cent of tourism business (Set, 2013). This reflects the importance of the tourism industry and the rationale behind Malaysian government's agenda for promoting tourism as a means of achieving sustained economic growth. The various agencies, particularly that of government, have given a lot of importance on the development of SMEs. SMEs performance has been strengthen throught a number of programs and policies are provided to enhance their performance and competitiveness (Abdullah et al., 2006; Ahmad and Seet, 2009). This action was taken to further prosper Malaysian tourism related SMEs performances and to increase the business longevity in order to realise the government's plan for tourism industry in Malaysia. Government has various and continuous tourism-specific initiatives and policies through its five-year economic plan, National Tourism Policy (NTP), New Economic Model (NEM) and others. For instance, the New Economic Model (NEM) launched in 2010 to emphasizes the growth of small and medium enterprises (SMEs) and enhances the entrepreneurial ecosystem and chains.

The archeological site acknowledged by UNESCO has been an emerging tourist destinations. It provides variety of micro and small business activities for tourist. Lenggong Valley is a popular site for its archaeological heritage and was recognised as a World Heritage Site (WHS) by the United Nations Educational, Scientific, and Cultural Organisation (UNESCO) on 30 June 2012 because of its rich archaeological heritage (Department of National Heritage, 2011). The declaration as WHS gives a great chance for Lenggong to develop because of its recognition as an attractive tourism site. Hence, tourism-related micro and small businesses activities should be the backbone for the development in Lenggong and should provide the needed income for the community. Thus, SMEs in tourism have becoming an important focus by government in order to realise the government's plan for tourism industry. SMEs economic activities are supported by the local government by which Hulu Perak District Local Plan 2002-2015.

## 2. Problem Statement

Eventually, until now, there are steady increment in the number of rural tourism studies emphasised on the tourism related SMEs (Jaafar, Lonik, Nordin, & Abdullah, 2014; Hall, Kirkpatrick & Mitchell, 2005; Getz & Carlsen, 2000), however limited amount of researches have been done to explore the tourism related SMEs in a rural site of Lenggong Valley. Moreover, Lenggong Valley is still a new area to be listed as a tourism site because the UNESCO declaration only just reached two years. Therefore, it is necessary for more studies to be implemented in the attempt to promote Lenggong Valley as a tourism destination.

However, there are many government agencies that provide assistance to the SMEs in Lenggong Valley, such as Amanah Ikhtiar Malaysia, Department of Agriculture and Ministry of Rural and Regional Development (MARA), the National Entrepreneur Group Economic Fund (Tekun Nasional), Federal Agricultural Marketing Authority (FAMA), Department of Agriculture and Lenggong Development Centre. Among the supports that were provided are capital, loan, course and training, marketing, consultancy, allocation and equipment support. However, the issue observed is that assistance was provided at the expense of the absence of performance monitoring.

As a result, in order to accomplish government's target to promote a rural site of Lenggong Valley as a competitive world tourism destination and develop the area, it is important to looking on incentives and policy provided for supporting the performance of tourism related SMEs in Lenggong Valley. Thus the objective of this paper is to review and identify the government programmes and incentive provided for tourism-related micro and small businesses in Lenggong Valley, Perak.

## 3. Literature review

### 3.1 Rural Entrepreneurship

Entrepreneurship provides benefits to the community so that individuals and organizations become accountable and responsible for their respective areas (Clamp & Alhamis, 2010). In regard to the rural entrepreneurship, its role has been accepted as the central force of economic growth in Malaysia. The government, institutions and individuals seem to agree on the urgent need to promote rural enterprise as an enormous employment potential and instrument for improving the well-being of rural community (Md Zin, 2015).

Furthermore, the rural communities participating through SMEs such as in making handicrafts, souvenirs, etc. are able to receive orders and favorable market throughout the year. This provide evidence that all the facilities provided by the government to advance the involvement of entrepreneur in rural areas is fruitful (Sharif and Lonik, 2014). Throughout the years, the government has provided a variety of support and help to promote the development of SMEs and provide many opportunities for the development of entrepreneurship in local communities. This move were undertaken to drive the economy to achieve the high income status by 2020.

For instance, one of the latest initiatives taken by the Malaysian government to boost rural income is to facilitate the growth of small enterprises under the One-District-One Industry (ODOI) programme. There are three-pronged objectives of ODOI, (1) to increase the quality of life of entrepreneurs through the provision of business and employment opportunities to the local people; (2) to make use of natural resources and labour force in the rural areas more efficiently towards sustainable growth of the national economy; and (3) to increase competitiveness among rural entrepreneurs by producing world-class products and services for the international market. Among the strategies identified by the government to

materialize the ODOI programme include skill development, product development, marketing and promotion, monitoring and evaluation, quality control and resource management (Kader, Mohamad and Ibrahim, 2009).

## *2.2 Rural Development Plan*

According to Bhuiyan (2013), Malaysian government has played a crucial role in the adoption and formulation of various laws while providing the appropriate institutional and legal framework to ensure the development of tourism. The resilience of this sector is the result of the active participation of the public and private sectors in promoting and enhancing the competitiveness of tourism products that attract tourists to visit Malaysia (Rosniza et. al., 2012). Continuous efforts are made towards realizing the potential of the rural tourism sector to increase its contribution to the service sector in particular and the economy as a whole. Facilities provided by the government helps to improve the performance of the tourism industry (Getz and Carlsen, 2000).

In addition, the creation of the Master Plan for Rural Development (2010) as a key policy in support of rural development policies and national programs and outlines strategies for comprehensive development of rural areas until 2020. It will be a general guideline to all the parties involved in the rural development activities, including government agencies, private sector, NGOs and others. Furthermore, the Economic Planning Unit, the Malaysia Prime Minister's Department have emphasize several policies for rural development in Malaysia. Among the key policies are;

- To intensify development in rural area and narrow economic gap between urban and rural areas.
- To increase access of the rural community to generate better income through various cottage and craft industries.
- To provide better access of the rural community to ICT and new technologies and improve farming practice.
- To expand and increase credit facilities for agriculture related trade and services.
- To further improve the quality of life of the rural population through increasing physical and social infrastructure as well as to improve rural health and education facility.

In general, it can be concluded that the government highlighted a key point in the rural development is to improve the local economic development in various aspects, such as by sustaining the local economic activities, ICT and technologies, credit assistance for agriculture related trade and services, also physical and social infrastructure.

Furthermore, the main role of the Ministry of Rural and Regional Development is to provide exposure and knowledge of the rural tourism sector in order to make rural areas attractive as a tourist destination, to provide knowledge and skills to become entrepreneurs in the field of rural tourism, provide exposure and knowledge of rural tourism as an activity which can give additional sources of income for rural communities and provide exposure, knowledge and skills that can promote environmental beautification and preservation of cultural beauty of the countryside. Ministry of Rural and Regional Development has always placed a priority to integrate rural development strategy with programs that increase income and quality of life.

## *2.3 Government intervention on SMEs development*

Realising the ample opportunity to increase the contribution and significant importance of SMEs in supporting the economic growth, the government have introduced numerous schemes to support and expand the SMEs sector which have been implemented by Ministries and government agencies.

Government intervention is not only to support the activities, but also to stimulate entrepreneurship practices among the people (Yusoff *and* Yaacob 2010). SMEs development programmes implemented by various government ministries and agencies are based on three main strategic thrusts that aim at:

1. strengthening the enabling infrastructure that formulate or amend guidelines, standards, licensing requirements, and fiscal incentives governing the operations and activities of SMEs and entrepreneurs,
2. building the capacity and capability of domestic SMEs, and
3. enhancing access to financing by SMEs across all sectors in early stage financing, business expansion financing, and rehabilitation.

In addition, the policies and programs implemented by the government to support development of SMEs in Malaysia are comprises of (i) Financial assistance, (ii) Training facilities, (iii) Technical assistance, and (iv) Consultancy and advisory services (SMEcorp, 2011). These provision of the business assistance services reflects the comitment of the government to ensure SMEs able to compete and remain competitive in the market. However, rather than providing direct assistance to the SMEs, government should concentrate on creating a conducive business environment and promoting provision of business development services by the private sector (Berry, Rodriguez, and Sandee, 2001). In relation to this, there are as many as 30 public agencies and institutions, and more than 10 ministries presently involved in assisting and strengthen the development of SMEs.

Micro and small businesses are depending on the government intervention in helping them to grow. The deficiency of investment or start-up capital, and challenges in assessing investment capital associated with the government support are among the important aspects in assuring the survivability of the micro businesses (Clover & Darroch, 2005). For instance unadaquate financial and capital always been recognized as a problem faced by small businesses (Jaafar, 2012; Abd. Razak, Hassan, Kamariah & Wan Fauziah, 2012). Financial support provided by the government has been crucial in assisting rural entrepreneurs (Hoe et al., 2012).

#### **4. Methodology**

This research investigation used quantitative method to collected data through self-administrated questionnaire approach on the owner of tourism-related micro and small businesses in Lenggong Valley. Questionnaires in booklet size were handed out to owner-managers who operate micro and small businesses. Based on the specified lists, it is discovered that only 150 SMEs are tourism-based and designated as the study population. This study retrieved 106 questionnaires that were reliable and usable. Government assistance as contributing factor to small medium entrepreneurs' performance was measured by items such as capital, loan, course and training, marketing, consultancy, allocation and equipment support.

#### **5. Results and Analysis**

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Majority of the respondents were owners of the businesses (93.4%), while 6.6% were managers in-charge of the businesses. This current study found that 32.1% of the respondents were in the age groups of 41 to 50 years old and 51 to 60 years old respectively followed by 14.2% in the age group of 31 to 40 years. Majority of the respondents were female (61.3%) and 38.7% were male. In addition, most of the respondents were Malay at 96.2%. The results revealed that 84% of the respondents were local people and only 16% were settlers. In term of education, 67% of the respondents had secondary school education while 24.5% completed primary school. The results also indicated 48.1% of

respondents had attended courses and/or training. Of this 48.1%, there were 34% of the respondents had attended managerial type of course or training, while 66% did not, and 19.8% had attended industrial course and/or training, while the others 80.2% did not received industrial type of course or training.

### **Type of government support for SMEs performance**

Regarding the government supports, the findings revealed that 60.4% respondents received support from government (60.4%), while only 39.6% did not. Table 1 presents the government support according to the types of assistance such as capital, loan, course and training, marketing, consultancy, allocation and equipment support.

Majority of the respondents received capital assistance from Amanah Ikhtiar Malaysia (41%), followed by The National Entrepreneur Group Economic Fund (Tekun Nasional) (18%), Ministry of Tourism and Culture Malaysia, Perak (14%), Department of Agriculture (9%), Ministry of Rural and Regional Development (MARA) (9%), Farmers Organisation Lenggong (5%) and Federal Agricultural Marketing Authority (FAMA) (5%). In terms of loan, Amanah Ikhtiar Malaysia was mentioned as the main source (62%), followed by MARA (17%), Tekun Nasional (14%), Ministry of Tourism and Culture Malaysia, Perak (5%) and Department of Agriculture (2%).

MARA (23%), Ministry of Tourism and Culture Malaysia, Perak (19%), and Amanah Ikhtiar Malaysia (15%) are among the reliable source for course and training support, followed by FAMA and Farmers Organisation Lenggong (8%) and Rubber Industry Smallholders Development Authority (RISDA) (7%). The remaining percentage is made up by Department of Agriculture, Community Development Department (KEMAS) (4%), Institute for Rural Advancement (INFRA) (4%), Social Welfare Department Malaysia and Ministry of Health Malaysia (4%).

With regards to marketing assistance, majority of the respondents have received help from the Ministry of Tourism and Culture Malaysia, Perak (36%) and Lenggong District Council (12%).

In the context of consultancy, MARA (33%) was addresses as the most referable and this is followed by Department of Agriculture, Farmers Organisation Lenggong and RISDA (17% respectively), and Ministry of Tourism and Culture Malaysia, Perak (16%). MARA (67%) and Farmers Organisation Lenggong (33%) are the agencies that have helped the respondents in term of allocation assistance (67% and 33%) as well as equipment provision (34% and 11%). Further, Department of Agriculture and Social Welfare Department Malaysia are also involved in equipment provision (22% and 11%).

Table 1: Type of government support and agencies

<b>Type of government support</b>	<b>Type of agencies and institutions</b>	<b>Percentage (%)</b>
Capital	Amanah Ikhtiar Malaysia	41
	Tekun Nasional	18
	Ministry of Tourism and Culture Malaysia	14
	Department of Agriculture	9
	MARA	9
	Farmers Organisations Lenggong	5
	FAMA	5

Loan	Amanah Iktiar Malaysia	62
	MARA	17
	Tekun Nasional	14
	Ministry of Tourism and Culture Malaysia	5
	Department of Agriculture	2
Course and Training	MARA	23
	Amanah Ikhtiar Malaysia	15
	Ministry of Tourism and Culture Malaysia, Perak	19
	KEMAS	4
	RISDA	7
	Farmers Organisation Lenggong	8
	Department of Agriculture	4
	FAMA	4
	Others	16
Marketing	Ministry of Tourism and Culture Malaysia, Perak	36
	Lenggong District Council	12
	FAMA	8
	RISDA	8
	Lenggong Development Centre of Technology and Fish Product	8
	Farmers Organisation Lenggong	8
	Department of Agriculture	4
	KEMAS	4
	Perak State Government	4
	LHDN	4
	SIRIM	4
Consultancy	MARA	33
	Ministry of Tourism and Culture Malaysia, Perak	16
	RISDA	17
	Farmers Organisation Lenggong	17
	Department of Agriculture	17
Allocation	MARA	67
	Farmers Organisation Lenggong	33
Equipment	MARA	34
	RISDA	22
	Department of Agriculture	22
	Farmers Organisation Lenggong	11
	Social Welfare Department Malaysia	11

In terms of business start-up capital, 13.6% of businesses using the government loan and only 4.8% business using the source from government to set-up their busines. The study also found that 49.1% of the respondents had faced with financial problem. According to this problems, 64.5% of respondents

applied for loan from government, cooperative and commercial banks. Moreover, 58.1% of respondent using the loan from government and agencies to expand their business. The result showed that most of respondent need government support to expand their business.

On the other hand, in term of networking with government agencies, the results also showed that government (mean= 2.91), politicians (mean= 2.21) and financial institution (mean= 2.2) are less supportive for the businesses. In term of marketing, 80.2% did not receive support from an external party for business promotion purpose. While only 20% of respondents using the government portal to viral their business and making marketing.

## 6. Discussion

This study explored the government policy and incentive provided for tourism-related micro and small businesses in Lenggong. Lenggong as a new emerging and developing tourism site will have to empower their micro and small businesses to support its development. Along with tourism, some of the popular business activities that are needed to be covered are accommodation, food and beverage service, crafts and souvenirs, transportation, and retailing.. Lenggong is an interesting example of new developing world rural tourism sites in Peninsular Malaysia.

The government agencies that have been assisting the tourism related SMEs are Amanah Ikhtiar Malaysia, The National Entrepreneur Group Economic Fund (Tekun Nasional), Development Centre of Technology and Fish Product, Ministry of Rural and Regional Development (MARA), Farmers' Organisation of Lenggong, Federal Agricultural Marketing Authority (FAMA), Rubber Industry Smallholders Development Authority (RISDA), Community Development Department (KEMAS), Institute for Rural Advancement (INFRA), Department of Agriculture, Ministry of Tourism and Culture Malaysia, Perak. Meanwhile, the types of support provided comprise of capital, loan, course and training, marketing, consultancy, allocation and equipment support.

As a new developing rural tourism destination, local community are strongly depend on government support to excel and success in this business. The government agencies should collaborate with the other agencies to discover the business owners that need assistance and also get the education and exposure on the business opportunities that can be pursued. In fact, Malaysia's New Economic Model had highlighted the policy purpose to build entrepreneurship as among the initiative to create a competitive domestic economy. So, this attempt is imperative to ensure these potential people will maximise the benefits from budding tourism development.

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