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Financial Sustainable of Bumiputera SMEs: Food Processing Industry Perspectives

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Abstract

This study investigates the factors affecting the financial sustainability of small and medium enterprises (SMEs) in the food processing industry in Selangor. The population of the study was obtained from the Unit Perancang Negeri (UPEN). A sample of 285 Bumiputera SMEs in the food processing industry in Selangor was selected from a population of 960 using simple random sampling method. A questionnaire was used for data collection. The reliability of the instrument was confirmed using Cronbach's alpha method. The questionnaire was found to be reliable with a reliability index of 0.917 for the dependent variable and 0.848, 0.790 and 0.603 for the independent variables measured in terms of access to finance, financial literacy and capital structure respectively. The data collected were analyzed using Statistical Package for Social Sciences (SPSS). The study revealed that access to finance, financial knowledge and capital structure influence financial sustainability of SMEs. The study found that the relationship between access to finance and financial sustainability is low; the relationship between financial knowledge and capital structure and financial sustainability is medium. The study ended with the analysis of SWOT and TOWS.

Keywords: SMEs, Financial Sustainability, Access to Financing, Financial Literacy, Capital Structure, SWOT, TOWS

Introduction

Small and medium-sized businesses, also known as SMEs, are the major contributors and have a significant impact on the Malaysian economy. It is focusing on generating jobs, distributing revenue, and creating a training ground for entrepreneurs (Rahman et al., 2016; Yusoff et al., 2018). The economy and the larger business eco-system both depend heavily on SMEs. SMEs are key players in the economy and the wider eco-system of firms (OECD, 2017; Prieto - Sandoval et al., 2019). SMEs development has been referred to as the foundation of industrial growth in both developed and developing nations. According to Vandenberg et al. (2016), SMEs has always exemplified the model of economic development that prioritises a high contribution to domestic production, sizable export earnings, minimal investment requirements, and a significant contribution to the country's foreign exchange earnings with few operations that are import-intensive. SMEs in Malaysia account for a large proportion of the total business in various sectors, and contribute a considerable share in terms of Gross domestic product (GDP), as in many other countries, SMEs in Malaysia are involved in a diverse range of industries (Fauzi et al., 2022). Besides that, SMEs also play a major role in the economy because it contribute towards producing a new product and services, serving large corporations and also providing specialized, innovative product (Khalique, 2011; Muhammad et al., 2010; Rahman et al., 2016).

The food industry in Malaysia plays a significant role in the economy. It serves as a source of employment as well as an outlet and value addition for primary agricultural products. Under the Industrial Master Plan (IMP) for the period 1986-1995, the food industry was identified as a key priority for industrial development (Ahmed, 2012; Hee & Ann, 2019; Ya, 2015). The determining factor was its potential contribution to the development of the manufacturing sector, particularly in terms of job creation, foreign exchange savings and value addition. Moreover, the rationale for the development of this sector lies in the fact that the industry is closely linked to other sectors of the Malaysian economy (Ahmed, 2012; Ya, 2015).

In the Industrial Malaysian Plan 2006-2020 (IMP3) period, the food processing industry's investment target has been set at RM24.6 billion (Ministry of International Trade and Industry, 2012). In terms of business environment, the Malaysian food processing industry is dominated by small and medium enterprises (Ayupp, 2013; Hasnan et al., 2014). The food processing industry plays an important role in the country's economy. Several researchers have found that this industry contributes to employment and value addition in the country, which suggests that the food processing industry is an important force that affects the economic performance of a country (Hassanpour, 2021). Shelly and Kaur (2015) stated that the food processing industry contributes significantly to the economic growth of a nation. In Malaysia food processing industry plays an important role in the economy. It serves as a source of employment as well as an outlet and value addition for primary agricultural products. Its play a significant role in encouraging inclusive and sustainable economic growth, providing employment and decent labour for all, fostering innovation, promoting sustainable industrialization, and lowering income inequality across all nations and levels of development (OECD, 2017; Prieto - Sandoval et al., 2019).

Sustainability is applied to the resilience of longstanding firms to external shocks. It is broader and not limited to a business management. It's also applied into account current and future interests. In business management sustainability is the interplay of the triple bottom line, also referred to as the three E's: 1) economics (cost), 2) equitably meeting society's needs, and 3) ecosystem protection (Dyllick & Muff, 2016; Hanaysha et al., 2022; Rodriguez et al., 2002). Sustainable businesses are resilient, as they create economic value, healthy ecosystems and strong communities. There are resilient, create economic value, healthy ecosystems, and strong communities (Laughland & Bansal, 2011; Pomering, 2017). Business sustainability is often defined as managing the triple bottom line, known as a process by which firms manage their financial, social, and environmental risks, as well as obligations and opportunities (Bansal, 2010; Żak, 2015).

Sustainability is a priority interest for many organizations, as the failure of sustainability in business will cause businesses to shut down. Towards the sustainability in business, it is the most chaotic and challenging for most of the entrepreneurs including the Small and Medium Enterprise (SMEs) (Hu & Kee, 2022). The challenge may vary from place to place, from business to business, and from entrepreneur to entrepreneur, from one industry to another and even within the same industry due to economic, social, political and cultural differences and variations (Ahmad, 2012; Burns, 2016). These problems can be multidimensional and overly complex. They relate to inadequate infrastructure, inability to hire good people, lack of marketing, management, production, labour, finance, technology, and consulting, etc. The differences and discrepancies in terms of obstacles faced by SMEs are challenging and complicate studies (Al Bulushi & Bagum, 2017; Panda & Dash, 2014). Other problems faced by entrepreneurs in developing countries include inadequate infrastructure, poor macroeconomic policies, corruption, limited access to financial capital and lack of leadership experience (Ahmad, 2012; Ahmad, 2016; AlBar & Hoque, 2019). These problems may be multi-dimensional and are overly complex, relating to differ from place to place, from enterprise to enterprise and also from entrepreneur to entrepreneur, between one industry and the other, even within the same industry due to economic, social, political and cultural disparities and variations (Ahmad, 2012). Other problems face by entrepreneurs in developing economies include inadequate infrastructure, poor macroeconomic policies, limited access to financial capital, corruption and a lack of managerial experiences (Dabla-Norris et al., 2015; De Haan & Sturm, 2017). The differences and discrepancies concerning the obstacles encountered by SMEs present challenges and impede studies. Successful entrepreneurs are able to overcome the most difficult situations in the life cycle of their business (Ishak et al., 2012; Meerangani & Azman, 2019). The ability to solve problems at any stage enables companies to reach an inflexion point that leads to survival and the ability to enter the next stage of growth (Omar & Azmi, 2015; Zin et al., 2018). Striving to reach the inflexion point is a challenging stage because at this point there are a number of problems or challenges that need to be dealt with efficiently and effectively and this takes time (Ishak et al., 2012; Meerangani & Azman, 2019). Therefore, it is important to ensure the sustainability of the SMEs.

Literature Review

Financial sustainability is essential to run a business and ensure its survival for a long time (Jebna & Baharudin, 2013; Yusoff, 2018). There are some distractions to the operations of SMEs in Malaysia, including the inability or difficulty to access finance and working capital (Rahman et al., 2016; Rankhumise & Letsoalo, 2019). Bumiputera SMEs frequently lack the funds to cover expenses such as wages, rent, utilities, suppliers, creditors, and other ongoing costs. This is in addition to commercial banks not being confident in lending to them (Omar & Azmi, 2015; Rahim et al., 2017). Omar and Azmi (2015) state that challenges will typically involve financial and accounting issues. Their financial and control records are incomplete, and they struggle with inventory management. Additionally, some of them have lacking financial records, which might cause a corporation to fail. Companies may potentially experience a serious financial crisis as a result. When SMEs business owners divide their operations into privately owned enterprises that are willing to spend money and enterprises that utilise cash and items for personal and family purposes without maintaining accounting records, poor financial management results (Aizuddin & Widarman, 2020; Omar & Azmi, 2015; Tunggak et al., 2011).

Other elements that affect financial sustainability include capital structure, financial management, access to government finance, and financial innovation (Gebremariam, 2017; Mbuva, 2014). In addition to financial constraints, SMEs also face non-financial constraints. SMEs often neglect their management skills as they rely solely on their experience (Rahman et al., 2016). Fatoki (2014) identified the external factors that are largely beyond the control of the organisation (Fatoki, 2014; Gebremariam, 2017). These include unavailability of logistics chain and high distribution cost, competition, increasing business cost and lack of finance. The sustainability of SMEs can be determined by several factors including government regulation, financial resources, competition and entrepreneurial skills (Diabate et al., 2019).

Access to Financing

Most SMEs identified a lack of access to commercial lending and insufficient working capital as their main issues (Haron et al., 2013; Sitharam & Hoque, 2016; Zairani & Zainol, 2013). Inadequacies in access to finance are a major barrier to the expansion of SMEs, according to numerous other studies and empirical financial evidence (Beck & Demirguc-Kunt, 2006; Fowowe, 2017). The ability of SMEs to grow depends highly on their potential to invest in restructuring, innovation and qualification (Belás et al., 2015; Tmava et al., 2013). All of these investments require money, thus they all need access to financing. In light of this, the persistently voiced criticism of SMEs about their access to finance issues is a highly relevant barrier that jeopardises the nations' economic growth (Ayuba & Zubairu, 2015; Ganbold, 2008; Owolabi & Nasiru, 2017).

By enhancing financial accessibility, the SMEs sectors are vital in supporting a balanced global economy (Jaradat et al., 2018; Shinozaki, 2012). Access to finance is among the most critical factors determining the competitive readiness of regional SMEs and their ability to fully exploit and participate in the global economy and business opportunities from regional economic integration and, in particular, participation in regional production networks (Harvie, 2010; Mohamad, 2015; Oum et al., 2011).

The availability of financing for Malaysia SMEs is not an issue since the sources are abundant, but the main issue is the accessibility and adequacy of those funds, which were found to be limited and fragmented (Abdullah & Manan, 2010; Ramlee & Berma, 2013; Zabri & Lean, 2014). Adequate access to financing is critical to enable SMEs to contribute to the nation's economic development, so initiatives have been developed to address the financing gaps (Veiga & McCahery, 2019; Zabri et al., 2014). Individual characteristics are believed to be good indicators concerning a firm's financing preference (Fowowe, 201); Zabri et al., 2014). This is supported by several works of literature explaining that entrepreneur financing preference differs from several factors, including, age, level of education, and experience (Boldureanu et al., 2020). Financial needs and options available for SMEs change throughout the various phases of a firm's lifecycle (Abdulsaleh & Worthington, 2013; Canto-Cuevas et al., 2019).

Beck et al (2006); Angel (2011); Nizaeva and Coskun (2019) state that SMEs find accessing financing more difficult than larger firms. To access finance for investment in efficient resource processes, SMEs face a variety of barriers, from financial infrastructure shortcomings to a lack of credit evaluation processes catered to SMEs, and their own technical or financial capabilities to develop and operate green technologies (Razak et al., 2018). Typical barriers to accessing bank finance for SMEs include a lack of collateral, brief or non-existent business track records, fragile financial and management systems, and the uncertainty of profitability. In the case of Malaysia, SMEs generally face difficulties in obtaining financing with lack of collateral, insufficient documents to support loan application and lack of financial track record being the constraints faced by Malaysian SMEs in accessing financing (Haron et al., 2013). The accessibility to finance is a major factor affecting the growth and success of SMEs (Zabri, 2012). As most Asian countries have established a bank-centred financial system, capital market financing is not a realistic option for SMEs. Thus, the average SMEs relies mostly on its own capital or informal borrowing from friends and family members for start-up funds and working capital. This condition impedes the creation and development of sound and competitive SMEs and inhibits inclusive economic growth in Asia (Shinozaki, 2012; Yoshino & Taghizadeh-Hesary, 2018).

Fowowe (2017) demonstrate that SMEs are usually more credit constrained than other segments of the economy because of the following reasons: (i) financial sector policy distortions; (ii) lack of know-how on the part of banks; (iii) information asymmetries, for example, lack of audited financial statements; and (iv) high risks inherent in lending to SMEs. SMEs tend to have a much less developed bank-client relationship, which can be important for successful access to finance. These difficulties can be further compounded in the cases of start-up and young enterprises, which can have difficulties in providing the necessary collateral, and may be seen as potentially offering high returns but at high potential risk (Abdulsaleh & Worthington, 2013; Nofsinger & Wang, 2011). The problems in accessing finance for SMEs may not be due solely to distortions or inefficiencies in the financial sector itself, but also by weaknesses in the legal, institutional and regulatory environment in which these institutions operate (Harvie et al., 2010; Mohamad et al., 2015). Besides, from a bank's perspective, financing to SMEs is often regarded as higher risk due to the relative opaqueness of these firms compared to larger firms (Berger & Udell, 2006; Wasiuzzaman et al., 2020). Financial access has a significant impact on SMEs' innovation capability and participation in the export market (Harvie et al., 2010; Mohamad et al., 2015). Ye and Kulathunga (2019) discovered that SMEs' sustainability is impacted by their access to bank and private financing. Therefore, it is apparent that every facet of financial availability and access to capital strongly determines the viability of SMEs.

Financial Literacy

Financial literacy is described as the knowledge of basic economic and financial concepts, as well as the ability to use that knowledge and other financial skills to manage financial resources effectively for a lifetime of financial well-being (Agyapong & Attram, 2019; Ye & Kulathunga, 2019). Particularly fundamental aspects of financial literacy include financial knowledge, financial skills, and financial confidence. The majority of SMEs lack clear strategies for prospect growth, production process, marketing, fiscal behaviour, etc (Lusardi, 2019).

In business management, the financial function has always been crucial. Regardless of changes in ownership, structure, or scale, the enterprise's financial organisation should be able to guarantee the various finance functions. The financial success of a business is significantly influenced by the financial management of the organisation (Woodruff, 2019). Therefore, an organisation should consider financial management as a key component of the organisation's general management. The business goal can be achieved only with the help of effective finance management Financial management includes the tactical and strategic goals related to the financial resources of the business. Some of the specific roles included in financial management systems are included accounting, bookkeeping, accounts payable and receivable, investment opportunities and risk (Woodruff, 2019). Financial management of a small business encompasses more than keeping an accurate set of books and balancing your business checking account. It is important to manage business finance to avoid overspent and prepare for all expenditures and profit distributions. Only with the support of efficient financial management can the business objective be accomplished. The tactical and strategic objectives pertaining to the company's financial resources are included in financial management. Accounts payable and receivable, risk, investment opportunities, accounting, bookkeeping, and accounts payable are a few of the specialised tasks that are part of financial management systems. Small business financial management entails more than just maintaining accurate records and maintaining a balanced business checking account. In order to prevent overspending and be ready for all expenses and profit distributions, it is crucial to manage business finances (Chron, 2021; Woodruff, 2019).

Numerous studies came to the conclusion that the most important factor in achieving business growth and entrepreneur success is financial management. He (2010); Mwosi et al (2018) stated that in order to minimise the loss of SMEs to enhance their ability to withstand the crisis and master a rare strategic opportunity, strengthening financial management is very important. In addition, it was discovered by Karadag (2015); Alhadhram and Nobanee (2019) that a business will never succeed in the long run if it cannot plan an appropriate policy to manage its working capital effectively. In general, owner-managers are the primary culprits behind SMEs' problems because of their subpar financial management. Padachi (2010) and Fatoki (2014), points out that the main factors contributing to the success or failure of small business are categorised as internal and external factors. The external factors include financing (such as the availability of attractive financing), economic conditions, competition, government regulations, technology and environmental factors. The internal factors are managerial skills, workforce and the accounting systems. Therefore, good financial management is vital for a business to have the financial strength to sustain itself.

Most SMEs lack training and management skills to effectively manage funds. The training skills of financial management for the owners and managers are essential. SMEs strongly supported all working capital management practices, such as cash and inventory budget and monitoring the account receivable and inventory (Nguyen, 2001; Karadag, 2015). However, SMEs owners have a low level of management knowledge, and owner/manager’s experience has been seen to be more important than application of theories of financial management (Nguyen, 2001 ; Karadag, 2015).

Capital Structure

Capital structure theories predict that leverage level influences a firm’s performance. The capital structure of a firm is basically the way of a firm finances its assets through some combination of debt and equity that a firm deems as appropriate to enhance its operations (Maigua, 2014; Wafula, 2018). The capital structure of the firm, positively influenced firm profitability. In addition, the size of the firm, growth in terms of sales, and the assets influenced firm profitability positively (Wafula, 2018). A high positive correlation between the proportion of capital or debts and the growth of SMEs in relation to assets (Hashemi, 2013; Obuya, 2017).

The main determinants of capital structure tested include profitability, size, growth opportunity, asset structure, costs of financial distress, and tax shields effects (Alaruss & Alhaderi, 2018; Salim & Yadav, 2012). Previous studies among large firms’ show some factors that seem to influence capital structure decisions among them. This particular study incorporates those factors namely profitability, firm’s size, asset tangibility, firm’s growth, firm’s age, non-debt tax shields and liquidity. Descriptive results indicate that generally, SMEs depends more on debt over equity-sources of financing (Ahmad & Zabri, 2015; Zabri, 2012).

The proportion of debt financing is also equally divided into short and long-term debt financing, which shows that firms generally use both types of debts in financing their business activity (Rao et al., 2019; Watson & Wilson, 2002).
According to Olayinka (2022) financial analysis, a ratio is used as an index or yardstick for evaluating the financial position and performance of a firm and that ratios help the analysts to make qualitative judgments about the firm's financial position and performance. Brealey et al., 2018 summarises the key financial ratios into five categories. They include leverage ratios which measure the extend of borrowing, liquidity ratio, which measure the ability of the firm to meet its financial obligation falling due within a short period, efficiency ratios which measure how efficient a firm uses its investment in current and fixed assets, profitability ratios which measure how profitable a firm is and finally, market value ratio which measures how highly a firm is valued by investors. Capital structure refers to the level to which we have minimum the cost of capital for the company and where financial performance (Muriithi, 2019). Relationship exists between the financial structure of SMEs's and their performance. Based on the observation, he found that SMEs with high sales volume posted high profitability and used more internal funds (Delikanlı, & Kılıç, 2021).

Methodology

A quantitative approach was used to analyse the data. The survey focused on Bumiputera SMEs in the food processing industry. Data was collected from each of them and their responses were treated individually as data source. The population for this study was Bumiputera SMEs in Selangor, especially those who are involved in food processing industry. The questionnaires were measured using nominal, dichotomous and interval scales. In addition, the researcher also used the interval scale which allows him to measure the distances between any two points on the scale. The specific scales used for this research were a five-point Likert scale designed to examine how strongly respondents agreed with a statement.

Findings and Results

Respondent Rates

A total of 310 (100 percent) survey questionnaire was distributed. 220 responses were successfully gathered from the targeted respondents via administered physical survey and e-survey. Thus, from the findings, it is observed that the response rate gathered for this current study is 71 percent out of 100 percent, where 32 percent from the physical survey and 39 percent from e-survey. Table 1 shows the response rate.

Table 1
Respondent Rate

Survey	Total Distributed	Total Gathered	Percentage Gathered	Total
Physical Survey	150	100	32 percent	
e-Survey	160	120	39 percent	
Total Survey Gathered	310	220	71 percent	

Frequency Analysis

Respondent Gender

The frequency of the respondents is almost balance between male and female. It only shows a small difference between the two genders where males are N=108 with the percentage of 49.1 percent whereas, females with extra 4 respondents, in total female respondents' number, is N=112 with the percentage of 50.9 percent. Total respondents is N=220. With the frequency analysis researcher able to conclude that the respondents are quite balanced in gender.

Respondent Age of Group

Most of the respondents were within the age group of 36-45 years, where the total respondents are N=90, representing 40.9 percent and the lowest respondent age group within 18-25 years, where the total respondents are only N=28 which represent 13.0 percent. Respondents within the age group of 26-35 years are N=52 with 23.6 percent and 46 years and above were consists of N=50 respondents which represent 22.7 percent each group. The analysis shows that most of the respondents that were involved in this business are within the middle age group.

Respondent Level of Education

The finding shows that the highest respondents are the undergraduate holder's respondent with N=176 represent 79.90 percent, followed by postgraduate holders with N=22 respondents represent 10 percent, and Primary/Secondary holders N=14 represent 6.4 percent. None education holder with N=8 respondents represent 3.60 percent. The finding shows that most of the undergraduate holders were ready to involve in business as compared to the postgraduate level respondents.

Number of Period Involved in Business

Classification of respondents is based on the number of years that they have been in the business. Most of the respondents were involved more than five years, indicating that N=84 respondents with 38.9 percent. Then N=46 respondents with 20.9 percent had been in the business within 1 to 2 years, N=45 respondents which 20.5 percent had been in the business within 3 to 4 years and the remaining N=43 respondents with 19.5 percent were involved less than 1 year in the business.

Number of Period the Company Has Been Established

Data gathered and compiled in the number of years that the company had established. The higher respondents with N=86 responses with 39.1 percent were from more than 5 years in the business. It then followed by the business within 1 to 2 years with N=58 respondents with 26.4 percent, business that was less than 1 year with N=42 respondents representing 19.1 percent and business within 3 to 4 years with N=34 respondents represent 15.5 percent. Therefore, it concludes that most of the business was established and sustain for quite a long period.

Number of Employees

Other than that, respondents can be classified by the number of employees. Even though the earlier respondent's classification shows that the business had established and sustained for quite a long time, but response shows that most of the respondents have less than 5 employees with total responses N=162 which represent 73.6 percent. It was followed by the number of employees from 5 to less than 75 employees with total responses N=52 represent

23.6 percent and the least responses only N=6 respondents with 2.7 percent which has the number of employees from 75 to not exceeding 200 employees.

The Yearly Sales Turnover

Majority of the respondents were sales turnover earning less than RM 300, 000 which respondent is N=176 represent 80 percent. Earnings of RM 300, 000 to less than RM 15 million, respondent is N=42 represent 19.1 percent. Respondents earning RM 15 million to not exceeding RM 50 million were still low, which respondent of N=2 responses represent 0.9 percent. It can also be concluded that most of the business was established and sustained for quite a long period of time. Table 2 explained above statement.

Table 2
Frequency Analysis

Profile	Categories	Frequency	Percentage
Q1. Gender	Male	108	49.1
	Female	112	50.9
Q2. Indicate your age group	18-25 years	28	12.7
	26-35 years	52	23.6
	36-45 years	90	40.9
	46 years and above	50	22.7
Q3. Higher level of education	None	8	3.6
	Primary/Secondary	14	6.4
	Undergraduate	176	79.9
	Postgraduate	22	10
Q4. How long has you been involved in the fields of business?	Less than 1 year	43	19.5
	1 to 2 years	45	20.5
	3 to 4 years	46	20.9
	More than 5 years	86	39.1
Q5. How many years that this company has been established?	Less than 1 year	42	19.1
	1 to 2 years	58	26.4
	3 to 4 years	34	15.5
	More than 5 years	86	39.1
Q6. Number of employees	Less than 5 employees	162	73.6
	From 5 to less than 75 employees	52	23.6
	From 75 to not exceeding 200 employees	6	2.7
Q7. Sales turnover yearly	Less than RM 300,000 yearly	176	80
	From RM 300,000 to less than RM 15 million	42	19.1
	From RM 15 million to not exceeding RM 50 million	2	0.9

Reliability Analysis

Reliability analysis was conducted on access to financing, financial literacy and capital structure. Table 3 illustrates the Cronbach's Alpha Coefficient (α) scores for independent variables and dependent variables in this study. Overall items for all variables can be concluded as acceptable and reliable to be used in this study. Table 3 shows the new scores.

Table 3
Reliability Analysis

Variable(s)	Number of Scale Item	Coefficient (α)	Remarks
Financial Sustainability	3	0.917	Reliable
Access to Financing	3	0.848	Reliable
Financial Literacy	14	0.790	Reliable
Capital Structure	2	0.603	Reliable

Factorial Analysis
After there is no error or no out of range values on any variables, the next phase of analysis is to describe variability among observed, correlated variables in items of a potentially low number of unobserved variables. The entire 22 items were tested under factorial analysis. The factorial analysis is a data reduction technique. It takes a large set of variables and observe how the data may be reduced or summarises using small set of factors of components (Julie, 2005). Data is being investigated into 2 parts. Part 1: Assessing the data and extracting the factors and Part 2: Factor rotation and interpretation.

Part 1: Assessing the Data and Extracting the Factors
According to Julie (2005), the first step is to find either the study appropriate or not by interpretation output of the correlation matrix, the Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO) and Barlett's Test of Sphericity. The correlation matrix should value 0.30 above. Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO) should value 0.60 above, and the Barlett's Test of Sphericity value should significant 0.50 or smaller.
Correlation matrix consequent in the finding of each variable value was indicated at 1.00. Table 4 Kaiser-Meyer-Olkin measured of Sampling Adequacy (KMO) indicated value of 0.811, and the Barlett's Test of Sphericity value is significant (p=.000). Therefore, these study variables were appropriate to be used.

Table 4
KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.811
Bartlett's Test of Sphericity	Approx. Chi-Square	4139.024
	df	231
	Sig.	.000

In the second step, the researcher determined variables to be extracted with an eigenvalue of 1 or more. Table 5 total variance explained finding shows that components 1 to 6 meet the criterion of eigenvalue of 1 or more with total of 79.256 percent.

Table 5
Total Variance Explained

Component	**Initial Eigenvalues**			**Extraction Sums of Squared Loadings**		
	Total	**Percent of Variance**	**Cumulative percent**	**Total**	**Percent of Variance**	**Cumulative percent**
1	8.050	36.592	36.592	8.050	36.592	36.592
2	3.042	13.830	50.421	3.042	13.830	50.421
3	2.295	10.432	60.854	2.295	10.432	60.854
4	1.593	7.239	68.093	1.593	7.239	68.093
5	1.394	6.335	74.428	1.394	6.335	74.428
6	1.062	4.828	79.256	1.062	4.828	79.256

Extraction Method: Principal Component Analysis.

In finding of Scree plot as per figure 1, the result changes happen in component 6. Finding shows the variance in component 1 to 6 which means that component above 1 point will be retained. However, the researcher will retain component 1 to 5 to ensure the decision of accept or reject component is being done systematically. MonteCarlo PCA parallel analysis was used to support the decision. Based on the summary of the decision as table 6, components 1-5 has been retained for further investigation. It means that 5 components will go for further investigation in Part 2.

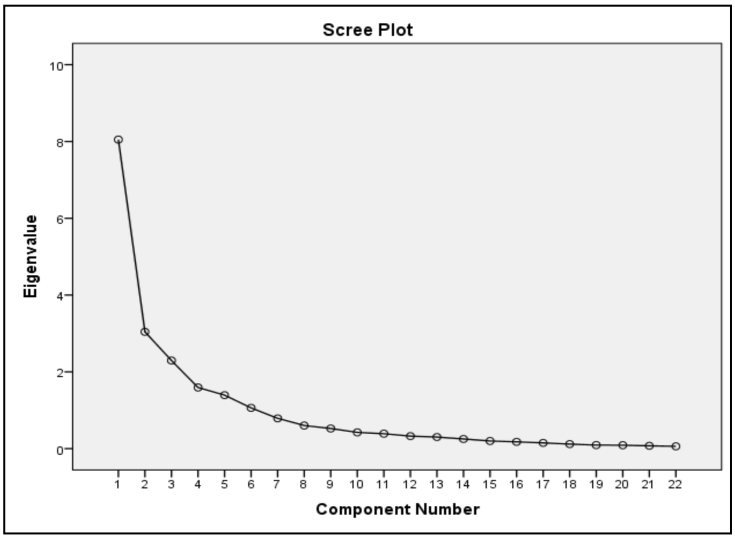

Figure 1: Scree Plot

Table 6
Summarized of Comparison Component

Component	Actual eigenvalue from PCA	Criterion value from parallel analysis	Decision
1	8.050	1.6197	Accept
2	3.042	1.5141	Accept
3	2.295	1.4259	Accept
4	1.593	1.3485	Accept
5	1.394	1.2902	Accept
6	1.062	1.2381	Reject

Part 2: Factor Rotation and Interpretation

In this part, those 6 components had been interpreted using process factors rotated. However, it did not change the original solution. In table 7 explained the total variances for 5 components that had been acceptable. On the right-hand section rotation variances, the variances had been adjusted. Previous component 1 variance 36.592 percent and after rotation explains 28.669 percent is the variance. Component 2 previous variance was 13.830 percent, and after rotation explained, 12.77 percent is the variance. Component 3 shows a variance of 10.432 percent, and after rotation, the new variance percentage is 12.086. In component 4 shows variances 7.239 after rotation, percentage shows 11.741, and finally the component 5 variance is 6.335 percent, and new variance percentage shows 9.155. However, in the total variances explained 74.428 percent does not change after rotation.

Table 7
Total Variance Explained

Component	Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	Percent of Variance	Cumulative percent	Total	Percent of Variance	Cumulative percent
1	8.050	36.592	36.592	6.307	28.669	28.669
2	3.042	13.830	50.421	2.811	12.777	41.446
3	2.295	10.432	60.854	2.659	12.086	53.532
4	1.593	7.239	68.093	2.583	11.741	65.273
5	1.394	6.335	74.428	2.014	9.155	74.428

Moving on to the next step, the researcher has used rotated component matrix where each variable on the factors was selected. Figure 2 shows that in loading items in every 5 components. Based on the rotated component Matrix, 3 variables resulted from the negative score in IV2 financial literacy. Therefore the 3 negative variables had been eliminated.

	Component				
	1	2	3	4	5
Q23. Preparation of financial statement	0.866				
Q24. Analyse the financial statement	0.855				
Q26. Managing stock inventory	0.85				
Q22. Preparation of cash budget	0.842				
Q27. Managing cash flow	0.834				
Q21. I am Preparation of income statement and budget	0.823		0.301		
Q28. Managing account creditors	0.821				
Q25. Conduct a break-even analysis	0.813				
Q8. The business is making profit from year to year		0.886			
Q9. The number of customers had increase from year to year		0.872			
Q10. The business has been experiencing positive cash flow movement and meet the financial obligation in a timely manner	0.365	0.767			
Q29. Do you need financial management training?		-0.464			0.423
Q17. Did your firm prepare the financial budget?			-0.819		
Q18. Did your firm consistently keep the financial track record?			-0.777		
Q16. Did your firm prepare the standard financial report?			-0.745		
Q31. The proportion of bank loans to your total capital is?			0.532		
Q14.SME faces unfair competition from large enterprises to obtain financial assistance from financial institution.				0.912	
Q15. It is difficult to get financing from the financial institution.				0.855	
Q13. Collateral is a pre-requisite for obtaining financial assistance.				0.79	
Q19. I am using this formula to calculate the gross profits					0.812
Q20. I am using this formula to calculate the Net profits					0.782
Q30.The most preferred source of financing			0.323	-0.309	0.577

Figure 2: Rotated Component Matrix[a]

After conducting factorial analysis, the researcher ran reliability analysis again to ensure the 19 items are acceptable and reliable according to Cronbach's Alpha score. Table 8 shows the reliability scores of 19 items.

Table 8

Reliability Table for 19 Items

Variable(s)	Number Item	Cronbach's Alpha Coefficient (α)	Remarks
Financial Sustainability	3	0.917	Reliable
Access To Financing	3	0.848	Reliable
Financial Literacy*	11	0.875	Reliable
Capital Structure	2	0.603	Reliable

** Items Q16, Q17 and Q18 has been omitted.*

Correlation Analysis

Correlation analysis is used to describe the strength and direction of the linear relationship between two variables. Pearson product-moment coefficient is designed for interval level (continuous) variables, and ratio scaled variables. Pearson correlation coefficients (r) can take on only values from –1 to +1. Table 9 shows the Pearson correlation coefficients (r) between two variables which are independent variables and dependent variable of this study. Independent variables 1-Access to financing indicates a negative (-.235), relationship or the small relationship between Financial Sustainability and Access to Financing with a significant value of r=-235, p = .000. Meanwhile, the correlation between Financial Sustainability and Financial Literacy shows medium relationship r=.421, p=.000. The third variable, which is the relationship between Financial Sustainability and Capital Structure, indicates medium relationships, value is r= .407, p=000.

Table 9

Pearson Correlation Coefficient Analysis

Model		Financial Sustainability (DV
Access To Financing	Pearson Correlation	-.235**
	Sig. (2-tailed)	.000
Financial Literacy	Pearson Correlation	.421**
	Sig. (2-tailed)	.000
Capital Structure	Pearson Correlation	.407**
	Sig. (2-tailed)	.000

***. Correlation is significant at the 0.01 level (2-tailed).*

Regression Analysis

Four regression analyses were conducted which is financial sustainability (dependent variables) and access to financing, financial literacy and capital structure (independent variables).

Table 10

Multiple Regression Result

R	R Square	Adjusted R Square
.544[a]	.296	.286

F value 30.252
Sig. Value 000

R is dependent variables (Financial Sustainability) indicates the value of 0.544. R Square value 0.296 is the proportion of variance in the dependent variable that can be explained by the independent variables and adjusted r square value 0.286. It means that 29.6 percent of the variance in financial sustainability is explained by the variance in the independent variables. In other words, the other 70.4 percent of the variance in financial sustainability were explained by other predictors that were not considered or examined by the researchers. In this study, the researcher discovered only three variables which are access to financing, financial literacy and capital structure. The F value in the table above shows that the regression model is a good fit for the data where the F value equal to 30.252. Table 10 shows that the independent variables statistically significant to the dependent variable, $p < .0005$.

SWOT Analysis
SWOT analysis is one academic method that enables researchers to identify the Bumiputera SMEs in the food processing sector's current strengths, weaknesses, opportunities, and threats. Finding the internal and external elements that have an impact on the operations of Bumiputera SMEs in the food processing sector requires doing this analysis, which is of utmost importance. It is possible to determine the internal factors by determining the strengths and weaknesses, and the external elements by determining the opportunities and dangers. Table 11 and 12 shows the SWOT analysis of the study.

Table 11
SWOT Analysis Matrix

Strength (S)	**Weaknesses (W)**
S1. Bumiputera SMEs have basic knowledge for doing business. S2. Less dependency on external financial assistance. S3. Bumiputera SMEs have their own regular customers.	W1. Bumiputera SMEs had low financial literacy. W2. Difficulty in getting financing due to collateral requirement.

Opportunities (O)	**Threats (T)**
O1. SMEs financing resources provide by government. O2. SMEs programs to provide financial assistance and advisory services. O3. Increase of consumer online purchasing activities.	T1. High energy and raw material cost effect manufacturers' performance. T2. Unfair competition between Bumiputera SMEs and large enterprise. T3. Financial stringency.

Table 12
SWOT Analysis Matrix Additional Explanation

Strengths (S)

Bumiputera SMEs have basic knowledge for doing business	Most of the Bumiputera SMEs have basic knowledge in doing business. Data analysis as per Appendix B, shows that most of the respondents completed tertiary education level where 50% of them holding Diploma, Degree and Master/PHD certificate.
Less dependency on external financial assistance	Data analysis as per Appendix C,shows that most of the respondents used their own capital. Therefore, it shows that most of Bumiputera SMEs are less depend on external financial assistance. Other than that, the finding shows that the business had been established and operated for more than 5 years. Thus, it shows they are less dependency on external financing.
Bumiputera SMEs have their own regular customers	The Bumiputera SMEs number of customer show increment by year's proof that they have their own regular customers which was helped them in making continuous profit & cash flow. Refer appendix D.

Weaknesses (W)

Bumiputera SMEs had low financial literacy	Data obtained shows that Bumiputera SMEs had low proficient financial literacy. Based on the frequency analysis as per Appendix E, 5 out of 8 skills show most of the respondents answered 3 which mean that they only have little understanding on the skills. The skills included to prepare income statement & budget, cash budget, financial statement, analyzing the financial statement and to conduct the break-even analysis which those are important items in financial management.
Difficulty in getting financing due to collateral requirement	The data obtained shows that most of them faced difficulty in getting financing due to collateral requirement. Therefore, most of the respondent operating their business by using their own fund. The analysis data could be seen as per Appendix F.

Opportunities (O)

SMEs financing resources provide by government & other agencies	There are several financing resources offer by government and other agencies in helping the Bumiputera SMEs to grow and expand their business.
SMEs programs to provide financial assistance and advisory services	There are various channels for SMEs to obtain advisory and information related to financing programs and schemes made available by the Government and private sector.
Increase of consumer online purchasing activities	Nowadays, there are rapid growths in the online business. The number of online purchasing activities increased which helps business to grow faster.

Threats (T)

High energy and raw material cost effect manufacturers' performance.	The high energy and raw material cost due to some limited resources might be threatening the manufacturer's performance in producing high quality product at a very competitive price.
Unfair competition between Bumiputera SMEs and large enterprise.	In food processing industry, more of the larger enterprise had better facilities which may lead their business to be more competitive. Therefore, this was creating unfair competition to Bumiputera SMEs.
Financial stringency	Bumiputera SMEs find that it is difficult to get financing form the financial institution. Descriptive analysis as per Appendix F had identified that Bumiputera SMEs agreed that it is difficult for them to obtained financing from the financial institution.

TOWS Analysis

TOWS analysis is a strategic analysis method that is used to study the industry or company situation in terms of the strengths and weaknesses and the environmental situation in terms of opportunities and threats to identify a proper solving process or solution. TOWS analysis involves a systematic and comprehensive assesSMEsnt of the internal and external factors that can help industry or company to identify its competitive position and their potential growth.

Conducting the SWOT analysis helps identify the strengths, weaknesses, opportunities, and threats. It allows defining the strategic position to solve problems or for further growth and development. With the earlier SWOT analysis, TOWS matrix analysis was able to create as Table 13:

Table 13
TOWS Analysis Matrix

SO Strategies	**WO Strategies**
SO1. Bumiputera SMEs to make use knowledge to embark into online business to market their product with less cost (S1, O3). SO2. To make use of financing resources and advisory services provided by government to start plan long term goal. For example, product branding or entering into international market (S2, O1, O2). SO3. To embark into online business in order for Bumiputera SMEs to increase and expand potential buyers (S3, O3).	WO1. To use financial literacy assistance and advisory service provided by government to increase Bumiputera SMEs financial literacy (W1, O2). WO2. Government or any financial provider to review and come out with the minimum requirement for financing offered to Bumiputera SMEs (W2, O1,O3).
ST Strategies	**WT Strategies**
ST1. Bumiputera SMEs to make use of their knowledge, regular customers that contribute continuous profit & cash flow that help them to convince supplier to establish long term supply contract (S1, S3, T1). ST2. To come out with business strategy such as strategic alliance to establish business cooperation with the large enterprises (S1, S3, T2). ST3. Financing provider to simplify the policies and procedures to obtain financing to attract more Bumiputera SMEs. With additional capital the Bumiputera SMEs can enrich their business (S2, T3).	WT1. To have mentoring program with a larger enterprise to improve the Bumiputera SMEs financial literacy (W1, T1, T2). WT2. Government or any financial provider to allow Bumiputera SMEs to get assistance and support from the larger enterprise to be referee for the Bumiputera SMEs to obtain financing (W2, T2). WT3. The financial institutions to reduce the stringency by abolishing the collateral requirement for Bumiputera SMEs to obtain financing for certain amount (W2, T3).

Recommendations

Based on the research finding and analysis this study had identified the possible recommendation that could be suggested in helping the Bumiputera SMEs in food processing industry to sustain their financial management.

Bumiputera SMEs

SMEs are facing challenges in competing with large enterprise. Usually, larger enterprises are more competitive as they have more capital in enhancing their business which allows them to embark in higher technology in their production, as well as more aggressive marketing in term of advertisement and product branding. With this capability, it is difficult for SMEs to compete with them.

Therefore, minimize the competition between SMEs and larger enterprise are recommended, while still being competitive in the market, SMEs can strategize their business by having a business relationship with the large enterprise through alliance. An alliance is formed by firms coming together in some contractual arrangement. The well-known types of contractual arrangements include subcontracting, licensing, joint venture, strategic alliance and consortium. Alliances between large companies and SMEs usually take in the form of vertical linkages where inter-firm relationships are forged along the lines of the production and marketing chain within a specific industry (Bongomin et al., 2017; Hussain, 2000). From the alliance, SMEs can benefit in several way, such as technology transfer, adapting with more comprehensive business management, and increasing the production capability which consequently will affect SMEs income for a financial sustainability.

Besides that, to improve the literacy among Bumiputera SMEs, a mentoring program can be organized. Larger enterprise can be a mentor to the SMEs, which the program could emphasize in managing the business internally. The main focus of the program is on managing the business financial position which focus on the financial skill such as preparing the income statement, compiling the cash budget and the financial system, how to analyze the financial statement, conducting the break-even analysis, managing stock, cash, and also account receivable. From the mentoring program, SMEs will benefit in term of preparing the financial report, preparing the financial forecast, as well as in monitoring their financial record consistently. All the skills and outcomes will eventually help SMEs in their business sustainability.

Government and Other Agencies

Most SMEs require support or assistance from the government especially to be more competitive in the global business environment. The role of government is to encourage companies to move to higher levels and gain competitive advantage in the globalize space environment. The government of Malaysia, through its many agencies deployed several measures and platforms to assist SMEs in managing the impact of higher costs on their production, slower turnover and financial distress.

From the above literature, this study found that the importance of government in SMEs development that emphasize on the financial capability. One of the SMEs challenge in enhancing their business is lack of capital. As government and many other agencies have provided the capital to SMEs in term of financing or loan, the SMEs still prefers using their own fund. This incident happened due to several reasons such as difficulties in obtaining the financing.

Therefore, government or any financial provider should review and come out with the minimum requirement for financing offered to Bumiputera SMEs. The requirement for Bumiputera and Non-Bumiputera should be differentiated in order to attract Bumiputera SMEs in embarking into business and help the in enhancing their business development. Such example of the requirement that can be applied is to obtain a financing, is in term of number of year the business already operated. Government and other agencies can come out with the requirement, where for Bumiputera SMEs, in order to obtain the financing, the business must already operate for at least 1 year, as compare to Non-Bumiputera, which require to operate for a minimum 3 years.

Other than that, the financing provider can simplified the policies and procedures to obtain financing to attract more Bumiputera SMEs. The policies must be understandable which make Bumiputera SMEs easy to obtain the financing. The procedure also must be simplified, which shorten waiting period too from the application to the approval stage. With this approach, the access to financing will be more attractive for Bumiputera SMEs. With an additional capital gain from the financing, the Bumiputera SMEs can enrich their business such as diversify their product, aggressive marketing, and also increase their production to meet the customer demand.

As giving financing to Bumiputera SMEs might risky for a financing provider, researcher would like to recommend the financial provider to allow Bumiputera SMEs to get assistance and support from the larger enterprise to be referee for the Bumiputera SMEs to obtain financing. This is where the financing provider can consider in giving financing to a newly setup Bumiputera SMEs business, with the reference from the referee. This option will help financing provider in making decision whether to approve or reject the financing application from SMEs. To ensure that larger enterprise willing to cooperate with SMEs in becoming their referee, agreement between both parties can be sign. For example, in return, the Bumiputera SMEs can sign the long term supply agreement with the large enterprise. With this, larger enterprise will feel more secure, and willing to help the Bumiputera SMEs.

Conclusion

In conclusion, most Bumiputera SMEs in the food processing industry in Selangor can be classified as micro-entrepreneurs. The conclusion is drawn from the frequency analysis. A tertiary education with at least a diploma provides them with basic knowledge that can help them to start a business and last longer. However, most of the Bumiputera SMEs cannot provide better employment opportunities as they operate only with a minimum number of 5 employees. Moreover, the turnover of most Bumiputera SMEs is still below RM 300,000.

The TOWS analysis revealed that one of the possible strategies for the Bumiputera SMEs is to enter into online business. Online business can help the Bumiputera SMEs to increase their product awareness with lower cost as online business is a faster way to market a product. Therefore, it helps the Bumiputera SMEs to reduce the marketing cost which can be considered expensive for a small business. Online business can also help to increase the awareness of the Bumiputera SMEs' products, which can attract more consumers. With the strength of Bumiputera SMEs less dependent on external financial support. The financial assistance and advisory service can help the Bumiputera SMEs to market their products and develop plans to enter a larger market, such as the international market. Efforts to strengthen Bumiputera entrepreneurship include developing entrepreneurial skills and providing financial support to entrepreneurs in areas such as product packaging, marketing, and branding.

Rather than turning strengths and opportunities into strategy, it is also critical for Bumiputera SMEs to identify their weaknesses so that they can seize opportunities and turn them into strategy. Therefore, it is important for Bumiputera SMEs to start applying for and participating in financial assistance and advisory services from the government or other agencies. This strategy has been identified as one of the vulnerability strategies that should be implemented immediately by the Bumiputera SMEs to improve their financial position. Good financial management skills are important for a business to survive, grow and expand. This is in line with several literatures which concluded that financial management is considered as the most important factor for business growth and profitability of entrepreneurs and that good financial practises are vital to support the growth of

SMEs and enable them to increase their profit margins. The studies concluded that strong financial management is critical to the resilience and sustainable growth of SMEs.

Another conclusion is to use strengths to transform threats into strategy. The analysis of SWOT revealed that Bumiputera SMEs were threatened by the high cost of energy and raw materials which affected their business performance. However, the long-term supply contract can help them to secure the energy and raw material cost for a certain period of time. Therefore, they can use it to calculate the cash flow of their production forecast, which helps them to determine the price of their product. This way, their business will not be greatly affected if there are sudden changes or increases in the cost of energy and raw materials. Long-term supply also helps to avoid shortages in raw material supply, which is important to ensure continuous production and help Bumiputera SMEs to generate continuous business income and profits.

Future Researcher

Future researchers should consider identifying other factors that influence the financial sustainability of Bumiputera SMEs. Instead of examining the current conceptual framework whose analysis shows that the significant relationship between independent and dependent variables is not sound, future researchers should identify and examine other factors. The factors may be financial or non-financial. Secondly, future researchers could conduct a study in a different sector of SMEs. In the current study, the manufacturing sector of the food industry was chosen as the basis for the study. Since the population of SMEs is very large, future researchers could expand the sample to include, for example, the service sector. If future studies use the current conceptual framework, the results and analyses could differ as each SMEs is unique and the challenges differ. Finally, regarding the method of data collection, the researcher would like to suggest that future researchers conduct in-depth interviews with SMEs owners to better understand their business development and sustainability challenges. The interview will help future researchers to develop a stronger conceptual framework for the study.

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