



SMALL AND MEDIUM-SIZED ACCOMMODATION BUSINESSES’ REACTION TOWARD GOVERNMENT-INITIATED SUPPORT PROGRAMMES

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Abstract

Small and medium-sized enterprises are the heartbeat of many nations, especially developing countries. Many governments view this type of business enterprise as playing a significant role in a country's pursuit of economic development. It is no wonder governments, through their agencies, instil various support programmes to ensure the survival and growth of these enterprises. The question remains, though, how effective are the support programmes? This study examined the reaction of Small and medium-sized accommodation businesses that contribute to the tourism industry, towards government support programmes. In-depth interviews were conducted with sixteen SMAB respondents on Perhentian Island, a famous island destination in Malaysia. The research revealed that although most SMABs were aware of support programmes, their involvement varied. Bureaucratic issues, complicated fund application processes, and lengthy procedures are some of the challenges identified. Additionally, the challenges were exacerbated by government officers who lacked adequate skills, had limited knowledge of SMAB operations, and were not up to date on the current conditions facing SMABs. Therefore, recommendations from the two actors were provided to enhance the implementation of the support programme.

Keywords: Support programmes, Island destination, Small and Medium-sized Accommodation Businesses, Qualitative

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INTRODUCTION

In the context of small and medium-sized enterprises (SMEs) development, there are two key actors involved: those that require support (SMEs) and those that provide the support (government and other private organisations) (Kahveci, 2023). SMEs frequently require support programmes (SPs) and have their expectations (Sambajee & Dhomon, 2015). Fu et al. (2019) have reported an increase in the role of SMEs in supplying tourism services, creating jobs, and contributing to the general economy (Sobaih et al., 2021); however, the research on SMEs to date has been limited, and it is crucial to understand the problems that SMEs are facing to be able to equip them with the necessary skills and qualifications.

Incidentally, the extensive demand for tourism accommodation stimulated the emergence of various Small and Medium Accommodation Businesses (SMABs) establishments (Sobaih et al., 2021). The accommodation sector is a crucial component in the tourism supply chain (Dimitriadou et al., 2023), and it is considered a dominant sub-sector within the tourism economy. In Malaysia, SMABs are considered accommodations with a two-star rating and capacity below 100 rooms, actively managed by the owner or managers (Hassanli & Ashwell, 2020). Furthermore, SMABs are capital-intensive firms, implying a relatively sizeable minimum survival scale compared to other service firms (Petti et al., 2017; Hassanli & Ashwell, 2020). Hence, this idea has given rise to numerous governmental policies aimed at enhancing and supporting the survival and growth of SMABs through SP's implementation.

There are two categories of SP: financial and non-financial support provided by government agencies to support SMEs (Burhan et al., 2021; Park et al., 2020). Previous research (Park et al., 2020; Chadwick & Raver, 2020) reported that SMEs' attitudes might influence the SP's effectiveness. In this context, SMABs' attitude refers to the owner's attitude, which is derived from the positive or negative evaluations vis-à-vis the SP implemented by the government. This paper focuses on the SPs provided by the government and how SMABs react to receiving those SPs on Perhentian Island, a famous Malaysian island destination.

LITERATURE REVIEW

Support Programmes (SPs)

Recognising the importance of SMEs, the government has implemented various support programmes that provide a conducive business environment for SMEs to operate efficiently (Burhan et al., 2021; Park et al., 2020; Zulkefli et al., 2021). Caliendo et al. (2020) reported that support programmes are crucial in unlocking economic growth in developing countries, especially regarding SMEs' performance. Hoang (2016) identified a positive relationship between support

programmes and SMEs' business performance. Therefore, support programmes are critical in reinforcing the SMEs to contribute more effectively to the nation's economy (Amir et al., 2024).

Support programmes for SMEs can be principally categorised into two types: financial and non-financial support. There are two categories of support programmes, financial and non-financial, which are part of the effort geared towards stable and productive SMEs (Zulkefli et al., 2022). Financial support refers to financial provisions for starting new businesses, which are also known as start-up loans. Formal financial resources can be provided by commercial banks, investment banks, savings and loan associations, and the government, together with support from donor agencies (Bakhtiari et al., 2020; Xiang & Worthington, 2017; Zulkefli et al., 2022). However, financial access remains the most significant obstacle SMEs face (Xiang & Worthington, 2017; Petti et al., 2017). Meanwhile, non-financial support encompasses non-monetary values, such as human resources, marketing, consultancy, and infrastructure programmes (Sambajee & Dhomun, 2015).

Many studies indicate that most SMEs in developing countries encounter challenges in receiving support programmes. Empirical research has demonstrated that government services frequently involve lengthy and complex procedures (Zulkefli et al., 2021). This predicament necessitates SMEs to obtain specific knowledge before applying for the SP (Caliendo et al., 2020; Sambajee & Dhomun, 2015). The inefficiencies of the support programmes are exacerbated by the government's inadequate skills and knowledge in accommodating the needs of SMEs (Yusoff *et al.*, 2014). Obeng and Blundel (2015) note that most SMEs reported failing to obtain adequate guidance and information due to the hostility and uncooperativeness of government agencies (Obeng & Blundel, 2015). Consequently, these unpleasant experiences derived from the complicated process and procedure influence support programmes (Sambajee & Dhomun, 2015). However, all the benefits or predicaments mentioned above would not be achieved or foreseen if SME operators were unaware of such programmes. Hereby, awareness is the knowledge of an object's existence, along with a specific understanding of its functions and effects.

SMABs' Reaction

Reactions are mental processes that determine an individual's actual and potential responses in the social world. Furthermore, prior research has also shown that SMEs' reactions during the process are an important factor in how businesses respond to government policies and programmes (Razumovskaia et al., 2020; Obeng & Blundel, 2015; Najib et al., 2021). Actual and potential responses are usually directed towards some entirely and are described as a mindset judgment of a person towards a value. SMEs' reactions are a crucial factor in assessing the

effectiveness of government policies and programmes (Crick & Lindsay, 2015; Obeng & Blundel, 2015; Najib et al., 2021). According to several studies, there are two types of reactions towards an object (policies and programmes), namely negative and positive responders (Pitlik & Kouba, 2015).

First, positive reactions refer to those with a positive attitude toward policies and services, as well as greater access to government agencies. When firms perceive government institutions, they have positive reactions towards government implementation, which helps minimise compliance and generate a high level of cooperation (Najib et al., 2021; Obeng & Blundel, 2015). Obeng and Blundel (2015) found that SMEs receiving more support from the government had higher satisfaction with government services.

Second, there are negative reactions of SMEs to the government policies and programmes provided. Past studies show that SMEs are unaware of the availability of government programmes implemented in their businesses due to their being unclear about the government procedures and processes involved in applying these programmes (Sambajee & Dhomun, 2015; Oduro, 2019; Razumovskaia et al., 2020).

RESEARCH METHODOLOGY

Malaysia contains 13 states and a federal territory. The study focused on Perhentian Island, a premier island destination in Terengganu, on the east coast of Peninsular Malaysia. The federal government gazetted Perhentian Island as a Marine Park Area in 1994 under the Malaysian Fisheries Act 985 (amended 1993). This act was enacted to conserve and protect the island's marine flora and fauna from being damaged by fishing and other human activities. Figure 2 illustrates the Perhentian Archipelago, which comprises two main islands: *Perhentian Kecil* (smaller island) and *Perhentian Besar* (larger island), which covers 1,392.1 hectares (Nasir et al., 2017). Most tourism-related businesses on Perhentian Island are owned and operated by small to medium-sized enterprises (SMEs). There were 47 SMABs in 2016 out of the many SMEs in the Besut District Council (2017).

The researchers reviewed policy documents deemed critical in advocating for the growth and development of SMABs on Perhentian Island. Five policy documents were reviewed and spread from the federal to the local government levels. They were;

- 1) The Strategic Review of Malaysia's Tourism Industry Policy 2013.
- 2) The National Ecotourism Policy 2016-2025.
- 3) The East Coast Economic Region Master Plan 2008-2020.
- 4) The Terengganu Structure Plan 2006-2020.
- 5) The Special Area Plan Kuala Besut 2009-2016

Table 1: Types of support programs implemented.

Support programmes	Federal level	State level	Local level
Funding	1. Funding support and access to micro-credit facilities for local entrepreneurs to upgrade their resorts, such as soft loan schemes. 2. Microcredit/revolving fund for local operators to upgrade their existing septic tank chalets, restaurants, and passenger boats.	1. Providing tourism Grants for tourism operators from the budget of the state's annual event	Not applicable
Human resources	1. Encourage more tie-ups between hotels/resorts on tourism islands and training institutions. 2. Training programmes engaged by the tourism NGOs 3. Providing training for resort operators, boat operators, boatmen, and jetty personnel 4. Encouragement of local operators' participation in training programmes	Not applicable	1. Development of entrepreneurship and hospitality training centre - Management, finance, and product marketing training, accommodation management training, Hospitality training
Marketing	1. Use appropriate and innovative promotional tools to reach out to niche markets. 2. Offer customised tourist experiences to niche markets rather than a generic experience. 3. Launch an integrated marketing and promotion between stakeholders, industry players, and the local community in packaging, information, etc. 4. Position <i>Kampung Raja-Besut-Perhentian</i>	1. Annual Event Tourism: Visit Terengganu 2. Promotion in the portal Tourism Malaysia and Tourism Terengganu	1. Multi-Channel Promotion: 2. Annual tourism calendar for the district, state and key players (hotels, homestays, etc.) 3. Tourism packages: Marine tourism packages. 4. Annual Activity Calendar: Riverine and sea sport

Support programmes	Federal level	State level	Local level
	<i>Island-Jerteh</i> ecotourism cluster is a "must-visit destination" that combines coastal, nature, and cultural elements. 5. Promoting Perhentian Island as the main tourist venue		
Consultancy	1. Consultancy services provided to upgrade their businesses, loans and applications for the star rating	Not applicable	Not applicable
Infrastructure	1. Improve the Design of tourist jetties to International standards in terms of comfort, aesthetics, and safety. 2. Improve the role of mainland jetties as staging/departure points to the island by providing complete facilities during the transit. 3. Upgrade basic infrastructures and utilities 4. Careful consideration of water supply, electricity, and waste disposal facilities 5. Improve the traffic system, parking facilities, and pedestrian walkways within the jetty area 6. Improve tourism facilities	Not applicable	1. Efficient signage system 2. Extension of Tourist Information Centre operational hours 3. Direct public transportation route to the <i>Rancangan Kawasan Khas</i>, i.e., Special Area Plan. 4. Extension of taxi service time to 9.00 p.m 5. Boat services operate on time and according to the schedule 6. Centralised car park specifically for visitors to Perhentian Island

Numbers 1–3 were policy documents inscribed by the federal government. Numbers 4 and 5 are by the state and local governments, respectively. These documents encapsulated five support programmes: funding, human resources, marketing, and infrastructure programmes, as shown in Table 1.

The researchers used a face-to-face and semi-structured interview to explore SMABs' reactions to government support programmes. Such a technique could provide rich and comprehensive data contributing to highly valuable insights and understanding (Maxwell, 2020). This study applied a case study, referring to a single location setting (Maxwell, 2020), to unlock SMABs' reactions. Additional criteria were that SMABs must be actively managed by locals and registered with the Ministry of Tourism, Art, and Culture of Malaysia and the local authority. Purposive sampling was used to select respondents. This study interviewed 16 respondents (R1-R16) who were the owners and operators of SMABs. Interviews were tape-recorded, transcribed, and thematically analysed.

ANALYSIS AND DISCUSSION

Respondents' Profile

Most respondents (75%) were males compared to females (25%). Most respondents were aged between 40 - 49 years old (50%), followed by 30-39 years old (37.5%) and 50-59 years old (12.5%). Notably, 56.3% of the respondents did not acquire any related experience when they started their business, and only 43.7% obtained their work experience via the business.

Most of these businesses were owned by Terengganu locals (56.3%), while the rest were owned by outsiders, including Malaysians and non-Malaysians (43.7%). The percentage of respondents who managed their business for more than 15 years (62.5%) was significantly higher than that of those who had managed their business for less than 15 years (37.5%). Additionally, most SMABs on this island had a sole proprietorship (68.8%), while the others (31.2%) operated as a partnership business. In terms of business structure, most respondents resumed their family business (43.7%), followed by personally owned businesses (37.6%) and companies procured from their previous owners (18.7%). Notably, most of these SMABs started their business by utilising financial support from the government.

Awareness of Support Programmes

Respondents were questioned "*whether they are aware of any current support programmes provided by government agencies in Perhentian Island and how they find the related information.*" It was found that all the respondents were aware of such programmes. Furthermore, they believed there were sufficient channels to

obtain information on Perhentian Island's existing programmes. According to the respondents, the three vital channels comprised associations, government agencies, and self-explored means.

The analysis reveals that local operators use multiple channels to access information related to tourism management and support programmes on Perhentian Island. A key finding is the central role of the Operators' Association of Perhentian Island, which acts as an intermediary by disseminating crucial information and updates, as noted by most respondents. Respondents such as R1 and R5 emphasised the association's function in ensuring that local stakeholders stay informed, indicating strong intra-community networking.

Furthermore, a few respondents also received information from government agencies about the programmes implemented via fax, email, phone calls, and consultation and training programmes. However, four respondents (R7, R11, R9, and R15) claimed that they initiated self-exploration by searching through the media, such as television, the internet, and government portals, indicating that the information flow in Perhentian Island consists of both the findings found that the information flow in Perhentian Island is a blend of formal institutional communication (through the association and government) and individual initiative.

Diverse Involvement in Support Programmes

Respondents were questioned about the reasons for their involvement in the support programmes. The findings indicate that local operators and stakeholders on Perhentian Island have varying degrees of involvement with government support initiatives. Those who actively participated mentioned practical benefits, including improved revenue, skill development, increased company exposure, and enhanced staff capacity. For example, some respondents even involved their staff with several training opportunities, including entrepreneurship and marine conservation, provided by government agencies. The respondents' tendency to actively participate in the support programmes was to sustain and build a positive relationship with the local government. As highlighted by R16, they see involvement with government agencies as an investment in maintaining governmental credibility and support, which is reflected in their strategic engagement approach.

Conversely, 60% of respondents stated that they did not participate in government programmes due to time constraints with existing commitments, high or unjustifiable fees, programme content misaligned with their needs, and the availability of options for internal training. Respondent R9, for example, was dissatisfied with the training's cost-benefit ratio, describing it as a financial loss. This result reveals a perception gap between programme offerings and participant

expectations, which may stem from poor targeting, ineffective communication, or a perceived lack of value.

Understanding the Process and Procedure of Funding Programmes

Respondents were questioned about the SMABs' understanding of the application process and procedure under the financial programmes implemented. According to the findings, Small and Micro-Scale Accommodation Businesses (SMABs) have low involvement and face considerable barriers to accessing government funding programs. Most respondents acknowledged that these programs existed, but were unclear about the application process. Only six respondents indicated that they were familiar with the procedure and responded favourably, suggesting that knowing the processes involved in the bureaucratic process was crucial in gaining access to assistance.

Many respondents were aware of the funding programmes, but many still did not understand the process flow and application procedures for the funding programmes. Moreover, the respondents claimed that applying for government funding programmes necessitated accommodating a significant challenge. Notably, the requirements needed and the high risk involved were considered as the recurring reasons. The findings highlight a critical gap between policy design and local business capacity. While a minority succeed due to process knowledge, most SMABs struggle with administrative complexity and structural limitations.

The Importance of Support Programmes

The respondents were asked, *"From the support programmes provided, did you realise the support programmes are important for your business?"* The result revealed that seven respondents believe support programmes are crucial for business development on Perhentian Island. For instance, R2 clarified that government agencies actively helped local operators start and expand their businesses through the funding programme. Government agencies have actively assisted local operators in starting and expanding their businesses through funding programs. The Ministry of Tourism, Arts, and Culture (MOTAC) has provided training, funding, consulting services, and improved services to local operators. However, nine respondents felt that government support was not crucial, as most operators did not receive funding support. They believed that hard work and motivation were essential for business success. Respondent R9 stated that he did not consider government support a crucial factor in his business, as he had not received any support.

Mixed Feelings on Satisfaction with Support Programmes

The study found that most respondents expressed dissatisfaction with the funding application process, citing inefficiency and sluggish services provided by government agencies. Respondents had to wait over a year for their application results, while others reported tardiness in providing information and application results. Some respondents also reported that government officers did not inform them when their applications faced problems, and they received no information about the funding application result. However, some respondents praised the government's work in providing programs to local operators, with some stating that they had learnt various skills and knowledge in areas such as marketing, financial management, and customer service. Some respondents, however, expressed dissatisfaction with the agencies' ability to provide helpful suggestions for problems related to their business operations, claiming they were unfamiliar with business operations and management. This statement was also confirmed by respondents R3, R7, and R8.

Support Programmes' General Impacts on SMABs' Performances

This study assessed the impact of support programmes on the performance of SMABs on Perhentian Island. The results were mixed, with half of the respondents indicating positive impacts and half showing negative ones. The results found that various funding schemes, including tourism funds, government tourism grants, and soft loan schemes, provided financial support to SMEs. However, some respondents reported that the government's assistance during monsoon seasons affected their income and business operations. Regarding non-financial aspects, five respondents acknowledged that support programmes positively affected their business management, with their business operating systematically and smoothly. Support programmes also enhanced the skills and knowledge of local operators and workers, with the government providing training programs at no charge. Additionally, the government's influence was evident in the marketing prospects, with increased tourist arrivals and higher operator income. The findings highlight the government's efforts to develop Perhentian Island through support programs to help SMABs grow further.

DISCUSSIONS

The result revealed that all SMAB respondents were aware of and acknowledged the implementation of support programmes by the governments in their business areas. This may not be unusual, given that the area, specifically Perhentian Island, is considered one of Malaysia's premier island destinations. This notion contradicts Sobaih et al. (2021) and Xiang & Worthington's (2017) idea that SMEs are mostly unaware of the existence of support programmes and may

remain unwilling to engage with them. Nevertheless, without SMEs' critical awareness, the support programmes cannot be implemented effectively.

While all SMABs, at least all the respondents, were aware of the support programmes dedicated to them in Perhentian Island, this does not mean that they would completely engage physically in the support programmes. Findings revealed low involvement from the SMABs in the support programmes, especially in human resources programmes. More than half of SMABs were not involved in the support programmes due to government agencies' inability to provide market-related information and equivalent training that meets their businesses' demands. This finding is consistent with other Malaysian researchers like Jaafar and Maiden (2012) and Amir et al. (2024). From perception to support: The role of political bureaucracy in rural tourism development in Lombok, Indonesia. *Planning Malaysia*, 22., who found that government agencies failed to supply the latest information and guidance to the SMABs. Pitlik and Kouba (2015) and Soibah et al. (2021) suggest that SMEs' low involvement is attributed to their perception that the government's support services were irrelevant to their needs. However, some SMABs were satisfied with sufficient information being channelled via government agencies, operators' associations, and self-exploration.

The finding also pointed to the operators' lack of time and task pressure due to the operational nature of running SMABs in an island destination, disengaging them from participating in programmes. This result is confirmed by Chadwick and Raver's (2020) findings, which found that the primary reasons for the SMEs' low involvement are time- and task-pressured scenarios experienced by their managers. This situation renders it difficult for managers to participate in out-of-house training programmes.

Most SMABs acknowledged and understood the intention of the support programmes. However, SMABs could not accept how the support programmes were implemented. For instance, most respondents claimed they were unsuccessful in fulfilling the government's requirements and thus failed to follow stipulated procedures, such as providing business information, financial reports, and guarantees. In the broader context, SMEs are often unaware of their needs and lack a clear understanding of the support programmes' process and procedures (Park et al., 2020; Doh & Kim, 2014). Thus, SMEs must understand the processes and procedures involved, which are critical factors in developing their businesses (Doh & Kim, 2014). Moreover, the process and procedure related to the funding programmes' application were tedious and cumbersome (Zulkefli et al., 2021).

Therefore, it is not unusual for most SMABs on Perhentian Island to face difficulties in receiving financial support from government agencies. The majority of small resorts also experienced difficulties in obtaining government

funding, according to other studies (Zulkefli et al., 2021; Mustapha & Awang, 2020).

Unpleasant conditions also existed due to several barriers, including bureaucratic issues and complex processes and procedures. In Malaysia, Zulkefli et al. (2021) found that the primary factors for SMEs' rejection of involvement in support programmes include inconsistent knowledge and information on government procedures and processes.

Additionally, other obstacles included government officers' lack of current skills and knowledge in dealing with the operational features of SMABs. Thus, a majority of SMABs exhibited adverse reactions. These SMABs considered government officials to be unhelpful, unknowledgeable, and possessing unsystematic coordination (Mustapha & Awang, 2020; Zulkefli et al., 2022). The respondents were supplied with insufficient guidance and information on relevant policies and programmes. Furthermore, it was found that treatment by government officers toward the operators was inequitable. Petti et al. (2017) postulate that SMEs did not receive equal treatment due to having negative associations with government agencies.

Nevertheless, most support programmes that contained non-financial features resulted in more benefits for the local operators than the financial aspect. Most SMABs received substantial benefits from the support programmes such as training, marketing, and consultation. This finding is consistent with previous studies, which have found that training programs provide benefits in management, promotion, knowledge, and skills (Ismail & Othman, 2014; Yusoff *et al.*, 2014). Besides, the skills in digital technology should be sought. Adam and Alarifi (2021) note that digital transformation enhances SMEs' ability and flexibility in addressing business issues.

CONCLUSION

This study highlights the importance of accommodating and being receptive to SMABs' feedback in designing and implementing more effective support programmes. SMABs should continue participating in these programs, providing them with the latest management knowledge and industry information. These goals can be achieved through formal consultation, training programs, or collaboration with other entrepreneurs.

The study provides empirical evidence on the reactions of SMABs towards support programs, whether financial or non-financial, underpinning their effectiveness. It is particularly relevant to tourism destinations, where clients are primarily international and domestic tourists. The COVID-19 pandemic has further modified the relationship between tourism demand and supply. The research study aims to understand SMABs' reactions to support programs that help them climb the economic growth ladder. However, the support programmes

have not had a positive impact on their behaviour, and their openness does not necessarily correlate with positive engagement. Government agencies must take action to ensure the success of government-initiated support programs.

By understanding SMABs' pressing management and operation issues and accommodating them in future support programs, the relationship between the two parties could be harmonised, mitigating adversity. However, the study is limited because the data were collected before COVID-19, which has distorted the supply and demand system for goods and services. Future research should incorporate the latest programs, particularly those with financially based content, designed by the government to help SMABs prepare for such calamities.

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