Int. J. Mgmt. Hum. Sci. 2024; 8(2): 1-12
https://doi.org/10.31674/ijmhs.2024.v08i02.001

IJMHS

International Journal of Management and Human Science

Online ISSN: 2590-3748

www.ijmhs.org

Original Article

A Study on Factors Affecting Access to Trade Finance by Export Oriented Small and Medium Enterprises in Malaysia and Sri Lanka

Asha Jayaweera[1*], Amiya Bhaumik[1], Chatura Liyanage[2]

[1]*Faculty of Business, Lincoln University College, 47301 Petaling Jaya, Selangor D. E., Malaysia*

[2]*Faculty of Accounting, University of Kelaniya, Kelaniya 11600, Sri Lanka*

[*]*Corresponding Author's E-Mail: ajrjayaweera@lincoln.edu.my*

Abstract

The inability to obtain adequate access to finance from the formal banking sector has become a key global constraint for the expansion and development of small and medium enterprises, popularly known as SMEs, engaged in international trade exports. The effect of specific underlying factors on accessing adequate trade finance by these niche SMEs are largely unknown, creating a considerable gap in the existing knowledge. The objective of this concept paper was the development of suitable hypotheses and a conceptual framework to explore the relationship between access to trade finance by export-oriented SMEs and their export performance and to thereby unearth the contributory factors to the problems faced by the export-oriented SMEs using secondary data from two countries in the Asian region: Malaysia and Sri Lanka. The research method employed was a comprehensive, systematic review of the literature. The PRISMA guidelines were employed to identify suitable research studies to be used. Thematic and descriptive analysis of the data gathered revealed several contributory factors that could be broadly categorised into three themes: weaknesses among the SMEs themselves, weaknesses in the formal banking sector, and the lack of governmental and non-governmental support towards exporting SMEs. Thus, a well-fitted conceptual framework could be developed. This paper contributes significantly to the literature, providing an insight into the contributory factors affecting access to trade finance for export-oriented SMEs in Malaysia and Sri Lanka in turn, enabling them to contribute more towards the economic growth of the two countries.

Keywords: *Access to Trade Finance; Export Orientation; International Trade; Small and Medium Enterprises*

Introduction

Trade finance can be defined as credit facilities offered by financial institutions for the purpose of facilitating international commercial activities. In pragmatic terms, trade finance involves loans and guarantees granted by banking institutions. Trade finance supports international trade with direct funding by way of loans and advances or with guarantees granted to the exporter on the importer's behalf. Loans are granted to manufacturers for exporting or purchasing imports. Guarantees are issued usually by way of trade letters of credit, which are a trade finance instrument, representing an obligation by the bank to pay, thereby eliminating the exporter's risk of non-payment by the importer. The exporter's risk element is transferred to the bank that issued the instrument of trade finance. Unique characteristics such as shorter repayment periods (usually up to 90 days), the availability of correspondent banking relationships, and stability differentiate trade finance from other forms of credit (DiCaprio & Yao, 2017). Trade finance gives shape to the export activities of a country. In countries

Received: 8 March 2024; Received in revised form: 2 April 2024; Accepted: 10 May 2024

where there is a well-functioning trade finance mechanism, businesses that would not have had the opportunity due to high-risk factors are enabled to contribute to the countries' economic development (Auboin & DiCaprio, 2017).

Inadequate access to finance is a common problem encountered by small and medium enterprises (SME) across the globe, and SMEs in Sri Lanka and Malaysia are no exception. According to a World Economic Forum (WEF) report by Auboin and Behar (2020), inadequate access to finance is one of the crucial barriers to export for over fifty percent of the developing countries of the world. It is also mentioned as the cause of over 40 percent of the rejected trade finance applications globally. Access to finance is widely accepted as a key factor limiting SME growth. It is estimated that 65 million firms, or 40 percent of registered micro, small, and medium enterprises in the developing nations, have a requirement for finance amounting to $5.2 trillion per annum, equivalent to 1.4 times the current level of global micro and SME lending. Only 35 percent of the SMEs have access to finance from the banking sector. East Asia and Asia Pacific account for the majority share (46 percent) of the total global finance gap (International Finance Corporation, 2017).

Not being able to obtain adequate access to finance from the formal banking sector and other external financial institutions is a key hindrance to the growth and development of SMEs carrying out international trade exports on the Asian continent. SMEs struggle in their attempts to secure sufficient amounts of financing, which retards their growth and prospects for engaging in global trade. Trading overseas incurs numerous non-tariff-based expenses, including packaging and marketing costs required to meet the needs of foreign buyers. Financial institutions granting loans to SMEs suffer from issues related to the inefficient flow of information (informational asymmetry). The inability to produce sufficient collateral and favourable credit history records leads to SMEs incurring higher interest rates and fees when obtaining loans as compared to larger firms. This problem worsens when it concerns obtaining trade finance at affordable costs. The limited availability of financial institutions to serve them, especially internationally trading SMEs, further reduces their export performance and potential (Wijayasiri, 2020).

Even though small and medium enterprises are known as the "backbones" of Asian economies, they are not represented well in global exports. This fact is predominant in emerging Asian economies (International Finance Corporation, 2017). According to Wignaraja (2013), the total contribution of exports by the SME sector in Malaysia only amounts to 19% of the country's gross domestic product (GDP). The Export Development Board of Sri Lanka (2020) has estimated that the total number of Sri Lankan exporters who were engaged in selling goods and services internationally will be 3,971 in 2020, out of which 3,605 (approximately) belong to the SME sector. Even though most of the exporters in Sri Lanka belonged to the SME sector, their contribution to the GDP of the country was a meagre 12.6% of the total export contribution (Sri Lanka Export Development Board, 2020).

Thus arises the research question: What are the factors that affect the obtaining of adequate access to trade finance by the export-oriented SMEs in Malaysia and Sri Lanka?

The objectives of this paper therefore are to obtain a thorough understanding of the research question, identify a research gap, develop hypotheses, and provide a well-fit conceptual framework for the exploration of the relationship between access to trade finance and SME export performance to find out the contributory factors to the problems faced by export-oriented SMEs using a comprehensive literature review of secondary data from two emerging economies in Asia, namely, Malaysia, which is stated as an upper-middle income country, and Sri Lanka, which is stated as a lower-middle income country (International Finance Corporation, 2017; Rasheed, Rahman & Siddiqui, 2017).

Literature Review

Even though published research data on factors affecting access to finance by Malaysian and Sri Lankan SME sectors in general were available, only a very small amount of literature could be found on the subject of factors affecting the access to trade finance by export-oriented small and medium enterprises (SMEs) in the two countries. The specific underlying factors affecting access to adequate trade finance by these niche SMEs are largely unknown, creating a considerable gap in the existing knowledge. This systematic literature review is formulated with the aim of addressing the research gap with the use of published data from Malaysia and Sri Lanka in a comparative manner.

Access to Trade Finance by Export Oriented SMEs in Malaysia

Ramlee and Berma (2013), in their study, mentioned that demand-side factors such as the inability to provide sufficient collateral, lower levels of financial knowledge by the SMEs, and processes and procedures associated with credit approvals in banks hinder Malaysian SMEs from seeking financial assistance from the formal banking sector. They have also stated that supply-side issues, such as bankers' conception of SMEs as a riskier group of customers to lend to, influence SMEs access to sufficient finances from banks.

Moreover, it has been revealed that the failure of SMEs in proving their credit worthiness, the unavailability of financial evidence, and low profit margins have often led to the disqualification of Malaysian SMEs in their attempts to access financial facilities from the banking sector. On the supply side, high transaction costs by banks have been identified as a prominent factor affecting access to finance by Malaysian SMEs (Rasheed, Rahman & Siddiqui, 2017).

In addition, the existence of a significant relationship has been found by Wasiuzzaman *et al.* (2020) between creditworthiness and access to finance for SMEs in Malaysia. Similarly, Abe, Troilo and Batsaikhan (2015) found that the main factors dampening Malaysian SME's access to finance are a lack of collateral, a lack of documents to back loan applications, and the non-availability of proper financial track records. Wahab and Buyong (2008) revealed that less than 20 percent of the SMEs were able to access adequate levels of financing due to reasons such as shorter repayment periods given, insufficient quantum of the loans offered, and high collateral requirements by banks in Malaysia. Low levels of financial literacy, technological constraints, poor infrastructural facilities, corruption issues, and regulatory challenges have been stated by Rasheed, Rahman and Siddiqui (2017) as factors affecting access to finance by Malaysian SMEs. The effect of low technological adaptation, especially in e-commerce, is also expressed as a significant limiting factor in SME access to finance by Ismail and Masud (2020). Yuan, Azam and Tham (2020) mentioned in their research paper that concerns about creditworthiness, liquidity, and asset structure greatly contribute to SME's access to finance from the banking sector. Megersa (2020), in his research, found that a firm's size has an effect on its ability to gain adequate levels of finance, while Mohamed Zabri, Ahmad and Adonia (2021) mention that the owner's experience is a significant factor affecting a small business's access to external financing, as are business age and the distance from the nearest bank branch in Malaysia. Mushtaq, Gull and Usman (2022) found that issues of information asymmetry due to low technological adaptation affect Malaysia's access to finance.

Access to Trade Finance by Export Oriented SMEs in Sri Lanka

Insufficient access to low-cost financing has been identified as the most notable constraint for the start-up, growth, and development of SMEs in Sri Lanka. The SME sector in Sri Lanka faces significant hardships in accessing adequate levels of finance for their businesses. Even though there was a highly competitive financial market in Sri Lanka, a larger portion of SME entrepreneurs preferred to obtain loans only from the formal banking sector, especially from licensed commercial banks. The most formidable challenge to an SME's access to finance from a banking institution has been the high cost of finance. According to Niranjala and Jianguo (2017), what affects access to finance by SMEs is the non-availability of a wide-spread network of bank branches, reaching out to rural areas to cater to SMEs. Moreover, factors such as failure to conduct a profitability study before starting the business, failure to provide a proper training program on successful business management, the lack of financial literacy among the owners and managers of SMEs, and the asymmetric flow of information between financial institutes that provide finance and SMEs also prevented SMEs from accessing sufficient finances from banks. Some entrepreneurs viewed the present loan appraisal procedure in Sri Lanka as biased towards banks. Nearly 86 percent of SMEs were not content with financial service providers when requesting financial assistance due to the complicated nature of the documentation process involved, poor supply of information from financial institutions, and high opportunity costs. Another contributory factor is the non-availability of financial records and project reports with SMEs. A notable 46 percent of Sri Lankan SMEs have been found not to use proper systems for accounting and therefore were unable to submit financial records to banks when applying for loans. It has been further revealed that the owners and key decision-makers of SMEs lacked knowledge on how to approach financial markets and the financial knowledge required to access adequate amounts of finance from the banking sector (Niranjala & Jianguo, 2017).

The Asian Development Bank has identified weaknesses within the financial sector, such as the reluctance of bankers to bear high credit risk and collateral-based lending practices; weaknesses in market conditions, such as the disparity in the flow of information; and weaknesses within SMEs, such as inadequate financial literacy, insufficient knowledge of international market conditions, and a lack of transparency, as the main obstacles to obtaining sufficient access to finance for SMEs (Asian Development Bank, 2017)

It has also been stated by Yoshino and Taghizadeh-Hesary (2017) that SMEs in Sri Lanka face the problem of access to finance due to the non-availability of sufficient collateral for bank lending. Banks in Sri Lanka do not usually grant loans based on extended cash flows to SMEs, owing to relatively large transaction costs and the high risk arising from defaulted SME loans. The two scholars argue that the credit culture in the Sri Lankan banking industry is that banks base their credit decisions on tangible collateral, such as land, rather than cash flows. Further, the lack of proper title for land prevented SMEs in Sri Lanka from offering land as collateral when applying for loans. Despite the existence of a legal framework for secured lending transactions based on moveable assets, credit secured on movable assets was largely unaccepted due to high risk and high transaction costs. Delays in court actions imposed by adversely affected the interests of financial institutions. Another fact stated in the study was that 50 percent to 80 percent of businesses in Sri Lanka operated as unregistered sole proprietorships or partnerships. Without proper legal standing, the export-oriented SMEs in particular were unable to obtain the necessary certifications and approvals to access export markets, resulting in very poor SME participation in merchandise exports. It had also been observed that most SMEs did not maintain proper financial records. The non-availability of proper accounting compelled banks to set high collateral requirements when granting loans. Many SMEs were not competent enough to prepare bankable loan proposals due to insufficient financial and technical knowledge.

Pallegedara (2017), on the other hand, found that entrepreneurial characteristics, i.e., age, religion, gender, and level of education, did not have a significant effect on a firm's ability to receive finance facilities from banks by SMEs in Sri Lanka. But his studies revealed that a firm's monthly income was a significant factor contributing to SMEs access to finance in Sri Lanka. It has been revealed that SMEs with higher monthly earnings reached out for bank loans less frequently than SMEs with lower monthly earnings.

In the publication of Asian Development Bank (2017), it is mentioned that the major setbacks for export-oriented SMEs were high transaction costs, high costs of production, and barriers imposed on international trade. The information asymmetries, rigid laws and regulations, and various other non-tariff-based controls raised increased the hardships in international trading activities. In addition, exporting to foreign countries involves huge marketing costs. All these additional expenses often compel SMEs to seek financial assistance by way of loans from financial institutions. However, obtaining loans from banks is a considerable problem among SMEs. The lack of proper financial records, the lack of collateral and guarantees, and the inability to provide a satisfactory credit history escalate the credit risk for banks (Jain, Lamba & Soni, 2021).

According to the National Export Strategy of Sri Lanka (2018–2022), it has been a constant challenge for SMEs engaging in exports to find adequate access to finance. It is identified that limited export credit insurance is one of the reasons in this regard. Another reason is that most of the export-oriented SMEs did not have sufficient knowledge and awareness about the available export finance solutions. Their lack of technical know-how to approach financial institutions to find and assess the best financing alternatives has been a disadvantage in accessing finance for such SMEs. In Sri Lanka, there is no development bank established exclusively to support SMEs, and the regulatory framework pertaining to the export finance sector is outdated (Government of Sri Lanka, 2018).

Further, Ranasinghe (2019), in his survey involving Sri Lankan youth SME entrepreneurs, has illustrated the impact of insufficient banking sector support and the rigid legal system in Sri Lanka on access to finance by SMEs engaged in international trade. The lack of capital funds has been pointed out as a problem, as it has made investments in equipment difficult. The ability to access capital funds has been hindered by poor support from financial institutions. Participants in the survey have been of the opinion that banks make obtaining loans difficult. As a result, many survey respondents have been relying on their family and friends for financing. The rigidity of obsolete laws that did not seem to adapt to the global context was seen as limiting the firms' success in international trade. Most of the survey participants have responded that they have felt frustrated by the rigid Sri Lankan banking legislation, which has not adapted well to modern technology. Jayasooriya (2020) also stresses the impact of low technological adaptation on access to finance by SMEs in Sri Lanka, on similar grounds.

Someratne (2020), in his study, elaborates on the reasons behind the problems faced by local SMEs in accessing funds from the formal banking sector. He has categorised the causes as structural weaknesses in SMEs and incorrect perceptions among bankers about the way that SMEs conduct business. He too has identified structural weaknesses, which include the non-availability of reliable financial records, the inability to provide acceptable collateral, inadequate risk capital, the usage of outdated technology, and a lack of managerial skills. Banks have been seen as reluctant to lend to SMEs due to the perception that SMEs are high-risk borrowers.

It has been revealed in a recent study conducted on SMEs in the Colombo District of Sri Lanka to examine the impact of financial characteristics that affect SMEs' availability of funding and to identify and assess the impact of entrepreneurial characteristics that influence the SMEs' access to finance that the challenges perceived by Sri Lankan SMEs as faced by them in accessing credit facilities from banks and other financial institutions were based on entrepreneurial characteristics such as the size of the business, the age of the owner, and the business experience of the owner of a firm (Chandraguptha *et al*., 2022). In his study conducted with a group of Sri Lankan SMEs owners in the Jaffna region of the country, Kalaieesan (2021) states that poor financial literacy and the inability to make sound financial decisions have detrimental effects on accessing adequate levels of finance as well as on the growth of businesses. Chen and Mitra (2022) stated in their study that the banks in Sri Lanka concentrated mainly on collateralised lending, which left SMEs who did not own adequate collateral or tangible assets helpless. Other sources of finance, such as credit guarantees, venture capital funds, and digital financial platforms, are still in development in the country.

Research Methodology

The Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) guidelines were used in conducting the systematic literature review of this paper. This framework, which is a set of guidelines highly suitable for conducting a systematic literature review, was used in the selection of research articles, the execution of analysis, and the presentation of report findings. The PRISMA Flow Diagram is the research article selection mechanism which is comprised of three stages: identification, screening, and inclusion. At each step, research articles that do not match the inclusion criteria are to be excluded (Page *et al.*, 2021).

The identification step is comprised of the selection of databases, search items, and search criteria. Accordingly, potential research articles were identified with the use of keywords and synonyms: access to trade finance, export orientation, factors affecting access to finance, international trade, and small and medium enterprises. The searched databases were Scopus, Google Scholar, Elsevier, and Sage journal websites, as well as the official websites of the World Bank, Asian Development Bank, European Central Bank, Central Bank of Sri Lanka, and Economic Development Board of Sri Lanka. The physical sources used included books and government publications. Only articles published in English during the period from 2008 to 2023 were selected and filtered geographically to represent Malaysia and Sri

Lanka. Periodicals, book reviews, editors' comments, conference proceedings, articles in languages other than English, articles dating prior to 2008, and unpublished data were excluded. Accordingly, 34 articles were selected for manual screening (*n*=34).

Two steps were followed in the second stage, i.e., screening. (abstract screening in keeping with research questions and methodology screening for inconsistency of methodology *n*=1) to determine inclusion. The selected list of articles containing the article title, name of the published journal, names of the authors, year of publication, abstract, and the number of citations received were downloaded into an MS Excel worksheet. Thereafter, each abstract was individually screened meticulously using a scoping approach against the inclusion criteria. Eleven (*n*=11) articles were excluded from abstract screening. Thereafter, the methodologies employed in conducting the respective research studies were screened, and one article (*n*=1) was excluded due to lack of clarity. A total of 12 articles were found irrelevant at this stage, and a total of twenty-two (*n*=22) articles were selected to be included finally for the systematic review and analysis.

According to Kitchenham and Charters (2007), researchers' bias, specifically in the stages of article selection and analysis, should be avoided in order to produce a systematic literature review of high quality. The PRISMA guidelines are aimed at preventing researchers' bias in selecting articles, analysing them, and reporting findings (Liberati *et al.*, 2009; Priyashantha, De Alwis & Welmilla, 2021). Therefore, having followed these guidelines in this paper resulted in an objective article selection process. Further, conducting an independent manual screening procedure reduced the bias in article selection and analysis. The process followed in selecting the articles is depicted in Figure 1.

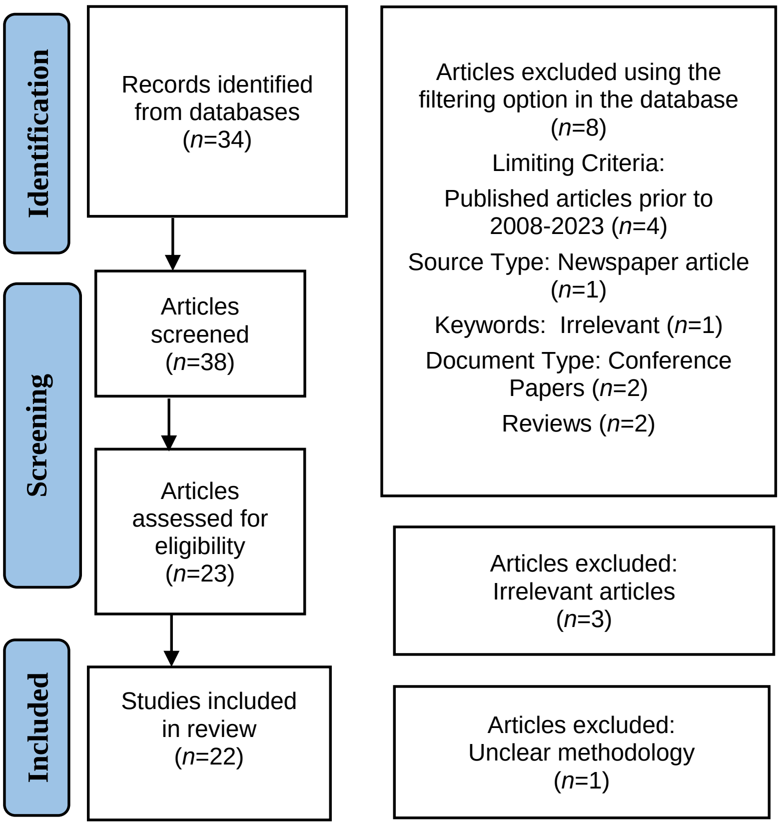

Figure 1: PRISMA flow diagram

Analysis

Thematic analysis was selected for the purpose of analysing the data found in the included literature. Thematic analysis was decided to be a suitable method for summarising key features of a set of data, as it enabled the researcher to take a well-structured approach in data handling (Nowell *et al.*, 2017). The final list of included articles containing title, authors, name of the journal, publication year, abstract, and received citations that were already downloaded into an MS Excel sheet was sorted according to the year of publication. Thereafter, the factors affecting access to trade finance were coded with a code name and segregated into broader categories or themes. The thematic analysis was conducted according to the guidelines stated by Creswell (2021). The frequencies of the codes and themes were recorded using descriptive analysis techniques in MS Excel. Upon the results of the analysis, a number of commonly occurring codes belonging to three main themes were found, based on which hypotheses and the conceptual framework were developed.

Results

The descriptive statistics of the included studies published between 2008 and 2022 yielded a total of 22 studies, of which 9 were on Malaysian SMEs and 13 were on Sri Lankan SMEs. The highest number of studies had been compiled in the year 2020, as tabulated under Table 1.

Table 1: Descriptive statistics of included research articles

Year Published	Malaysia (*n*)	Sri Lanka (*n*)	Total (*n*)
2008	1	0	1
2013	1	0	1
2015	1	0	1
2017	1	4	5
2018	0	2	2
2019	0	1	1
2020	2	4	6
2021	2	1	1
2022	1	1	1
Total	9	13	22

The factors (code words) found to be contributory in the accessing of adequate levels of finance by export-oriented SMEs in the two countries are tabulated under Table 2 and 3.

According to the review of literature above, the factors affecting access to finance by the export-oriented SMEs in Malaysia and Sri Lanka could be grouped into three broad categories (themes) as illustrated in Table 2 and 3 and factors affecting access to finance by exporting SMEs in Table 4.

Table 2: Factors affecting access to finance by exporting SMEs in Malaysia

Contributory Factors	Frequency (*n*)
Age	1
Size	1
Ownership/Asset structure	1
Poor managerial qualities	1
Insufficient collateral	3
Lack of financial knowledge	3
Inappropriate credit approval systems	1
Failure to prove creditworthiness	3
Bankers' misconceptions	1
Non-availability of financial track records	2
Low Liquidity	1
High transaction costs	1
Inadequate loan quantum granted	1
Shorter repayment periods offered	1
Low profit margins/income	1
Technological/Information Asymmetry	2
Poor infrastructural facilities	1
Corruption issues	1
Rigid laws/Regulatory challenges	1

Table 3: Factors affecting access to finance by exporting SMEs in Sri Lanka

Contributory Factors	Frequency (*n*)
Age	1
Size	1
Ownership	1
Poor financial literacy	5
Lack of collateral	7
Bad credit history	5
Poor Managerial qualities	1
Poor income/profit	4
Unfavourable attitudes of Bankers	2
High interest rates/charges	3
Insufficient reach	2
Outdated/Risk averse credit appraisal systems	1
Legal issues/rigid laws and regulations	4
Insufficient financial records	1
Insufficient grants and subsidies	1
Information asymmetry/technology constraints	4
Lack of vocational training opportunities	1
Poor infrastructure support	1

Table 4: Categorization of factors affecting access to finance by exporting SMEs

Main Factor/Theme	Constituent Factors/Codes
Internal Structural	Age
Weaknesses	Size
	Ownership
	Low financial literacy
	Low usage of technology
	Lack of collateral
	Bad credit history
	Inability to prove credit worthiness
	Poor Managerial skills
	Poor income or profit
Banking Sector Weakness	Unfavourable attitudes/misconceptions of bankers
	High interest rates/charges
	High collateral requirement
	Insufficient reach
	Lengthy and complicated loan procedures
	Outdated credit appraisal systems
	Inadequate loan quantum granted
	Shorter repayment periods offered
Lack of Governmental and Non-governmental Support	Rigid laws on international trade
	High taxes
	Insufficient grants and subsidies
	Corruption issues
	Insufficient supply of market information
	Lack of vocational training opportunities
	Underdeveloped financial market
	Poor infrastructure support

Hypotheses Development and Conceptualization

On scrutiny of the above results, it could be found that the factors affecting access to finance by SMEs in Malaysia and Sri Lanka were almost identical, despite the difference in the income level categorisations of the two countries.

Further, it could be hypothesised that problems or key issues in the access to adequate trade finance by export-oriented SMEs in Malaysia and Sri Lanka have been caused by various underlying factors stemming from three main categories or themes. These categories could be identified as internal structural weaknesses of export-oriented SMEs, inadequate government and private sector infrastructure support, and weaknesses of the financial systems. The hypotheses formed are as follows:

H1: The internal structural weaknesses of export-oriented SMEs have an impact on their access to trade finance.

H2: The lack of governmental and non-governmental support provided to export-oriented SMEs has an impact on their access to trade finance.

H3: Financial sector weaknesses have an impact on export-oriented SMEs' access to trade finance.

H4: Export-oriented SMEs' access to trade finance has an impact on their export performance.

Further to the development of the above-mentioned hypotheses, a conceptual framework could also be developed, as shown in Figure 2 below.

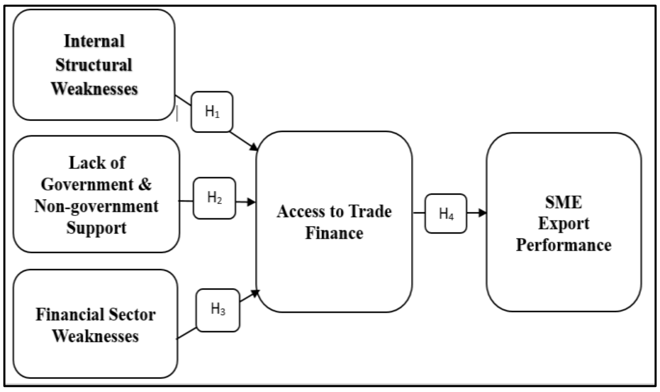

Figure 2: Conceptual framework

Discussion

Based on the findings tabulated above, it can be stated that the factors affecting access to finance by export-oriented SMEs in Malaysia and Sri Lanka are mostly identical.

The factors affecting access to trade finance in the two countries could be identified as the internal structural weaknesses of the SMEs themselves, banking sector weaknesses, and the lack of governmental and non-governmental support provided to export-oriented SMEs.

However, the challenges faced by Sri Lankan export-oriented SMEs seemed more severe since in Malaysia, government policies were better designed and well-targeted towards supporting business entities that usually overachieved their goals. The continuous growth trend indicated high action plans. Constant assistance towards minimising the finance gap for the SME sector would result in an incline in the Malaysian economy (Rasheed, Rahman & Siddiqui, 2017; Khan *et al*., 2024).

It could be noticed that most scholars assigned the primary responsibility of fixing the problems of access to finance that small and medium enterprises come across to the local governments. Niranjala and Jianguo (2017) suggest that in order to promote SMEs, which are considered an engine of economic development in Sri Lanka, and to assist them in gaining sufficient access to finance, it is important for Sri Lankan government policy-making institutions, including the Central Bank of Sri Lanka, to take necessary policy initiatives directly targeting the evaluation of SME businesses. Chandraguptha *et al.* (2022), in their study, recommend that the government of Sri Lanka should be actively supporting and developing SMEs by developing and creating more financial institutions like the Bank for Small Industries and Commerce that should cater exclusively to the financing of SMEs. This would create an SME-friendly environment that would increase the economic growth and stability of Sri Lanka.

Nevertheless, the responsibility lies in the hands of the financial service providers in Sri Lanka too. Especially, banks should target low-income SMEs when they promote their financial services (Pallegedara, 2017; Wijekoon, Sharma & Samkin, 2024). The banking sector should introduce new innovative SME products, provide good quality of service, and offer non-regular office hours for SMEs. Policymakers should create favourable environments for low-income SMEs to obtain bank loan facilities, such as reduced interest rates, softening the conditions for collateral, reducing banking costs, and increasing the competition between existing banks and banking products targeted at SMEs (Pallegedara, 2017; Nuwan *et al*., 2023). Moreover, Ye and Kulathunga (2019) and Assifuah-Nunoo (2023) have made some useful suggestions for owners and managers of SMEs for improving financial literacy among the SMEs in Sri Lanka. They suggest that participation in workshops, training sessions, and seminars to improve the financial literacy of SMEs should be facilitated for owners and workers of SMEs to cover financial recording and financial analysis, risk analysis, investment management, and project development.

Conclusion

Obtaining adequate access to finance is essential for the growth and development of the SME sector globally. The factors affecting access to trade finance in Sri Lanka and Malaysia, two countries in the Asian region with emerging market economies, were discussed in detail in this concept paper. Even though the two countries belonged to two different national income categories, a number of factors affecting access to finance by Sri Lankan and Malaysian export-oriented SMEs could be identified upon the completion of the systematic review of literature, and they could be categorised into three broad categories: internal structural weaknesses of the SMEs themselves, weaknesses in the formal banking sector, and lack of support from the government and non-governmental organisations.

Even though most of the factors influencing access to finance for exporting SMEs were found to be identical between the two countries, in Sri Lanka, a comparatively greater reliance on support from the government and non-governmental organisations in overcoming these constraints could be noted. It could also be found that the actions taken by the two governments to cover the gap in trade finance and the implementation of trade policies in the two countries differed.

The contributory factors emphasised in the paper enabled the achievement of the research objectives in the development of a well-fitted conceptual framework to be used in future empirical research for a better understanding of the factors affecting access to finance by SMEs engaged in exports.

Conflict of Interests

The authors affirm that there are no conflicting objectives.

Acknowledgement

All contributory parties, including the authors of the secondary data sources used in this paper, are hereby acknowledged, as are all references mentioned.

References

Abe, M., Troilo, M., & Batsaikhan, O. (2015). Financing small and medium enterprises in Asia and the Pacific. *Journal of Entrepreneurship and Public Policy*, *4*(1), 2-32. http://dx.doi.org/10.1108/JEPP-07-2012-0036

Asian Development Bank. (2017). *Small and Medium-sized Enterprises Line of Credit Project - Additional Financing: Report and Recommendation of the President*. Retrieved from: https://www.adb.org/projects/documents/sri-49273-002-rrp Acessed on September 15, 2023

Assifuah-Nunoo, E. (2023). Access to finance, financial literacy and small and medium-scale enterprises sustainable performance. *Journal of Engineering Applied Science and Humanities*, *8*(2), 118-142. https://doi.org/10.53075/Ijmsirq/655456576757

Auboin, M., & Behar, V. G. (2020). Why exporters need to mind the trade finance gap. *World Economic Forum*. Retrieved from: https://www.weforum.org/agenda/2020/02/exporters-mind-trade financegap/#:~:text=Exporters%20want%20to%20be%20paid,the%20risk%20of%20non%2Dpayment, Acessed on October 25, 2023

Auboin, M., & DiCaprio, A. (2017). Why do trade finance gaps persists: Does it matter for trade and development? *Asian Development Bank Institute*. 1-26.
Retrieved from: https://www.adb.org/sites/default/files/publication/236486/adbi-wp702.pdf Acessed on September 29, 2023

Chandraguptha, B. D. G. K., Menikdiwela, S. D., Madurasinghe, M. M. L. K., Kalpage, N. D., Dunuwila, V. R., & Wickramarachchi, C. N. (2022). Examining Drivers that Influence Mobile Banking Adoption of Small and Medium Enterprises in the Colombo District. Retrieved from: https://rda.sliit.lk/handle/123456789/3117, Acessed on December 18, 2023

Chen, C., & Mitra, S. (2022). Five Ways to Connect Sri Lanka's Small Businesses to Global Value Chains. *Asian Development Blog*.
Retrieved from: https://blogs.adb.org/blog/five-ways-connect-sri-lanka-s-small-businesses-global-value-chains, Acessed on December 7, 2023

Creswell, J. W. (2021). *A concise introduction to mixed methods research*. 2nd Edition. SAGE Publications.

DiCaprio, A., & Yao, Y. (2017). Drivers of trade finance gaps. *Asian Development Bank Institute*.
Retrieved from: https://www.adb.org/sites/default/files/publication/230826/adbi-wp678.pdf, Acessed on December 17, 2023

Government of Sri Lanka. (2018). *National Export Strategy of Sri Lanka*.
Retrived from: https://www.srilankabusiness.com/pdf/nes/sri-lanka-nes-4-3-web.pdf, Acessed on December 19, 2023

International Finance Corproration (IFC). (2017). MSME finance gap : assessment of the shortfalls and opportunities in financing micro, small, and medium enterprises in emerging markets. *The World Bank Group*.
Retrieved from:
https://documents.worldbank.org/en/publication/documentsreports/documentdetail/653831510568517947/msme-finance-gap-assessment-of-the-shortfalls-and-opportunities-in-financing-micro-small-and-medium-enterprises-in-emerging-markets, Acessed on December 5, 2023

Ismail, N. A., & Masud, M. M. (2020). Prospects and challenges in improving e-commerce connectivity in Malaysia. In Chen, L. and F. Kimura (eds.), *E-commerce Connectivity in ASEAN* (pp.78-98). Economic Research Institute for ASEAN and East Asia.
Retrieved from: https://www.eria.org/uploads/media/E-commerce-Connectivity-in-ASEAN/9_Chapter-5_Prospects-and-Challenges-in-Improving-E-commerceConnectivity-in_Malaysia.pdf, Acessed on December 28, 2023

Jain, E., Lamba, J., & Soni, N. (2021). A comparative examination of non-performing asset management of banks in India. *International Journal on Recent Trends in Business and Tourism (IJRTBT), 5*(3), 20-32. https://doi.org/10.31674/ijrtbt.2021.v05i03.003

Jayasooriya, S. P. (2020). Roles of Technology, Innovation, and Finance in Small and Medium-sized Enterprises (SMEs) in Sri Lanka. In *Demand Side Management of SMEs in Asia*.
Retrieved from: https://mpra.ub.uni-muenchen.de/104412/1/MPRA_paper_104412.pdf, Acessed on November 19, 2023

Kalaieesan, K. (2021). The relationship between access to finance and growth of SMEs in the Northern Province of Sri Lanka: Financial literacy as a moderator. *Management Studies, 9*(3), 203-219. http://dx.doi.org/10.17265/2328-2185/2021.03.004

Khan, W., Nisar, Q. A., Bilal, A. R., Yardimci, B., & Elahi, A. R. (2024). Empirical nexus between firm characteristics, market characteristics, financial delinquency, and its analogy to access to finance for SMEs. *Journal of the Knowledge Economy*, 1-29. http://dx.doi.org/10.1007/s13132-024-01836-w

Kitchenham, B., & Charters, S. M. (2007). *Guidelines for performing Systematic Literature Reviews in Software Engineering*. Keele University and Durham University Joint Report.
Retrieved from:
https://edisciplinas.usp.br/pluginfile.php/4108896/mod_resource/content/2/slrPCS5012_highlighted.pdf, Acessed on November 15, 2023

Liberati, A., Altman, D. G., Tetzlaff, J., Mulrow, C., Gøtzsche, P. C., Ioannidis, J. P., Clarke, M., Devereaux, P., Kleijnen, J., & Moher, D. (2009). The PRISMA statement for reporting systematic reviews and meta-analyses of studies that evaluate health care interventions: explanation and elaboration. *Journal of Clinical Epidemiology*, *62*(10), e1–e34. https://doi.org/10.1016/j.jclinepi.2009.06.006

Megersa, K. (2020). Improving SMEs' access to finance through capital markets and innovative financing instruments: Some evidence from developing countries. *Korea Society for Computational Fluids Engineering*. Retrieved from: https://www.ids.ac.uk/publications/improving-smes-access-to-finance-through-capital-markets-and-innovative-financing-instruments-some-evidence-from-developing-countries/, Acessed on November 15, 2023

Mohamed Zabri, S., Ahmad, K., & Adonia, S. A. (2021). The influence of managerial characteristics on external financing preferences in smaller enterprises. The case of Malaysian micro-sized enterprises. *Cogent Business & Management, 8*(1), 1912524. http://dx.doi.org/10.1080/23311975.2021.1912524

Mushtaq, R., Gull, A. A., & Usman, M. (2022). ICT adoption, innovation, and SMEs' access to finance. *Telecommunications Policy, 46*(3), 102275. https://doi.org/10.1016/j.telpol.2021.102275

Niranjala, S. A. U., & Jianguo, W. (2017). Access to finance and related issues in the SMEs in Sri Lanka. In *2017 3rd International Conference on Information Management*. https://doi.org/10.1109/INFOMAN.2017.7950363

Nowell, L., Norris, J. M., White, D., & Moules, N. J. (2017). Thematic analysis: Striving to meet the trustworthiness criteria. *International Journal of Qualitative Methods, 16*(1), 160940691773384. https://doi.org/10.1177/1609406917733847

Nuwan, A. N., Bandara, H. G. K. N., Ranasinghe, D. K., Perera, D. A. M., & Bulankulama, S. W. G. K. (2023). A Study on Bank Financing on the Performance of Small and Medium Enterprises in Sri Lanka. In *11th Sri Lanka Economic Research Conference of the Sri Lanka Forum of University Economists*, *89* (8), 134
Retrieved from: http://repo.lib.jfn.ac.lk/ujrr/bitstream/123456789/5735/1/Do%20sme%20loans%20disbursed%20by%20banks%20impact%20on%20the%20performance%20of%20the%20sme%20sector%20in%20sri%20lanka.pdf, Acessed on November 5, 2023

Page, M. J., McKenzie, J. E., Bossuyt, P. M., Boutron, I., Hoffmann, T. C., Mulrow, C. D., ... & Moher, D. (2021). The PRISMA 2020 statement: An updated guideline for reporting systematic reviews. *The BMJ*. https://doi.org/10.1136/bmj.n71

Pallegedara, A. (2017). a. *International Journal of Economics and Business Research, 13*(1), 30-42. https://dx.doi.org/10.1504/IJEBR.2017.081778

Priyashantha, K., De Alwis, A. C., & Welmilla, I. (2021). Gender stereotypes change outcomes: a systematic literature review. *Journal of Humanities and Applied Social Sciences, 5*(5), 450–466. https://doi.org/10.1108/jhass-07-2021-0131

Ramlee, S., & Berma, B. (2013). Financing gap in Malaysian small-medium enterprises: A supply-side perspective. *South African Journal of Economic and Management Sciences, 16*(5), 115-126. http://dx.doi.org/10.4102/sajems.v16i5.641

Ranasinghe, G. (2019). Barriers and drivers of SMEs' internationalisation in emerging markets: Study of Sri Lankan youth entrepreneurs. In *International Entrepreneurship in Emerging Markets: Nature, Drivers, Barriers and Determinants* (Vol. 10, pp. 141-160). Emerald Publishing Limited. https://doi.org/10.1108/s2040-724620190000010013

Rasheed, R., Rahman, M. A., & Siddiqui, S. H. (2017). SME access to finance in emerging economies: a comparative study of Pakistan and Malaysia. *Studia Universitatis Babeș-Bolyai Negotia, 62*(4), 7-19. https://doi.org/10.24193/subbnegotia.2017.4.01

Sri Lanka Export Development Board. (2020). *Sri Lankan Export Sector Performance*.
Retrived from: https://www.srilankabusiness.com/exporters/export-performance-report.html, Acessed on October 20, 2023

Wahab, I. A., & Buyong, S. Z. (2008). Financing technology-based SMEs in Malaysia: Practices and problems. *SMEs in Global Economy Series: SMEs and Industrial Development in Asian Countries*.

Wasiuzzaman, S., Nurdin, N., Abdullah, A. H., & Vinayan, G. (2020). Creditworthiness and access to finance: A study of SMEs in the Malaysian manufacturing industry. *Management Research Review, 43*(3), 293-310. https://doi.org/10.1108/MRR-05-2019-0221

Wignaraja, G. (2013). Can SMEs participate in global production networks?. In *Global Value Chains in a Changing World* (pp. 279-312). WTO iLibrary. Retrieved from:
https://dukespace.lib.duke.edu/server/api/core/bitstreams/1857fdef-8eb2-4df0-93ca_04be04daa6f2/content#page=304, Acessed on December 10, 2023

Wijayasiri, J. (2020). COVID-19 and Impact on Export Sector in Sri Lanka. In *Korea Institute for International Economic Policy*.
Retrieved from: https://www.kiep.go.kr/galleryExtraDownload.es?bid=0026&list_no=9311&seq=4, Acessed on December 17, 2023

Wijekoon, N., Sharma, U., & Samkin, G. (2024). SME owners and accountants' perceptions of financial information in small-and medium-sized entities: A Sri Lanka case study. *Journal of Accounting in Emerging Economies*, *14*(2), 422-449. https://doi.org/10.1108/JAEE-10-2021-0308

Ye, J., & Kulathunga, K. M. M. C. B. (2019). How does financial literacy promote sustainability in SMEs? A developing country perspective. *Sustainability, 11*(10), 2990. http://dx.doi.org/10.3390/su11102990

Yoshino, N., & Taghizadeh-Hesary, F. (2017). Solutions for mitigating SMEs' difficulties in accessing finance: Asian experiences. *Asian Development Bank*. Retrieved from: https://www.adb.org/sites/default/files/publication/348741/adbi-wp768.pdf, Acessed on October 2, 2023

Yuan, Y., Azam, S. F., & Tham, J. (2020). Conceptualising the financial accessibility of small and medium enterprises (SMES) in Malaysia. *European Journal of Economic and Financial Research, 3*(5), 219-237. https://doi.org/10.5281/zenodo.3598151