

# Small and Medium Enterprises in Muslim Countries

Small and medium enterprises are dominant in every economy irrespective of its level and stage of development. Naturally, microenterprises begin small, and then grow to medium size and ultimately to large size, even though that is not always the case. Having recognized the overwhelming role of SMEs in terms of employment generation and income creation through productivity enhancement, SMEs are being treated as engine of growth particularly in the developing countries. However, over the last half a century sovereign governments have been treating different sectors/policies as engines of growth. In the 1960s, the slogan was, 'trade not aid', as an engine of development. Subsequently, the emphasis has been shifting from import-substitution/inward-looking to export-promotion/outward-looking as mover of growth. The history of economic development is replete with evidence suggesting that inclusive growth based on SMEs can be most instrumental in improving the distribution of income in all societies, in general, and heterogeneous societies, in particular. Thus, SMEs have tremendous potential for contributing to growth and development of a harmonious and peaceful society by way of promoting equalizing growth. All the East Asian Miracle Economies including Malaysia and Indonesia from the Muslim World attest to this.

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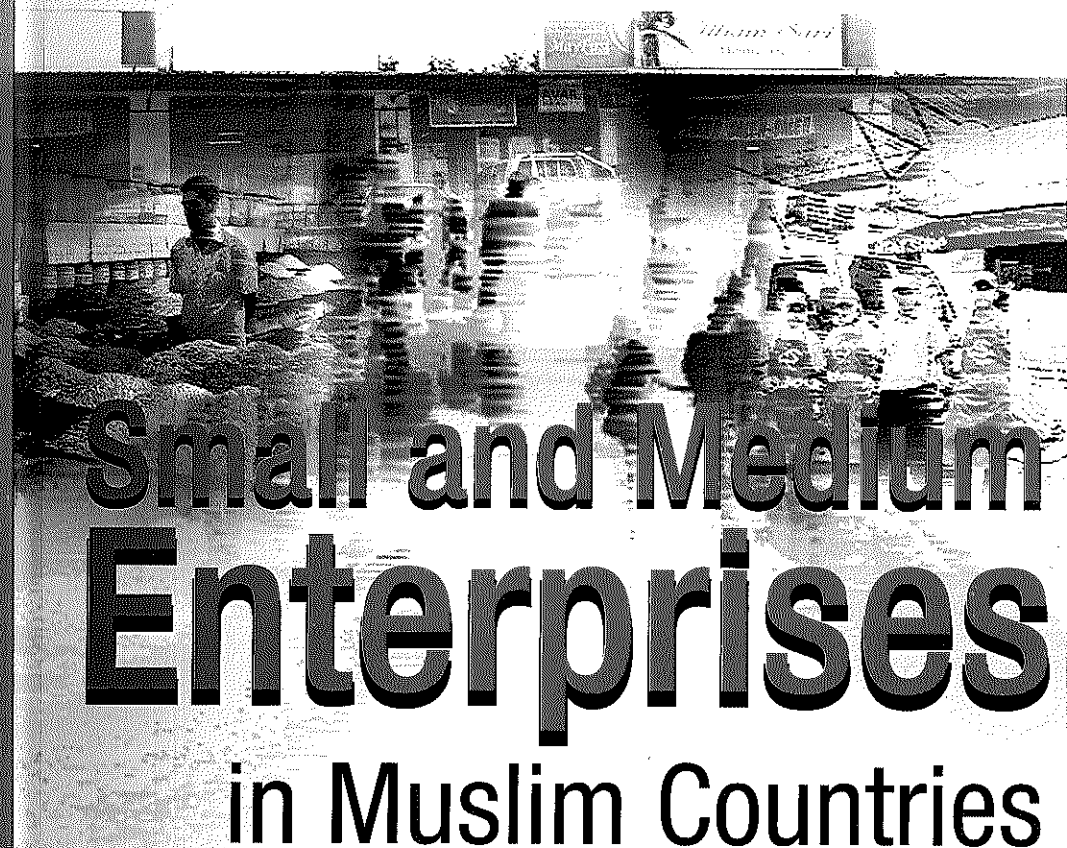
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Edited by  
Moha Asri Abdullah  
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Introduction by Ataul Huq Pramanik



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## Contents

<i>List of Figures</i>	<i>xi</i>
<i>List of Tables</i>	<i>xiii</i>
<i>Preface</i>	<i>xvii</i>
<i>Introduction by Ataul Huq Pramanik</i>	<i>xix</i>

### PART 1: DEVELOPMENT OF SMEs IN MUSLIM COUNTRIES

Chapter 1	The Development of Small and Medium Enterprises (SMEs) in Turkey	3
	<i>Rininta Nurrachmi</i>	
	<i>Khairunnisa Abd Samad</i>	
	<i>Ibrahim Foughali</i>	
Chapter 2	The Development Small and Medium Enterprises (SMEs) in Nigeria	27
	<i>Sulaiman Adesina Yusuf</i>	
	<i>Olubunmi Lawrence Balogun</i>	
Chapter 3	Small and Medium Enterprises (SMEs) in Bangladesh: Constraints and its Contributions	54
	<i>Sabrina Mohamed Kassim</i>	
	<i>Nawalin Nazah</i>	
	<i>Nursechafia</i>	
	<i>Abdul Halim Hakim</i>	
Chapter 4	Problems and Global Challenges of Small and Medium Enterprises (SMEs) in Iran	75
	<i>Aminah Doloh</i>	
	<i>Naz Abdul Kareem Arif</i>	
Chapter 5	Micro, Small and Medium Enterprises (MSMEs): The Case of Indonesia	99
	<i>Rico Ricardo</i>	
	<i>Nor Salwani Ahmad</i>	
	<i>Nurul Riddhaina Salahuddin</i>	

Chapter 6	Challenges and Survival of Small Muslim Retailers: A Case Study of a Village (ABC) in Malaysia <i>Siti Nabihah Abdullah</i> <i>Haslindar Ibrahim</i>	122
Chapter 7	Study on Financing Need and Behavior of Small and Medium-Size Enterprises (SMEs) in Klang Valley, Malaysia <i>Siti Khadijah Ab. Manan</i> <i>Moha Asri Abdullah</i>	134
Chapter 8	The Progress of Small and Medium Enterprises (SMEs) in Pakistan <i>Salman Sani</i> <i>Shaheera Mohamed</i>	160

## PART 2: ISSUES IN SMEs IN MUSLIM COUNTRIES

Chapter 9	Implications of Financial Exclusion for Microenterprises Underdevelopment in Ilorin, Nigeria <i>Adewale, Abideen Adeyemi</i> <i>Mustafa Daud</i> <i>Abdulkadir, Rihanat Idowu</i>	189
Chapter 10	The Challenges of Micro Enterprises in Malaysia and the Prospect for Integrated Cash Waqf Micro Enterprise Investment (ICWME-I) Model <i>Mohamed Asmy Mohd Thas Thaker</i> <i>Mustafa Omar Mohammed</i>	203
Chapter 11	Inter-Firm Linkages, Business Strategies, and Firm Performance: An Empirical Study of Small Industrial Clusters in Central Java, Indonesia <i>Arif Hoetoro</i> <i>Moha Asri Abdullah</i>	223

Chapter 12	Are Tunisian SMEs Adopting E-commerce? An Exploratory Study <i>Dhekra Azouzi</i> <i>Abdelghani Echchabi</i>	246
Chapter 13	The Role of Networks and Clusters of SMEs in Developing Countries: Jordan as a Case Study <i>Mohammad Izuddin Idris</i> <i>Muhammad-Bashir Owolabi Yusuf</i>	267
Chapter 14	An Evaluation of Legal Framework on the Growth and Development of SMEs in Nigeria <i>Abdulfatai O. Sambo</i> <i>Abdulkadir O. Abdulrazak</i> <i>Abdulkadir B. Abdulkadir</i>	293
Chapter 15	Fundamentals of Islamic Law in Small and Medium Enterprises <i>Yusuff Jelili Amuda</i>	311
Chapter 16	Empowering Small and Medium Enterprises (SMEs) in Facing ASEAN-China Free Trade Area (ACFTA) <i>Moha Asri Abdullah</i> <i>Arif Hoetoro</i>	337
	<i>Contributors</i>	361
	<i>Index</i>	367

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## Chapter 10

### The Challenges of Micro Enterprises in Malaysia and the Prospect for Integrated Cash Waqf Micro Enterprise Investment (ICWME-I) Model

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Mustafa Omar Mohammed

#### Introduction

Small and Medium Enterprises (SMEs) have played significant roles in world economies in terms of economic growth, employment and stimulating investments. In Malaysia, SMEs also continue to contribute to the economy as Malaysia embarks on the journey towards achieving Vision 2020. However, SMEs contribution to Malaysian GDP is still low compared to some Organization of Islamic Cooperation (OIC) countries such as UAE, Indonesia and Egypt, and several non-OIC countries such as Korea, Singapore, Vietnam and South Africa. The Malaysian Government launched several programs and schemes to boost SMEs' activities and their contributions to the development of the country. However, the impact of these programs and schemes are yet to be felt.

Existing literature has attributed the dismal contributions of SMEs to GDP to continuous problems they face largely in terms of financing, human resources, information technology, market accessibility, competition, bureaucratic red tape and unfavourable regulations. Most of these literatures, however, have examined SMEs as a single unit of analysis. There are few studies that have investigated the components of SMEs individually. Evidences in these studies show that most of the funding from the private sector and the government goes to the two