

Relationship between financing facilities and small and medium industries : Empirical evidence from ARDL bound testing approach

Abstract

A major challenge to the competitiveness of sustainable economic development is a country's global economic position. Small and medium industries, supposed to be drivers of economic development of a country, receive much of negative impact following the global economic uncertainty environment. This includes facing increasingly critical financial facilities. This study seeks to analyze the empirical relationship between small and medium industries and the financing facilities in the short-run and long-run in the state of Sabah, Malaysia. The ARDL bound testing approach was applied, using annual time series data for the years between 1976 through 2005. The successes of small and medium industries have been related to availability of financing facilities. Results show that the relationships between small and medium industries and financing facilities seem to exist in the long-run. In addition, there is a causal relation between small and medium industries and financial loan. The conclusion is that financing facilities may not be the most important factor in the development of small and medium scale industries, but small and medium industries on the other hand functions as the paramount important factor in the development of financing facilities.