GBMR
Global Business and Management Research: An International Journal
Vol. 17, No. 1 (2025)

Performance Challenges of Development Financial Institutions (DFIs)

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Abstract

Purpose: The purpose of this study is to explore the reported challenges of Malaysian DFIs.

Design/methodology/approach: This research adopts qualitative research of document review on 15 published reports by six DFIs, which were prescribed under DFIA 2002 for the recent three years of 2021 to 2023 (post-pandemic COVID-19).

Findings: The findings of this research indicate that there are at least six open codes identified on DFIs' challenges from the published report for the past three years, within the year of 2021 to 2023. The challenges can be further classified as external challenges, which can be grouped as systematic risk and hence treated as threats faced by the institutions, that is, economic, political, environmental and technological challenges. On the other hand, the other two challenges of business and customer can be classified as internal challenges, which can be grouped as unsystematic risk and thus treated as weaknesses of the institutions that should be addressed by their strength.

Research limitations/implications: There are several limitations in the study that should be deliberate for improvement in future research. The research is a qualitative study in nature of interpretivism solely on the document review of published article after pulse economy year that is between 2021 to 2023. Future studies might consider longitudinal time series and consider adding other data collection methods and diverse sources of data to gain multiple perspectives insight. This research is anticipated to make a valuable contribution to the body of knowledge on the challenges encountered by DFIs in fulfilling their socio-economic development mandates. The study could be further linked to broader research areas such as risk management and organizational performance, which could further deliberate studies on comprehensive strategies to mitigate potential risks and enhance institutional effectiveness.

Practical implications: The findings of this study are expected to be of practical significance not only to DFIs but also to a wider range of business entities. By identifying and understanding these challenges, organizations can develop more robust strategic plans, enhancing their performance and aligning their strategic directions with their overarching goals. Moreover, policymakers can design more effective regulations and policies that align with the needs of these institutions such as developing targeted support mechanisms on capacity-building

initiatives or enhanced monitoring frameworks, to strengthen the financial and operational resilience of DFIs.
Originality/value: This paper studies the challenges of DFIs, which could relate to their internal and external risks, hence contributing to input for the DFIs' strategic plan and organizational performance improvement.

Keywords: Performance Challenges, Development Financial Institutions, DFI Challenges, DFI Risk, Challenges Framework

Introduction

The Malaysian financial system is comprised of both financial institutions and financial markets, providing a robust framework for economic activities. Financial institutions in Malaysia include both banking and non-banking financial intermediaries, offering a range of Islamic and conventional financial services to meet the diverse needs of consumers and businesses alike. These institutions encompass both domestic and foreign banks, highlighting Malaysia's integration into the global financial system. Development Financial Institutions (DFIs) are specialized entities established by the Malaysian government with the mandate to support specific economic objectives (Bank Negara Malaysia, 2024; Trujano & Lévesque, 2022; Shamsudin et al., 2020). These DFIs play a crucial role in the Malaysian financial landscape by providing targeted financing to key strategic sectors (Shamsudin et al., 2018), thereby facilitating the growth and development of the national economy. Furthermore, as mentioned by Te Velde (2011), DFIs are pivotal in filling the financing gaps in sectors crucial for national development, particularly where traditional banking institutions might be reluctant to lend due to higher perceived risks. The role of DFIs is, therefore, essential in promoting sustainable economic growth and development by supporting the government's strategic initiatives.

The Malaysian DFIs have been established and financially backed by the government, particularly to promote industrialization in the key strategic sectors. As a government representative, DFIs are responsible to develop and promote key sectors that are considered of strategic importance to the overall socioeconomic development objectives of Malaysia by supporting the mandate's focus sectors comprising of SMEs, agriculture industry, infrastructure industry, maritime, high-technology, and export-oriented sector (Bank Negara Malaysia, 2024). In Malaysia, currently there are 19 DFIs, and six of them are prescribed under the Development Financial Institutions Act (DFIA) 2002, by which all six DFIs are banking institutions (refer to Table 1). Meanwhile, the other 13 DFIs are not prescribed under DFIA, and are non-banking institutions.

Table 1: List of Malaysian Development Financial Institutions

DFIs as prescribed under DFIA 2002	
1.	Bank Pembangunan Malaysia Berhad
2.	Bank Perusahaan Kecil & Sederhana Malaysia Berhad
3.	Export-Import Bank of Malaysia Berhad
4.	Bank Kerjasama Rakyat Malaysia Berhad
5.	Bank Simpanan Nasional
6.	Bank Pertanian Malaysia Berhad (Agrobank)
Other DFIs (which are not prescribed under DFIA 2002)	
1.	Malaysian Industrial Development Finance
2.	Sabah Development Bank Berhad

3.	Sabah Credit Corporation Berhad
4.	Development Bank of Sarawak Berhad
5.	Borneo Development Corporation (Sabah) Sdn. Bhd.
6.	Malaysian Technology Development Corporation
7.	Majlis Amanah Rakyat
8.	Perbadanan Usahawan Nasional
9.	Perbadanan Nasional Berhad
10.	Credit Guarantee Corporation Malaysia Berhad
11.	Borneo Development Corporation (Sarawak) Sdn. Bhd.
12.	Amanah Ikhtiar Malaysia
13.	Malaysia Digital Economy Corporation (MDEC)

In 2002, as an effort to ensure a resilient financial condition and operational structure of DFIs, the Development Financial Institutions Act 2002 (DFIA) was enacted. The objective of the governing and monitoring framework of DFIA is to safeguard the DFIs in accomplishing their assigned roles prudently and proficiently. Furthermore, the purpose of DFIA is to ensure warranting the DFIs' policies and resolutions conform to the Government's objective to support the national economic development agenda. The DFIA is placed under the regulatory purview of Bank Negara Malaysia (BNM) to monitor the activities and financial performance of the institutions. To date, there are six DFIs in Malaysia which prescribed under DFIA and 13 DFIs which are not bound to DFIA.

Literature Review

Organizational performance is important for stakeholders. In addition, certain companies are adding more information to fulfill the demand for information by the stakeholders (Qian, Parker, & Zhu, 2024). In the scenario of a bank, it will reflect the information about the position of a bank at a particular time and give a signal to the depositor or investors whether to invest or withdraw, as well as flashes the direction to the management team to strategize their future action for improvement (Samad and Hassan, 2000). According to Bhasin (2017) and Tooley, Hooks, and Basnan (2010), reporting performance is pertinent for an organization to communicate to the internal and external stakeholders on their achievement at a particular time. The performance report could provide information on a firm's standing by comparing their current and previous performance (trend-series analysis) and their performance as compared to other businesses (comparative analysis), especially their competitor (Weygandt, Kimmel & Kieso, 2013).

Besides assessing the firm's position, the performance report is one of the beneficial controlling instruments to countercheck the direction setting of an organization where the business could match their real performance with the vision, mission and objectives which been set in prior. Consequently, a firm could improve its performance once it improves their strategic planning (Greenley, 1986; David & David, 2016). Furthermore, Athanasakou et al. (2022, as cited in Athanasakou et al., 2024) highlighted that disclosure about the firm's information and strategy in the annual report leads to investors' decisions on forecasting the sensitivity of the organization's performance towards future events. In addition, Dmour, Abbod and Al-Qadi (2018) have found in their study that the components of financial reporting's quality significantly affect non-financial performance. In measuring performance, both financial and non-financial performance measures should be incorporated in ensuring holistic achievement and avoiding capitalist target setting. As for an organization, financial figures shouldn't be the ultimate focus solely, as there are other measures that could keep the institution stable, such as operational efficiency and employee job satisfaction.

Businesses today face a myriad of challenges that can significantly impact their operations and long-term sustainability (Mathur & Agarwal, 2023). One of the primary challenges is economic volatility, which includes fluctuations in currency exchange rates, inflation, and global market instability. These factors can disrupt supply chains, increase costs, and reduce consumer purchasing power, thereby affecting profitability. Another critical challenge is technological change, where rapid advancements can render existing business models obsolete. Companies must continuously innovate and adapt to stay competitive, which requires significant investment in research and development.

Additionally, regulatory compliance poses a substantial burden, particularly in industries such as finance and healthcare, where businesses must navigate complex legal requirements. Failure to comply can result in substantial fines and damage to reputation. Moreover, businesses increasingly face challenges related to environmental sustainability. As consumers and governments demand more eco-friendly practices, companies must find ways to reduce their carbon footprint and operate sustainably, often at significant cost. Lastly, talent acquisition and retention remain ongoing concerns, especially in a competitive job market where skilled professionals are in high demand. Addressing these challenges requires strategic planning, robust risk management, and a proactive approach to innovation and sustainability (Stead & Stead, 2019; Barney, 1991).

Similarly, the Development Financial Institutions (DFIs) in Malaysia are facing challenges in performing their dual objectives as a business entity and at the same time performing their mandated role in advancing economic growth, alleviating poverty, and promoting sustainable development (Bank Negara Malaysia, 2024). DFIs are designed to support financial initiatives and services that conventional financial institutions often consider unprofitable or high-risk, such as those targeting underserved or emerging sectors. Despite their vital role, Malaysian DFIs face numerous challenges that can hinder their effectiveness. These challenges include issues related to governance, risk management, and the allocation of resources, which can lead to suboptimal outcomes in achieving their developmental objectives. Additionally, DFIs often struggle with balancing their social mandates with the need to remain financially viable, creating a tension that can impact their operational efficiency. Understanding these challenges is essential for policymakers, stakeholders, and the DFIs themselves to formulate strategies that can enhance their performance. Therefore, this study aims to explore the specific challenges affecting the performance of Malaysian DFIs, thereby providing insights into potential areas for improvement.

Methodology

The study proceeds on Development Financial Institutions (DFIs) in Malaysia, prescribed under the Development Financial Institutions Act (DFIA) 2002. There are six DFIs which under the purview of Bank Negara Malaysia (BNM) and DFIA, thus the study covered all six DFIs. The unit of analysis is the institutions, and the study adopts qualitative research by conducting document analysis on the six DFIs by reviewing and coding challenges faced by the institutions as reported in the published report. The reports by the institutions taken into consideration in this study, among others, are the annual integrated report, sustainability report, and principles for responsible banking report. The researcher set out to retrieve the data by searching for keyword challenges as explicitly mentioned in the report. A total of 15 reports were taken into account in the time frame of published reports between 2021 to 2023, that is, the published reports for the past three years. The researcher excluded the report for the year 2020 as the global economy was hugely affected by the same challenge of COVID-19 pandemic, and that particular year is in the phase of a pulse economy.

This research exploits qualitative methods within the interpretivism paradigm. According to Pervin and Mokhtar (2022), diverse paradigms will be applied by different researchers depending on the research purposes. Referring to Lather (1986), a research paradigm expresses the researcher's interpretations of the environment in which they live. The interpretivism paradigm allows the researcher to adopt their various viewpoints on phenomena to relate individuals or institutions, events or elements, and grasp them within their socio-cultural contexts due to the researcher's belief systems within the society they live in. Additionally, studies within the interpretivism paradigm can employ a variety of methodologies, such as narrative studies, case studies, and ethnography. These approaches allow for a comprehensive investigation of the lived experiences of the narrators, who are the social actors that shape and define their culture (Tuli, 2010). Furthermore, the interpretivists adopt a relativist ontology in which an event may have numerous expositions rather than a fact that can be determined via a particular method to advance a deeper understanding of the occurrence and realize the complex issues and the phenomenon in the specific context the situation is embedded (Creswell, 2007). The document review adopted in the study involved content analysis, open coding, and axial coding, which are pivotal qualitative research techniques used to systematically interpret and analyze text. Content analysis is a method for identifying patterns, themes, or biases within qualitative data. It involves systematically coding and categorizing data to explore relationships, such as frequency, meaning, or context (Krippendorff, 2018). This method is valuable for making inferences about the communication content, facilitating an understanding of social phenomena through the analysis of various communication forms (Neuendorf, 2017). Open coding is the first step in content analysis research, where researchers break down qualitative data into discrete parts and label these parts with codes to capture key concepts (Strauss & Corbin, 1998). At this phase, researchers remain open to all potential categories, ensuring that the analysis is not constrained by preconceived notions. It involves a detailed, line-by-line examination of the data, which allows for the emergence of new insights and patterns (Charmaz, 2006). Following open coding, axial coding involves reassembling the data in new ways by making connections between categories identified in the open coding phase. It focuses on identifying relationships and patterns among the codes, thus enabling a more comprehensive understanding of the phenomena under study (Strauss & Corbin, 1998). Axial coding refines and differentiates concepts, ensuring the analysis captures the complexity of the data.

Findings and Analysis

A total of 15 published reports from the six Development Financial Institutions (DFIs) were reviewed. Through content analysis, open coding was employed to extract the reported challenges outlined in these reports. Numerous open codes emerged, highlighting various issues faced by the DFIs. Subsequently, axial coding was applied, which helped to identify connections and categorize these open codes into broader themes. This process enabled the grouping of the challenges, providing a clearer understanding of the specific issues impacting the performance and operational efficiency of DFIs throughout the year. This structured approach facilitated a comprehensive analysis of the DFIs' operational hurdles. The summary of the open coding findings is visualised in Figure 1.

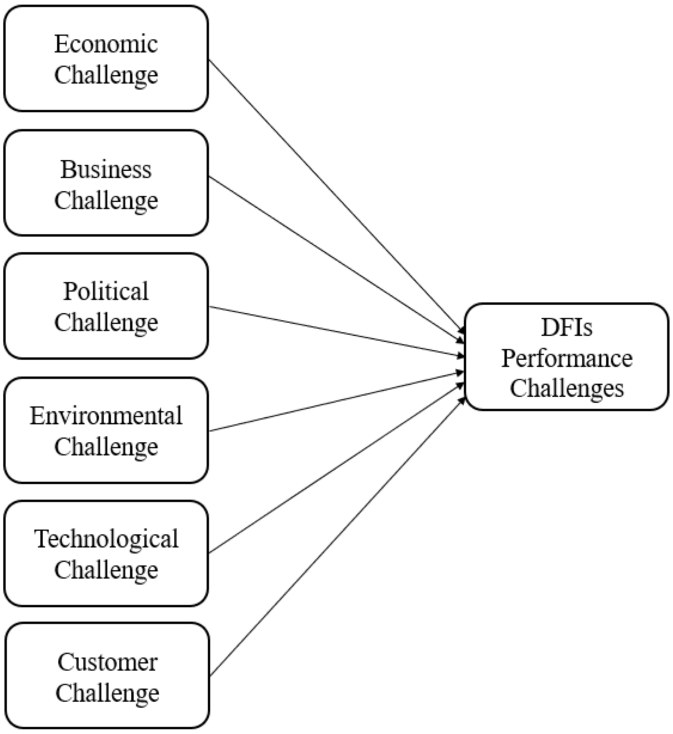

Figure 1: Framework of Open Codes on DFI Performance Challenges

From the open coding quotes retrieved through the document review, six open codes were identified that represent the challenges of DFIs. The six codes identified are economic, business, political, environmental, technological, and customer challenges.

Economic Challenges

Economic challenges have the greatest number of labels in the open codes process. Since the data were retrieved from the recently published report, which started in the year of post-pandemic 2021, the economic challenge became a major issue due to all economic players working towards a recovery process. Since 2021, these economic challenges have intensified, with all players striving for recovery. Some businesses will take more than a year for recovery, including the DFIs themselves as well as individual and business customers of DFIs. Several factors contribute to this complexity, such as supply chain strain, which disrupts the flow of goods (Sinha, Bagodi, & Dey, 2020) and increases costs for businesses. This strain can lead to shortages and delays, impacting DFIs' clients, who may struggle to maintain operations or repay loans. Furthermore, Xu et al. (2020) in their study highlighted that the COVID-19 pandemic has led to disruption adversely affecting global supply chains throughout all sectors and all phases with a huge impact on manufacturing, transport, logistics and processing. Moreover, the disruption has led to shifts in market demand (Xu et al., 2020; Ascari, Bonam & Smadu, 2024). Inflationary pressure is another critical challenge, characterized by rising prices of goods and services (Ascari, Bonam & Smadu, 2024). As inflation escalates, the purchasing power of both businesses and consumers diminishes, potentially leading to decreased demand and profitability. This scenario creates a ripple effect, making it harder for DFIs to maintain the financial health of their portfolios. Market volatility further exacerbates these challenges, with fluctuating prices and uncertain investment returns creating an unpredictable environment (Gao, Ren & Umar, 2022). DFIs must navigate these fluctuations carefully to avoid significant financial setbacks. Moreover, increased interest rates, a common response to inflation, raise the cost of borrowing (Xie et al., 2022), making it more difficult for businesses to access capital and for individuals to finance personal needs. These higher costs can slow down economic recovery and strain the financial positions of DFIs clients. Finally, the widening disparities in low-income groups pose a significant challenge. The economic fallout from the pandemic has disproportionately affected lower-income populations, exacerbating existing inequalities. As DFIs often serve these vulnerable groups, addressing these disparities is crucial to their mandated role. Referring to the open codes in Table 2, it clearly shows that the economic challenge faced by the DFIs comes from external factors which are beyond the DFIs' control, as the risk occurs globally and affects the country's economic performance. The summary of findings on the labeled codes of economic challenges is in Table 2.

Table 2: Codes of Economic Challenges

Quotes	Codes
- softening in world economic growth - slow trade activities - inflationary pressure - supply strains - market volatility - rising interest rates - input cost prices increase - supply chain disruptions - continued macroeconomic challenges - economic uncertainty - supply shocks - persistent inflation - slowdown in investment activities - labour shortages - food security - higher food prices - decrease in the production of poultry - increased costs of imports - disruption to food supply chains - balance market demands - shortage of semiconductor chips - socioeconomic inequalities - widening disparities in low-income groups, -inequitable Bumiputera socioeconomic outcomes - lagging socio-economic development among Orang Asli - social deprivation of children, youth, women, the elderly, and people the disabilities - rising food inflation - weaker recovery in the labour force -volatility in global financial and commodities markets - ringgit faces downwards pressure against the US dollar -threaten global production capacity - rising energy prices	Economic Challenges

Business Challenges

In the analysis of challenges faced by DFIs, business challenges were identified as the second most frequent, as shown in Table 3. These challenges, categorized separately from economic ones, represent unsystematic risks that are supposed within the institution's control. Key factors include the re-pricing mismatches of assets and liabilities stemming from banking operations. Such mismatches occur when the interest rates on assets and liabilities do not align, causing potential profitability issues. According to Qiu, Bai, and Chen (2024), the asset-liability maturity mismatch has adverse effects on the firm’s stock prices. In addition, the mismatch impairs the company’s operational performance and also increases the financing risk of a firm. Stringent financial conditions further worsen these challenges by reducing access to capital and increasing borrowing costs. This tightening led to looser conditions (Arnaut & Bauer, 2024) and diminished business confidence, as companies face uncertainties about future financial stability and market conditions. As a response, DFIs must fortify a strong compliance culture to navigate regulatory landscapes effectively, ensuring that they can adapt to the increasingly dynamic future. Building such a culture helps institutions anticipate and mitigate risks associated with fluctuating market and regulatory environments. Creating long-term value for stakeholders is another crucial objective for DFIs, requiring a careful balance between social and environmental impacts. DFIs must not only focus on profitability but also ensure that their investments contribute positively to society and the environment. This dual focus can enhance their reputation and stakeholder trust.

The risk of customers failing to pay their financing obligations poses a significant threat, particularly in volatile markets. As a study conducted by Ozili (2018) as cited in Anjum (2024), the non-performing loans are inversely correlated with the regulatory capital and liquidity of banks. In other words, the DFIs have to manage the NPL rate to ensure better firm performance. With investors becoming more risk-averse, DFIs must develop robust risk management strategies to safeguard their portfolios. This involves thorough credit assessments and proactive engagement with clients to ensure financial stability. By strategically addressing these business challenges, DFIs can improve their resilience, maintain business continuity, and achieve sustainable growth, effectively managing risks within their control while supporting their broader mission.

Table 3: Codes of Business Challenges

Quotes	Codes
-Re-pricing mismatches of assets and liabilities from its banking businesses - tightening of financial conditions - business confidence affected - awareness of the compliance culture - fortify a strong compliance culture - streamline the Bank’s transformation - increasingly dynamic future - create long-term value for stakeholders -the balance between the social and environmental impacts -developmental priorities are not homogeneous -new agricultural ventures and business modalities are generally considered riskier -lack of awareness on the Bank’s non-mandated portfolio, profit-oriented, to support the Bank’s riskier mandated portfolio - risk of the customer's failure to pay financing - investors became more risk-averse	Business Challenges

Political Challenges

The codes identified under political challenge (Table 4) address concerns about the political factors which come from outside the institutions. Some political issues a global issues, such as the geopolitical conflicts in the war between Russia and Ukraine. The political tension has affected the DFI's performance in a way that the conflict has impacted the supply chain in the strategic sector and has impacted the uncertainties in the commodities market and international market (Zhang et al., 2023). Besides the international political challenges, DFIs in the study period have faced internal political challenges, which is political instability that has led to frequent of government changes. The changes further affect the focus on continuity plans of policies and programmes involving several groups, such as the low-income and bumiputera categories, which is related to the DFIs mandate of socio-economic development. In addition, the political instability could disrupt the government’s focus on resolving political issues rather than social issues.

Another critical challenge is the lack of coordinated efforts across the public and private sectors. A study conducted by Clarke et al. (2023) in the health industry, it important to align between the public and private sectors to ensure better outcomes. Hence, in the DFIs case, without alignment between government policies and private sector strategies, DFIs face obstacles in fostering an environment conducive to investment and growth. This fragmentation further complicates efforts to build credibility in new operational modalities, as stakeholders may perceive a lack of unified direction. To navigate these challenges, DFIs must work towards building credibility in new modalities by demonstrating transparency, consistency, and effectiveness in their operations. Strengthening partnerships between the public and private sectors is crucial (Clarke et al., 2023) in establishing a coherent framework that can withstand political shifts and ensure the continuity of socio-economic development programs. By doing so, DFIs can enhance their resilience and fulfill their socio-economic development mandates more effectively.

Table 4: Codes of Political Challenges

Quotes	Codes
- geopolitical conflicts - geopolitical risks - political instability - the government has regularly changed -lack of continuity in policies and programmes - lack of coordinated effort across the public and private sectors - need to develop credibility in the new modalities - government tends to shift focus - gradual reopening of national borders and international markets - Russia-Ukraine war - periodic lockdowns in China - military tensions - tighter monetary policies - uncertainties in geopolitical tension	Political Challenges

Environmental Challenges

Since the DFIs provide financing and continuous support to their customer, environmental issues experienced by their customer also have an impact towards the DFIs' performance. The environmental challenges that affect the DFIs directly and indirectly, as retrieved from the DFIs report, are summarized in Table 5. The strategic sectors of agriculture and agro-based activities, infrastructure, development and cross-border activities are among the sectors that are affected due to environmental challenges, in addition to the individual customer victim. The extreme weather impacted the supplies and trading commodity markets, disrupting the agricultural supply chain, causing damage to productive infrastructure and in logistics disruptions in the supply chain (Brito, Miguel, & Pereira, 2017). Meanwhile, severe floods have affected many states in Malaysia, causing damage, devastation and destruction to thousands of people's materials as well as emotions (Taib, Jaharuddin, & Mansor, 2016). In a study conducted by Auzzir, Haigh, and Amaratunga (2018) in Malaysia, the results have identified that flood as the main natural disaster and contributes to severe impacts for SMEs in Malaysia. In addition, globally, climate change has force to environmental abnormalities, on uncertain landslides, storms and typhoons, heavy rainfall, and other possible natural disasters.

Table 5: Codes of Environmental Challenges

Quotes	Codes
- extreme weather impact - local floods - landslides - uncertainties caused by weather - climate change - sustainable society - natural disasters - unpredictable storms and typhoons - projected intense and frequent heavy rainfall across Asia in the coming decades.	Environmental Challenges

Technological Challenges

Table 6 shows the open codes list of technological challenges faced by the DFIs. Among the address concerns is the wide digital divide between rich and poor citizens, and between rural and urban locations. The reason might be either from the customer, such as low broadband subscription, or might be due to the weaknesses of the provider such as digital platform convenience and poor readiness of digital infrastructure in certain areas. According to Bon, Saa-Dittoh, and Akkermans (2024), the absence of connectivity is due to insufficient physical and digital infrastructure. This shows that the technology expansion needs to take into consideration the underserved party. Furthermore, the high cost of technology restrains certain technological advancement initiatives. Moreover, in the journey of digitalization, the concern of DFIs is on the security of the cyber realm and cyber resilience in ensuring cyber threat issues are evaded. Investment in technology is expected to be worthy as technological variable is expected to be continuously cultivating for the future return (Abid et al., 2021; Epicoco et al., 2022; Mohsin et al., 2022; Park et al., 2022; Wan et al., 2022, as cited in Tung & Hoang, 2024).

Table 6: Codes of Technological Challenges

Quotes	Codes
- digital divide - high cost of technology - cyber resilience - cyber risk management - digital platforms' convenience - cyber threats - security of the cyber realm - low broadband subscriptions - lack of digital infrastructure in certain areas	Technological Challenges

Customer Challenges

Development Financial Institutions (DFIs) encounter various challenges related to their customers, which can significantly influence their operational performance. As referred to in Table 7, one key issue identified is the fragility of customers who are new to the export market and lack familiarity with the business environments of the countries they enter. This unfamiliarity can lead to a slow market entry, potentially affecting the customers' ability to meet their financing obligations to DFIs, thus posing a risk to the institution's financial stability. In the study conducted by Labanca, Molina, and Muendler (2024), a firm can be successful in its export activity when it hires expert staff with experience at exporting firms. Besides, DFIs have recognized a lack of awareness among their customers about the non-financial support programs they offer, which are designed to help customers develop long-term skills and capabilities. These programs are crucial for enhancing the customers' operational efficiency and ensuring sustainable business growth in foreign markets. Study by Jafari, Zahedi, and Khanachah (2024) on successful project management has identified that challenges related to customer knowledge include lack of time for knowledge sharing, reluctance to adopt information technology systems, ineffective communication between knowledge-holders and seekers, inadequate training on new technology, and a lack of awareness regarding knowledge benefits for project partners. Hence, communication is important to overcome the issue of a lack of awareness by the customer. DFIs need to communicate effectively to ensure that customers maximize their offerings.

Table 7: Codes of Customer Challenges

Quotes	Codes
- being new participants in the export market - navigating unfamiliar conditions in the countries where they operate - customer do not have access to gigabit speed broadband connectivity - the unserved and underserved segments are generally not credit-worthy - many new entrants with less than ideal credit-worthiness - lack of public awareness on beyond financing support programme	Customer Challenges

Challenges Classification

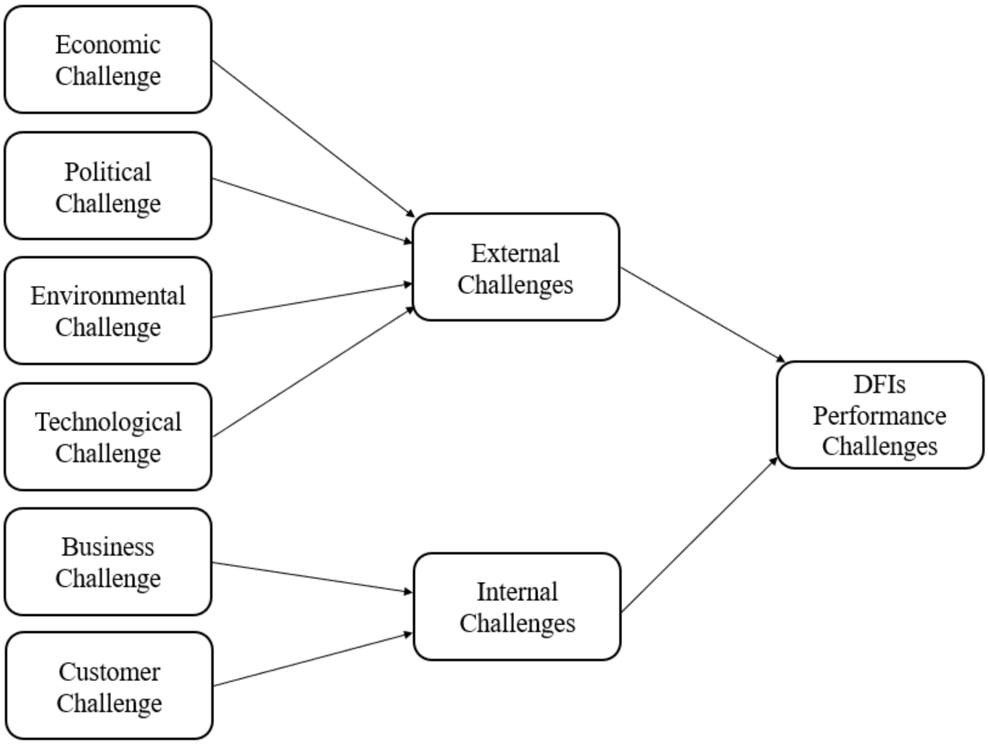

Figure 2: Framework of DFIs Performance Challenges Theme

The six challenges identified in the open coding can further be classified into two groups that are by the sources of challenges on internal challenges and external challenges (Figure 2). The grouping process in this framework in the opinion of the researcher is important as the sources of challenges could be further stands as determinants on the strategic solutions of DFIs, the external challenges associates to external risk (systematic) whereas internal challenges could be associate to internal risk (unsystematic). By assigning to precise grouping, accurate strategies could be assigned in mitigating the challenges.

Conclusions and Recommendations

The objective of this study is to explore the themes of Malaysian DFIs' performance challenges. From the codes retrieved via document review, there are at least six themes could be related to Malaysian DFIs performance challenges that are economic, business, political, environmental, technological, and customer challenges. Of the six codes, four codes are identified as challenges that come from outside of the business which can be classified as a threat to the institutions. The four codes that are in external challenge classification are economic, political, environmental, and technological challenges. According to Nygaard (2024) and Leigh (2009), the threat of a business could be encountered via opportunities available as well as via the firm's strength. Hence, the DFIs should identify the opportunities available, especially on the four codes of external challenges. Meanwhile, business and customer challenges can be grouped as internal challenges as it is within the DFIs ability to control. Even though the factor of customer could be classified as external but referring to the quotes and as written in the report, the DFIs actually has prepared the initiatives to support and enrich the quality of their customers.

There are several limitations in the study that should be deliberate for improvisation in future research. However, some limitations that come from external factor might be consider in the same decision for the same or similar topic such as to exclude the published report of 2020 as the year 2020 is declared as pulse economic phase and every business have similar challenges from the same route cause of COVID-19 pandemic. Nevertheless, if the study is on the response of the companies on the challenges faced, henceforth the report for the year 2020 is recommended to be included. The research is a qualitative study in nature of interpretivism solely conducted on the document review of published report after the pulse economy year which is between 2021 to 2023. Future studies might consider on longitudinal time series to foresee the challenges and impact of DFIs contribution on promoting Malaysia's socio-economic development. Moreover, for a better inclusive result, it is further suggested the future researcher to consider enhance more data collection method to gain multi perspectives insight. The other limitation is on the data collection relating to the timing of the published report. It is beyond the researcher's control to have a complete set of published reports, for instance as of August 2024, some institutions have yet to release their annual report for 2023, and that limits the source of standardized documents of recent data to be included in the study. In addition, in the coding process, the researcher encountered difficulties in retrieving quotes on DFIs challenges as most of the wording in published reports are in a positive tone. This issue seconds the prior suggestion that multi-method on data collection or sources of data should be considered.

Despite the humble study, this research is anticipated to make a valuable contribution to the body of knowledge on the challenges encountered by DFIs in fulfilling their socio-economic development mandates in recent years. This topic of study could further relate to broader research areas such as risk management and organizational performance such as study on the need for comprehensive strategies to mitigate potential risks and enhance institutional effectiveness. As for practical contribution, this research aims to provide insights that can aid DFIs in refining their strategic frameworks and improving their ability to achieve their developmental objectives. Furthermore, the findings of this study are expected to be of practical significance not only to DFIs but also to a wider range of business entities. By identifying and understanding these challenges, organizations can develop more robust strategic plans, thereby enhancing their performance and better aligning their strategic directions with their overarching goals. Moreover, policymakers can design more effective regulations and policies that align with the needs of these institutions such as developing targeted support mechanisms on capacity-building initiatives or enhanced monitoring frameworks, to strengthen the financial and operational resilience of DFIs. In a nutshell, this study underscores the importance of strategic adaptability and proactive management in navigating the complexities of contemporary financial and socio-economic environments, ultimately contributing to the enhancement of both theoretical understanding and practical applications.

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