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Performance among Youth Entrepreneur in Malaysia Micro SMEs

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Abstract

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Entrepreneurship development calls for support from various quarters and primarily the need exists to initiate a youth entrepreneurship culture and drive amongst the youth in the society. The Malaysian government launched several programs and schemes to boost SMEs activities. This study aims to study the determinants of youth entrepreneur's business performance involved in micro SMEs in Malaysia. Specifically, the study analyses the relationship of infrastructure facility, business support facility and government policy with the performance of youth entrepreneurs. The study adopts a quantitative approach whereby a questionnaire survey was used to gather data. The questionnaires were distributed to sample selected using data by the Department of Statistics, Malaysia. Seemingly unrelated regression (SURE) was chosen as a method to allow for contemporaneous correlation among errors in these regression models. The results of this study is expected to give insight into the developing youth entrepreneur, thus, assisting the government in formulation policies for the development of youth entrepreneur specifically involved in micro SMEs.

Keywords: Youth Entrepreneur; micro SMEs; infrastructure facility; business support facility; government policy.

1. Youth Entrepreneur and Micro SMEs

Youth entrepreneurship figures prominently in the development agendas of many developing countries including Malaysia. Youth constitute a resource of great potential and can contribute significantly to the development of the country. The ability to harness their potential will helps to determine Malaysia strength and resilience in pursuing social, economic and political development. Recently the government also encourages youth moving towards self-employment as part of the measure taken to

overcome the issues of unemployment. Current uncertainties in global market demand and economic crisis situations have led to the need for any society or its communities at large to find opportunities in self-employment, including by the youths (Chigunta, 2001, Schoof, 2006). In Malaysia, the age for youth is defined as those between 15 and 40 years old but the main focus of development programs in the country are for those aged of 18 to 25. According to Institute of Youth Research Malaysia (IYRS), in 2014 youth population in Malaysia for aged between 15 to 30 years are 9.1 million which represent 30 per cent of the population. There is a significant demand of becoming entrepreneurs among youth. A study by The Institute of Youth Development Research Malaysia (IPPBM) on youth index scores of 4673 of Malaysia youth, the youths are found to have a relatively high score of 68.6 in 2011 which have increased significantly from the score of 51.6 in 2006 and 63.3 in 2008. Youth were currently resource of tremendous potential which can be expanded through developing youth entrepreneurs. Definition of Youth Entrepreneurship demonstrates their capability where the practical application of enterprising qualities such as initiative, innovation, creativity, and risk-taking into the work environment (either self-employment or employment in small start-up firms), using the appropriate skills necessary for success in that environment and culture. These qualities are crucial for competitiveness because new entrepreneurial initiatives raise the productivity level, increase competitive pressure, and encourage innovation. Malaysia has been able to nurture youth entrepreneurship through the Small and Medium Enterprise (SMEs) programs. Small and Medium Enterprise (SMEs) in Malaysia plays an important contributor to the development in Malaysia. According to the Economic Census 2011, Profile of Small and Medium Enterprises identify 97.3% (645,136) business establishments in the country are SMEs. Whereas according to Malaysia 11th Plan, SMEs will be given special focus as they made up 98.5% of total establishments and 59% of total employment in the economy in 2015. Malaysia has increased the participation of providing programs and fund towards developing the SMEs. During the Tenth Plan, regional economic corridors have provided several initiatives to uplift the lives of communities in surrounding areas. A number of initiatives were implemented across the regional economic corridors to enable local communities to benefit from the development taking place in the region

Over the years, Malaysia government has attributes to a number of supports programs to the SMEs sector. These includes the involvement of several government agencies, at both the federal and state levels, providing variety of programs to SMEs sector in achieving sustainable levels of growth and development. According to past literature there are five major areas of government's support programs for SMEs in Malaysia, among which are: financial and credit assistance; technical and training assistance; extension and advisory services; marketing and market research; and infrastructure supports (Skuras et al., 2003). Others also mentioned the government assist SMEs through providing management expertise, land/building facilities, and information about the market and tax deduction (Oshikoya, 2007; Zellner,1962). Over RM9 billion in financial assistance was provided to more than 414,000 Bumiputera businesses. Programs such Amanah Ikhtiar Malaysia (AIM), TEKUN National, Malaysia Technology Development Corporation (MTDC), Malaysia Venture Capital Management Berhad, Malaysia Debt Ventures Berhad, and Multimedia Development Corporation (MDeC) are among the provider of financial assistance to Bumiputera SMEs in the development and their growth

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stage. Along the support and encouragement by the government and non-government organizational, youth entrepreneur also face a lot of other challenges that substantially hinder their progress, growth and subsequently their contribution to economic development.

On the whole, the past literatures have discussed similar problems facing SMEs, namely financing, human resources, information technology, managerial inefficiency, bureaucracy, market accessibility and competition. Similar problems and challenges also been identified in other countries such as India and Africa. The Trade India Newsletter (2007) reported among the challenges that SMEs in India faced were technological backwardness, poor financial conditions, and low levels of R&D, poor adaptability to changing trade trends, non-availability of technically trained human resources, lack of management skills, lack of access to technological information and lack of consultancy services. Whereas in many firms in Africa operate in an information-poor environment due to lack of adequate business support services and the poor information technological infrastructures (Oshikoya, 2007). Access to information has however not been given the same attention as other constraints to growth of SMEs like access to finance, markets, technology or training.

Although most of these studies have discussed almost similar problems, they have only examined SMEs as a single unit of analysis. The study analyses the relationship of business support program, infrastructure facility and government policy with the performance of youth entrepreneurs that involved in micro SMEs within their three years of operating the business. The analysis will employs Zeller (1962) seemingly unrelated regression (SURE) model to estimate the impact focusing on their performance in sales, competition and their profit.

2. Data and Methodology

The analyzed micro SMEs were obtained from Malaysia Department of Statistics database that provides entrepreneur characteristics and their business profile. A random sample was distributed to 14 states as a sampling population that includes a micro-enterprise only inclusive of 830 respondents. Probability sampling is used as the sampling design involving the individual of micro enterprise.

2.1 Descriptive Analysis

Table 1 describes the aspects of the personal profile which include gender, age, ethnicity, and level of education. In Malaysia, the age for youth is defined as those between 15 and 40 years old but the main focus of development programs in the country are for those ages of 18 to 25. More than 52.7 per cent of the respondents represent youth and 47.2 per cent of the respondent's age 41 years and above. The youth entrepreneurs studied were mainly local Malays. A majority (50.6%, n=420) of the selected entrepreneurs were of Malay ethnicity while the remaining youths (42.9%, n=356) were of Chinese ethnicity followed by the Indians (Table 1).

The level of education was low among the respondents for the study. Their educations qualifications are only limited to secondary schools. The success of SMEs is closely connected to education level (Staw, 1999; Meng and Liang, 1996). Several other factors (information, financing and institutional support) were also identified that have preventing SMEs to work at their full potential. However a number of program

and support were given by the Malaysian government agencies through the government business support services in providing guide to suit the current needs of the SMEs and business environment. Among agencies involved are Majlis Amanah Rakyat (MARA), SME Bank Sdn Bhd (SME Bank), SME Corporation Berhad (SME Corp), Credit Guarantee Corporation (CGC) and National SMEs Development Council (NSDC). The contributions of these agencies are well recognised and have great impacts on the SMEs growth. In terms of gender, 62 per cent of the respondents were male and only 37 per cent are women with 50 per cent Malays, followed by Chinese and Indian.

Table 1. Entrepreneur Characteristics

Characteristics	Category	Frequency (N=830)	Percent (%)
Gender	Male	518	62.4
	Female	312	37.6
Age	15-24 years	43	5.2
	25-34 years	173	20.8
	35-40 years	222	26.7
	41 years and above	392	47.2
Ethnicity	Malay	420	50.6
	Chinese	356	42.9
	Indian	25	3.0
	others	29	3.5
Education Background	off school	9	1.1
	Primary / UPSR	35	4.2
	PMR / SRP or equivalent	53	6.4
	SPM and equivalent	445	53.6
	STPM /and equivalent	50	6.0
	Certification	36	4.3
	diploma	108	13.0
	bachelor	85	10.2
	postgraduate	7	0.8
	others	2	0.2

Table 2 provides some background of their business profile. With regard to the duration of their business establishment, the majority of the respondents (61.6%, n=511) owned businesses that were 5 years and above. Only a small minority owned their micro SMEs less than 5 years (30.6%, n=319). The majority of the businesses undertaken at the time of the study by the youth entrepreneurs were in the services sector (82.3%) with a majority business status of sole proprietorships (69.6%).

Table 2. Business Profiles

Characteristics	Category	Frequency	Per cent
Establishment	less 5 years	319	38.4
	5 years and above	511	61.6
Business Sector by DOS	services	683	82.3
	manufacturing	89	10.7
	construction	38	4.6
	agriculture	14	1.7
	environment	6	0.7
Business Status	sole proprietorships	578	69.6
	partnership	57	6.9
	limited company	191	23.0
	others	4	0.5

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2.3 Estimation Methodology

As a quantitative technique Seemingly Unrelated Regression (SUR) was chosen as it "permits equation coefficients and variance to differ, and also allows for contemporaneous correlation between the errors" (Adkins and Hills, 2011). It is a very useful technique as it allows to run three regressions with different independent variables (the performance of sales grow, return of investment and competition).

2.4 Estimation Results

The Breusch–Pagan tests of serial independence between the residuals for each SURE regression are reported at the bottom of Table 3. Results show that the Chi-square estimates are significant at 1% level for all set of equations. This demonstrates that the residuals within each SURE system are not independent and therefore that SURE is an appropriate technique.

Table 3. Correlation matrix of residuals

	Profit	Sales	Competition
Profit	1.00		
Sales	0.76	1.00	
Competition	0.62	0.72	1.00

Breusch-Pagan test of independence: $chi^2(3) = 1231.86, P = 0.000$

The results in Table 4 shows that infrastructure facility, business support facility and government policy has a significant and positive affect on the performance of micro SMEs. Basic utility infrastructure such as electricity, water, communication and information technology (IT) is importance in assuring the success of SMEs. The usage of infrastructure facility such as IT in SMEs is crucial as this became part of their marketing strategy in promoting services and products. SMEs that take this advantage in IT have made their business more mobile and transferable which allow for promoting technology, source and knowledge transfer.

Over the years, the government business support program have worked closely along the government policies and experienced a number of transformations to suit the current needs of the SMEs and business environment. This finding were supported by numbers of previous study that significantly showed the essentials and success of government support to SMEs (Saleh and Ndubisi, 2006; Jianzhong and Hong, 2009; Foziah, 2006; Schaper and Volery, 2004) Therefore, the contribution of the present study not only provides the insight into the performance of micro SMEs, but also divulges on how the government support program is perceived by micro SMEs and affect the performance.

Table 4. SURE Results

	Return on Investment	Sales Grow	Competition
Constant	0.822***	0.389***	0.404
	(0.245)	(0.054)	(0.248)
Infrastructure facility	0.326***	0.072*	0.438***
	(0.056)	(0.029)	(0.057)
Business support program	0.071*	0.297***	0.118***
	(0.029)	(0.056)	(0.030)
Government Policy	0.343***	0.709***	0.284***

	(0.057)	(0.239)	(0.058)

Equation	R-sq	chi^2	P
Return on Investment	0.1605	158.66	0.000
Sales Grow	0.1769	178.33	0.000
Competition	0.2009	208.67	0.000

* p<.05; ** p<.01; *** p<.001 ; Bracket ( ) show standard deviation

Malaysian SMEs also face many other challenges that have been highlighted by many previous literatures. The performance of micro SMEs is positive and significantly affect by the government policy which include dissemination of information about the market, rules and regulations information and taxation information. However the results unable to identify key challenges that occur since the study do not categorized the challenges individually.

3. Conclusion

Micro SMEs has grown and play a vital role in Malaysia economic development. Concentration and attention of research on micro SMEs should be intensified as there is lack of literature in Malaysia that concentrated on the study of micro SMEs. The finding clearly supported the argument that the performance of micro SMEs in Malaysia is very much affected by the condition of infrastructure facility (i.e. basic utility infrastructure such as electricity, water and information technology facility), business support facility (i.e. entrepreneurship program by government agencies, management expertise) and government policy (i.e. information about the market, rules and regulations information and tax information). Further research may look on the individual factor of each in order to enhance the existing program and supported program by the government. More intense dissemination of information and collaboration opportunity should also be supported by state government.

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