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**LEADERSHIP STYLE OF MICROCREDIT  
ENTREPRENEURS UNDER THE  
AMANAH IKHTIAR MALAYSIA (AIM) IN  
MALACCA**

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## SUPERVISOR VERIFICATION

“I/We, hereby declared that I/we had read through this thesis and in my/our opinion, this thesis is adequate in terms of scope and quality which fulfill the requirements for the award of Bachelor of Technopreneurship with Honours”

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AMANAH IKHTIAR MALAYSIA (AIM) IN MALACCA

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## DECLARATION

“I hereby declare that this report is the result of my own work except for the quotations and summary that have been duly acknowledged”

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## **DEDICATION**

This research paper is dedicated

To my beloved family who has been my constant source of inspiration.

They have given me the guide and discipline to tackle any task with enthusiasm and determination.

Without their love and support, this project would not have been made possible.

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## ABSTRACT

This study aims to know leadership style of microcredit entrepreneur under the Amanah Ikhtiar Malaysia (AIM) in Malacca. This study also looks into which of the entrepreneurial leadership style that will give a positive impact the business performances. This assessment will be conducted in Malaysia among entrepreneur that are located in Malacca especially towards AIM recipient. The respondent of this quantitative research are select among AIM recipient in order to fulfill the criteria of the study. This study uses a survey method which involved AIM recipient to answer the questionnaire that will be distributed by the researcher. The data will be collect and analyze using the IBM SPSS Statistic Version 23.0. This research use two type of entrepreneurial leadership: team oriented leadership and value based leadership as the independent variables based on the previous study that have been read and entrepreneur business performances among AIM recipient will act as dependent variable.

## **ABSTRAK**

*Kajian ini bertujuan untuk mengetahui gaya kepimpinan keusahawanan mikro-kredit dibawah Amanah Ikhtiar Malaysia (AIM) di Melaka. Kajian ini juga untuk mengetahui gaya kepimpinan keusahawanan yang manakah yang mampu memberi impak yang positif terhadap persembahan perniagaan. Penilaian ini akan dijalankan di Malaysia di kalangan usahawan yang terletak di Melaka terutamanya dalam kalangan penerima AIM. Responden penyelidikan kuantitatif ini dipilih di kalangan penerima AIM untuk memenuhi kriteria kajian. Kajian ini menggunakan kaedah tinjauan yang melibatkan penerima AIM untuk menjawab soal selidik yang akan diedarkan oleh penyelidik. Data akan dikumpulkan dan dianalisis menggunakan Statistik SPSS IBM Version 23.0. Penyelidikan ini menggunakan dua jenis kepimpinan keusahawanan: kepimpinan berorientasikan kepimpinan dan kepimpinan berasaskan nilai sebagai pemboleh ubah bebas berdasarkan kajian sebelumnya yang telah dibaca dan persembahan perniagaan usahawan di kalangan penerima AIM akan bertindak sebagai pemboleh ubah yang bergantung.*



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## LIST OF ABBREVIATIONS

|       |  |
|-------|--|
| SPSS  | Statistical Package for Social Science |
| IV    | Independent Variables                  |
| DV    | Dependent Variables                    |
| MSME  | Micro, Small And Medium Enterprise     |
| ANOVA | Analysis of Variance                   |

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## **CHAPTER 1**

### **INTRODUCTION**

#### **1.1 BACKGROUND OF STUDY**

The micro and small enterprise sector is described as the natural home of entrepreneurship. It has the potential to provide ideal environment for enabling entrepreneurs to optimally exercise their talents and to attain their personal and professional goal. In successful economies, MSMEs are seen as essential springboard for growth, job creation and social progress. The small business sector is also seen as an important force for generating more equitable employment and distribution; activate competition; exploit special markets; improve productivity and technical change and through the combination of all these measures, to stimulate economic development.

In Malaysia, entrepreneurship is considered as an important factor in economic development and growth. This is evidenced by the initiative initiated by the government to support entrepreneurs with the establishment of ministries and departments responsible for managing entrepreneurship as well as some provisions for the development of entrepreneurs in the form of loans (Laton et al., 2013). The Government has also undertaken various efforts to nurture and develop entrepreneurial bases to create viable and sustainable Bumiputera entrepreneurs and government efforts towards these people to venture into entrepreneurship, particularly the small and medium industry (SMI) Lope & Elias, 2004). Entrepreneurship is an inventive process that requires the focus of effort and time

and involves various risks such as financial, physical and social in obtaining rewards, satisfaction, and financial independence (Sarif and Amran, 2006).

Leadership plays a major role in the success or failure of any business. In the early stages of a startup, a leader could inspire dedication and commitment from their employees, or alienate them forever. In the late stages of a massive corporation, it's a leader's job to set the tone for the organization and keep everyone aligned with a unified vision. No matter what kind of business you run or what stage of the process you are in, your abilities as a leader will greatly affect your results.

Leadership is the company's management capability to set and achieve challenging goals, take fast and decisive action, defeat competition, and inspire others to perform well. It is difficult to appreciate the company's leadership or other qualitative aspects, as opposed to quantitative metrics that are usually detected and easier to compare between companies. Leadership is about the process of influencing people and guiding them to achieve organizational goals. The presence of good and effective leadership can help improve organizational performance.

## **1.2 PROBLEM STATEMENT**

Nowadays, competition among firms has become more intense as every company strives to achieve its ultimate goal, which can improve the performance seen through greater sales and profitability. Ineffective leadership and management is the main cause of business failure (Atamian & VanZante, 2010, Bass, 2008; Beaver, 2003; Brown, 2007; Lee et al., 2009; Valdiserri & Wilson, 2010). This is especially true for small businesses. Small business owners generally do not see themselves as leaders or label themselves as entrepreneurs (Dhaliwal, 2010; Wilson & Tagg, 2010), or they have a particular desire to become leaders (Kempster & Cope, 2010). Profit is a business goal, regardless of size or shape. However, small businesses differ in characteristics, objectives, quality, and operating conditions (Beaver, 2003). The influence practiced by project leaders is based on the principle of "how we do something." It is important for leaders to understand and use the organizational

culture to achieve the objectives. Hence, leadership and organizational culture are fundamentally interconnected (Schein, 2010).

The goal of business owners is to be profitable enough to provide a living and to achieve a level of independence (Dawson & Henley, 2012). Apart from gender, most business owners do not have the desire to hire employees unless the demand for the product or service exceeds the owner's ability. However, business owners may limit the size of the business to stay within the scope required (Robinson & Stubberud, 2011).

Sopko (2015) state that organizations tend to reduce staff in an effort to manage costs. The autonomy demanded by typical knowledge workers forces the organization to justify the level of interdependence among the workers, leading to a greater role in the leadership of the project team. Entrepreneurial has been recognized as being of fundamental importance for the economy (Bruyat and Julien, 2000) due to its considerable macro- and micro- level effects (Henry et al., 2003). The Amanah Ikhtiar Malaysia (AIM) role is not only to help the poor but also to indirectly help generate a better national economy, especially toward micro-entrepreneur.

AIM has placed three main objectives of its establishment. First, reduce poverty among poor and poor families in Malaysia by providing microcredit funding to fund activities that can improve and increase income. Second, the AIM aims to provide ongoing financial facilities for entrepreneurs and third to provide continuous guidance and training to poor, poor and entrepreneurs. To ensure that the objectives have been implemented, AIM provides several means through the provision of products such as capital financing, compulsory savings and Welfare Fund and Companion Welfare.

Successful small businesses must have robust leadership,( Mgeni,2015) that person was responsible and hold the main key or factor that help the organization grow from micro to small and lastly to medium business. Many of the entrepreneurs nowadays have failed in their business due to the management problem. How the person act in the organization can determine the success of the business. The suitable

entrepreneurial leadership style that micro organization can be used in their business in order to grow and increases their performances also one of the main problems that occur among micro-entrepreneur in Malacca.

The style of entrepreneurship leadership in this study means the person in charge or management uses leadership skills to help organizations use existing human resources more effectively. Regarding of the information, there is some question arise about whether the type of leadership style will impact the organization performances or not. Thus, it is necessary to identify the relationship between entrepreneurial leadership style and business performances that can help to improve the growth of the business and increases the profit.

### **1.3 RESEARCH QUESTIONS**

The finding of this study is to determine what type of entrepreneurial leadership style use in micro-entrepreneur. Besides, it is also to determine the common entrepreneurial leadership styles that be used in the organization.

1. What is the entrepreneurial leadership style that Amanah Ikhtiar Malaysia's recipient practices?
2. What is the relationship between entrepreneurial leadership styles and Amanah Ikhtiar Malaysia's recipient business performances?
3. What is the most common entrepreneurial leadership style that uses among Amanah Ikhtiar Malaysia's recipient?

#### **1.4 RESEARCH OBJECTIVE**

The general objective of this study are outlined below:

1. To identify the type of entrepreneurial leadership style that Amanah Ikhtiar Malaysia's recipient practice.
2. To uncover the relationship between entrepreneurial leadership styles and Amanah Ikhtiar Malaysia's recipient business performances.
3. To discover the most common entrepreneurial leadership style that used among Amanah Ikhtiar Malaysia's recipient.

#### **1.5 SCOPE OF STUDY**

The main scope of this research focused on the entrepreneurial leadership style that people who were the entrepreneur and connected with Amanah Ikhtiar Malaysia (AIM) use for its business. Thus, this study is limited and only conducted in the certain area around the state of Malacca who involved with AIM for starting the business. In accordance with the research objective, this study was focused on both gender of various age level, and samples of respondent were taken also from mentioned above.

#### **1.6 LIMITATION OF STUDY**

One of the limitations of this study is the time and costs faced by a researcher. In the meantime, the researcher is unable to examine something big or more specifically, so the researcher limits this study so the finding is satisfactory. Moreover, the researcher put a relatively narrow scope and space within the researcher limitation, yet the whole aspect of this study is a comprehensive essence.

In this study, the researcher also limits the research target in which distribute the questionnaire to respondent in a certain area around the state of Malacca who was Amanah Ikhtiar Malaysia (AIM) recipient.

### **1.7 SIGNIFICANCE OF STUDY**

First of all, this study is done to know and find out what are the entrepreneurial leadership style that Amanah Ikhtiar Malaysia (AIM) micro entrepreneur practices for their business. At the same time, this study will uncover the relationship between entrepreneurial leadership and business performances. Besides that, respondent will state or choose which entrepreneurial leadership style that common used by their leader or business in order to subtending the business performances.

By doing this research, the common entrepreneurial leadership style that used in the micro entrepreneur will be known based on the result of research objectives. The success of this study, surely will assist the higher percentage of entrepreneurs' success in the future by using the effective and efficient entrepreneurial leadership style.

### **1.8 SUMMARY**

In conclusion, this chapter has provided the background of study and the current issues about leadership that happen among micro-entrepreneur. This will facilitate the researcher to dig, pursue and more focused on doing this study. This chapter also talked about the objectives, questions, scope, limitation and significance of study in receiving prerequisites of this research. To find out more about the independent variables and the dependent variable, it will be reported and described in the following chapter.