

SUPERVISOR’S AND PANEL APPROVAL

“We hereby declare that we have read this thesis and in our opinion this thesis is sufficient in terms of scope and quality”

Signature :
Supervisor name : DR. NORHIDAYAH BINTI MOHAMAD
Date :

Signature :
Panel name : EN. AMIR BIN ARIS
Date :

GROWTH DETERMINANTS AND SMALL BUSINESS PERFORMANCE:
EVIDENCE FROM THE TERENGGANU SNACK INDUSTRY

SITI JUWAIRIAH BINTI ISMAIL

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DECLARATION

“I hereby declare that this thesis entitle “Growth Determinants and Small Business Performance: Evidence from the Terengganu Snack Industry” is my own work except for the quotations summaries that have been duty acknowledged”

Signature :

Name : SITI JUWAIIRIAH BINTI ISMAIL

Date :

DEDICATION

I dedicated this research project special to my husband Mohd Nasir bin Mohd Noor, my mother, Sharipah Khairani Syed Kassim and and my father, Ismail bin Awang, and my lovely friends, Umi Kalsom binti Omar and Nur Fazlina binti Mohamad Fozi who's always been my nearest and untiring support me in my studies and to all my friends for their motivation and always surround me.

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ABSTRACT

Small Medium Enterprises (SMEs) are one of the sectors that assist in improving the economy in Malaysia. Statistics show that 98.5% of businesses in Malaysia are SMEs. The Government allocate nearly to 30% for the food and beverage business sector. Thus the survivals of this industry are vital to contribute to Malaysia economy. With regards to the effects of this industry, this research investigates the factors that influence the performance of small businesses in the snack industry in Terengganu. Moreover, this study also identify the difference of growth determinants based on demographic factors, examine the relationship between the growth determinants and the performance of small business in snack industry, and determine the main factor that influencing the growth determinants in small business. The study also outlines the factors that help entrepreneurs overcome the problems that occur in their business based on business growth stages. Quantitative methods were used in this study which involved the distribution of questionnaires to related companies. The findings show that there are significant differences in the characteristics of entrepreneurs and the firm characteristics based on job positions with significant values of 0.039 and 0.045. In conclusion, the implementations of growth determinant factor for small businesses have a positive impact on business development. This study also provides a deeper understanding of the factors that drive the growth of small businesses.

Keywords: Growth Determinant, Small Business Performance, Small and Medium Enterprises

ABSTRAK

Perusahaan Kecil Sederhana (PKS) adalah salah satu sektor yang membantu dalam meningkatkan ekonomi di Malaysia. Statistik menunjukkan bahawa 98.5% perniagaan di Malaysia adalah PKS. Kerajaan memperuntukkan hampir 30% untuk sektor perniagaan makanan dan minuman. Oleh itu, kewujudan industri ini adalah penting untuk menyumbang kepada ekonomi Malaysia. Berhubung dengan kesan industri ini, penyelidikan ini menyiasat faktor-faktor yang mempengaruhi prestasi perniagaan kecil dalam industri makanan ringan di Terengganu. Selain itu, kajian ini juga dijalankan bertujuan mengenalpasti perbezaan pembolehubah bebas berdasarkan faktor demografi, menghuraikan hubungan bererti antara penentu pertumbuhan dan prestasi perniagaan, dan menentukan faktor utama yang mempengaruhi penentu pertumbuhan dalam perniagaan kecil. Kajian ini turut menghuraikan factor-faktor yang membantu usahawan menangani masalah yang berlaku dalam perniagaan mereka berdasarkan peringkat pertumbuhan perniagaan. Kaedah kuantitatif digunakan dalam kajian ini yang mana ianya melibatkan pengedaran soal selidik ke atas syarikat kajian kes. Hasil kajian menunjukkan terdapat perbezaan beerti bagi ciri-ciri usahawan dan ciri-ciri firma berdasarkan kepada jawatan kerja dengan nilai signifikannya 0.039 dan 0.045. kesimpulannya, pelaksanaan factor-faktor penentu pertumbuhan terhadap perniagaan kecil akan memberikan kesan positif kepada pembangunan perniagaan. Kajian ini juga memberikan pemahaman yang lebih mendalam mengenai faktor-faktor yang memacu pertumbuhan perniagaan kecil.

Keywords: Penentu Pertumbuhan, Prestasi Perniagaan Kecil, Perniagaan Kecil Sederhana

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LIST OF SYMBOLS

\bar{x}	Sample mean
Σfx	Sum of Score of Distribution
N	Number of Item
σ	Standard Deviation (S.D.)
i	Length of Class Interval
Σ	Sum of
X^2	Squares of The Deviations of Scores from the Assumed Mean
f	Frequency of Class Interval
c^2	Square of Correction
N	Total Number of Score
N	Number of Item
v	Average Variance
X_i	The i th Independent Variable

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CHAPTER 1

INTRODUCTION

1.1 Background of Study

Small business is vital for the country growth. Based on statistic in year 2016, 98.5% business establishment in Malaysia is SMEs. Thus, the growth of small business is important to increase the economy in Malaysia. In fact, their durability basically depends on their ability to participate in the market with other big companies. According to Rauch and Rijskik (2013), growth will decrease the possibility of end small businesses.

Thus the enterprises, firms' owner and all stakeholders must take action on their business activities to ensure strengthens of their business. Strengthening is important since the firm thrust forward the economy by underscoring diversity of products and services. This phenomenon had been widely analyzed within entrepreneurship. Davidsson et al, (2010); McKelvie & Wiklund, (2010) says that one most fail reason is to expand during their life span and forbear from growing (Doern, 2009). Meanwhile Brush, Ceru and Blacburn (2009) stated that even though some enterprises and others are successful as much as those grow fast, they do not desire growth and desire slow growth.

Thus, the appearance of SME Corporation Malaysia (SME Corp. Malaysia) is a milestone hopes to the entrepreneurs and small businesses in conducted their business. SME Corp. Malaysia formulated overall policies and strategies for Small and Medium Enterprises (SMEs) and coordinates the implementation of SME development programs throughout all related government and agencies. It provides advisory services for SMEs in Malaysia and acts as reference for research and data dissemination on SMEs.

Malaysia is the agency which driving the execution of the SME Masterplan (2012-2020) that charts the policy direction of SME development. This Masterplan aims to accelerate the growth of SME through the strategy which driven by innovation and productivity to achieve the high-income nation status by 2020. SME Corp. Malaysia creates strong relationship between the public and private sectors to further support and promotes the development of SMEs in Malaysia (SME Corp, 2017).

According to the Utusan Online (2012) which is Chief Executive Officer of SME Corporation Malaysia, Datuk Hafsa Hashim has presented a more in-depth understanding of Malaysia's small business development policy and its integration into the country's economic growth. The interesting about this Malaysian approach is that they see the relationship between the high-income economy and the small business intake and consolidation. Small business development is geared towards bringing Malaysia from the mid-to-earner economy to a higher level and a high-income economy by 2020 (Utusan Online, 2012)

1.2 Problem Statement

Nowadays, the economies rely on small business. This due to the statistic issued from 2016 by SME Corp where 98.5% consist of all business establishments in Malaysia are SMEs and 21.2% represents as small business at Terengganu. Thus the worlds now are needed small business as crucial to enhancing economy across the globe. The government already mentions that manufacturing sectors are playing a very important role in the development of economy. Furthermore, entrepreneurs activities could help improve the people's standard of living, especially the lower income group. Here is important as entrepreneurs to grab every opportunity to expand their business properly.

Even though the role of small business is important, but the most of the people do not dare to risk of the down and up of business. This is because the businesses are easy to establish but hard to maintain. That's why Davies (2013) has said that within the first year, five out of seven new small businesses fail. So the researcher has identified a few faces problems small business during their phase to growth. However, small businesses have fierce competition each other's especially in the same industry. The major problem having by small business is to manage their conflict in business growth (Buckley, 1998). Small business growth is considered as the soul and spirit of entrepreneurship (Edelman et al., 2010).

Gill and Biger (2012) said that lack of management skills, lack of financing, regulatory issues, market challenges, and infrastructures of a country are the factors that affect the small business performance. Meanwhile, there have some negative impacts to the small business growth which is weak marketing, management, and information technology skills of business owners. In addition, Mambula (2002) stated that lack of financing, regulatory such as corruption, government policies and attitudes of public official will negatively affect to business performance.

The researcher discovered several issues in the performance of small business such as lack of knowledge, poor strategic management, and failure to anticipate or react to competition, new technology or other changes in the marketplace and environment. First issue that gives negative effect to small business performance is lack of knowledge. Knowledge will bring important information to entrepreneurs. Without a complete knowledge of the business, owner comes to the trouble in managing their business. Thus, owner must read everything regarding the business from different sources to ensure the owner can facing any types of challenges in businesses. It also can help owner easily solve when the problems is occur.

Biggest risk in to entrepreneurs if they know nothing about business, and not be able to solve them. Secondly is poor strategic development which is will hurts entrepreneurs ability to maximize opportunities, but also can cause another problem in terms of serious financial consequences. It also can give negative effect to the demand of product and services which means they can't maximize their sales. Entrepreneurs can bring their business to the next level if they fully understanding the impact of a poor strategic management. Lastly is poor of reaction to the environment which can cause small business performance down even in internal environment or external environment.

Based on the problems having by small business above, thus this research aims to investigate growth factor that effect to small business performance. Thus, this research is to finding the factors effects to small business performance. So that, entrepreneurs get to take action before the problems become complicated and drop down the business.

1.3 The Purpose of the Study

The purpose of this study is to examine how the growth determinant factors influences small business performance, the main factor that influencing the growth determinants in small business and the relationship between both variables on how all the growth determinants factors increase small business performance. Based on the conceptual framework, independent variables are the growth determinant factors which is includes characteristic of entrepreneurs, firm characteristic and environmental factors, meanwhile the dependent variable is the small business performance.

1.4 Research Objectives

The objective of this study is to examine the growth determinants that can enhance small business performance. Thus, this report will be describing the factor that influences small business performance in Terengganu snack industry.

The objectives of the study are stated as below:-

- 1.4.1 To identify the difference of growth determinants and business performance based on demographic factors.
- 1.4.2 To examine the relationship between the growth determinants and the performance of small business in snack industry.
- 1.4.3 To determine the main factor that influencing the growth determinants in small business.

1.5 Research Questions

- 1.5.1 What are the differences of growth determinants based on demographic factors?
- 1.5.2 What is the relationship between the growth determinants and the performance of small business in snack industry?
- 1.5.3 What is the main factor that influencing the growth determinants in small business?

1.6 Hypotheses

The growth determinants factors could enhance small business performance in Terengganu Snack industry. To achieve the above objective of this study, the researcher has come out with a few hypotheses.

Hypothesis 1:

H₀. There is no significant difference between characteristic of entrepreneurs and business performance based on demographic factors.

H_A. There is significant difference between characteristic of entrepreneurs and business performance based on demographic factors.

Hypothesis 2:

H₀. There is no significant difference between firm characteristic and business performance based on demographic factors.

H_A. There is significant difference between firm characteristic and business performance based on demographic factors.