

FACTOR INFLUENCING ACCEPTANCE OF E-COMMERCE IN SMALL AND  
MEDIUM-SIZED ENTERPRISE IN MALAYSIA

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### **SUPERVISOR'S APPROVAL**

I hereby declared that I have read this thesis and this research is sufficient in terms of scope and quality. This project is submitted to Universiti Teknikal Malaysia Melaka (UTeM) as a requirement for completion and fulfilment of Bachelor of Degree of Technopreneurship with Honours (BTEC).

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A project paper submitted

In fulfilment of the requirements for the Bachelor of Degree of Technopreneurship  
with Honours (BTEC)

Faculty of technology Management and Technopreneurship (FPTT)

Bachelor of Degree of Technopreneurship with Honours

Universiti Teknikal Malaysia Melaka

JUNE 2019

## DECLARATION

I hereby declare that this project paper the result of my own and independent work expects the summary and experts that have been specifically acknowledgement.

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Date :

## **DEDICATION**

This paper is dedicated to both of my parents, who always support me in completing this research and motivate me. They always give me support and advice to fulfil the research requirement. The research cannot be completed without their support and motivation.

## ACKNOWLEDGEMENT

First of all, I would like to express my gratitude to Allah SWT for His opportunity and blessings that have led and enable me to complete this research study within the timeframe despite all the challenges and problems that arise throughout the process. Then, I would gladly thank the Faculty of Management of Technology and Technopreneurship (FPPT) UTeM in providing the subject in my coursework. This research has provided me an opportunity to gain more knowledge of the topic which I chosen. Without the subject, I would not know if I am to complete the research as an undergraduate project.

Besides, I would like to use this opportunity to express my gratitude to my supervisor in charge, Prof Madya Dr. Juhaini binti Jabar for always being there to help me in producing a good quality research project, motivating me when I am not confident with myself and always guiding me to keep on the right track. I would like to take this opportunity to express my gratitude to other lectures and my colleagues who are always coped with me in doing the project and sharing useful information for the research to me.

Last not but least, I also would like to express my gratitude to my lovable parents and family that always being there to encourage and give their full support and love to me either physically or spiritually to complete this journey. All the hard times seems easy to be go through with their endless support which become my strength to finish research.

## ABSTRACT

Electronic commerce (e-commerce) plays a crucial role in the growth of small and medium-sized enterprises (SMEs) as it enables them to compete effectively in domestic and international markets. This purpose of this study is to identify the acceptance factor of e-commerce in Small and Medium-Sized (SME) of services sector in Malaysia. Besides, this study can facilitate the service sector in Malaysia's SMEs to be ready to accept the e-commerce platform in improving their business through the adoption of latest technologies, infrastructure-building and growth into international market. Besides that, there are such big amount of developed technology and e-commerce application that able to be accepted by a company to be used as a tool in managing and ease the whole business and operation to become more efficient and effective. This research is conducted focusing on the service sector that focus on SMEs in Malaysia. The main objective of this research is to identify the acceptance factor of e-commerce among Small and Medium- Sized Enterprise (SMEs), to identify the relationship of acceptance factors towards attitude to use e-commerce and to identify the most influential acceptance factor towards attitude of using e-commerce. The research method use in the research is quantitative where the research will conduct distributing direct questions by questionnaire.

## **ABSTRAK**

*Perdagangan elektronik (e-dagang) memainkan peranan penting dalam pertumbuhan perusahaan kecil dan sederhana (PKS) kerana ia membolehkan mereka bersaing dengan berkesan di pasaran domestik dan antarabangsa. Tujuan kajian ini adalah untuk mengenal pasti faktor penerimaan e-dagang dalam sektor perkhidmatan kecil dan sederhana (PKS) di Malaysia. Selain itu, kajian ini dapat memudahkan sektor perkhidmatan di PKS Malaysia untuk bersedia menerima platform e-dagang dalam meningkatkan perniagaan mereka menerusi penggunaan teknologi terkini, pembinaan infrastruktur dan pertumbuhan ke pasaran antarabangsa. Selain itu, terdapat begitu banyak teknologi maju dan aplikasi e-dagang yang dapat diterima oleh sebuah syarikat untuk digunakan sebagai alat dalam menguruskan dan memudahkan seluruh perniagaan dan operasi menjadi lebih efisien dan berkesan. Penyelidikan ini ditumpukan kepada sektor perkhidmatan yang memberi tumpuan kepada PKS di Malaysia. Objektif utama penyelidikan ini adalah untuk mengenal pasti faktor penerimaan e-dagang di kalangan Perusahaan Kecil dan Sederhana (PKS), untuk mengenal pasti hubungan faktor penerimaan terhadap sikap untuk menggunakan e-dagang dan mengenal pasti faktor penerimaan yang paling berpengaruh ke arah sikap menggunakan e-dagang. Kaedah penyelidikan yang digunakan dalam penyelidikan adalah kuantitatif di mana penyelidikan akan menjalankan pengedaran soalan langsung dengan soal selidik.*



## TABLE OF CONTENTS

<b>CHAPTER</b>	<b>TITLE</b>	<b>PAGE</b>
	<b>SUPERVISOR’S APPROVAL</b>	i
	<b>DECLARATION</b>	iii
	<b>DEDICATION</b>	iv
	<b>ACKNOWLEDGEMENT</b>	v
	<b>ABSTRACK</b>	vi
	<b>ABSTRAK</b>	vii
	<b>TABLE OF TABLES</b>	viii
	<b>LIST OF TABLES</b>	xi
	<b>LIST OF FIGURES</b>	xiii
	<b>LIST OF ABBREVIATIONS</b>	xiv
	<b>LIST OF APPENDICES</b>	xv
<b>CHAPTER 1</b>	<b>INTRODUCTION</b>	
	1.1 Background of study	1
	1.2 Problem Statement	4
	1.3 Research Question	6
	1.4 Research Objective	6
	1.5 Significant of Study	7
	1.6 Scope and Limitation	7
	1.7 Summary	8
<b>CHAPTER 2</b>	<b>LITERATURE REVIEW</b>	
	2.1 Introduction	9
	2.2 Electronic Commerce (e-commerce)	9
	2.3 Small and Medium-Sized Enterprise	10
	2.4 Small and Medium-Sized Enterprise in Malaysia	11
	2.5 E-commerce in Small and Medium-Sized Enterprise	13
	2.6 Factor leading to acceptance of Small and Medium-Sized Enterprise	14
	2.7 Theories	17
	2.7.1 Technology Acceptance Model (TAM)	17
	2.7.2 Unified Theory of Acceptance and Use of Technology (UTAUT)	18
	2.7.3 Differences between TAM and UTAUT	19

2.8 Theoretically Framework	20
2.8.1 Theoretical Framework for Acceptance Factor of E-commerce in SMEs	20
2.8.2 List of Hypothesis	21
2.8.3 Independent Variables	22
2.8.4 Dependent Variables	25
2.9 Summary	25
<b>CHAPTER 3 RESEARCH METHOD</b>	
3.1 Introduction	26
3.2 Research Design	26
3.3 Research Strategy	27
3.4 Methodological choice	28
3.5 Research Population and Sampling	28
3.5.1 Sampling size	29
3.6 Data Collection	30
3.6.1 Primary Data	30
3.6.2 Secondary Data	31
3.7 Time Horizon	31
3.7.1 Gant Chart 1 <sup>st</sup> semester	33
3.7.2 Gant Chart 2 <sup>nd</sup> semester	34
3.8 Pilot Test	35
3.9 Reliability	35
3.10 Data Analysis	35
3.10.1 Statistical Package for Social Science (SPSS)	36
3.10.2 Pearson's Correlation Coefficient Analysis	36
3.10.3 Multiple Regression Analysis	37
3.11 Validity	37
3.12 Conclusion	38
<b>CHAPTER 4 RESULT AND ANALYSIS</b>	
4.1 Introduction	39
4.2 Reliability Analysis	40
4.3 Analysis of Demographic Information of Respondents	40
4.3.1 Distribution of Respondents by Gender	41
4.3.2 Distribution of Respondents by Age	42
4.3.3 Distribution of Respondents by Education Level And Position Firm	43
4.3.4 Distribution of Respondents by Years of Working Experience	44
4.3.5 Distribution of Respondents by Firm's Operation	45

Years	
4.3.6 Distribution of Respondents by Firm Size	46
4.3.7 Distribution of Respondents by Sales Turnover per Years	47
4.3.8 Distribution of Respondents by Firm's Knowledge About E-commerce	48
4.3.9 Distribution of Respondents by Years of Using E-commerce	49
4.3.10 Distribution of Respondents by How This Business was Conducted	50
4.3.11 Distribution of Respondents by E-commerce Platform Utilized	51
4.4 Exploratory Factor Analysis (EFA)	53
4.5 Reliability Analysis for Independent Variables	63
4.6 Pearson's Correlations Coefficients	64
4.7 Multiple Linear Regression	66
4.7.1 Regression of Independent Variables Towards Attitude	66
4.7.2 Regression of Attitude Towards Behavior Intention	68
4.8 Finalized Theoretical Framework	70
4.9 Hypothesis Verification	71
4.9.1 Hypothesis 1	71
4.9.2 Hypothesis 2	72
4.9.3 Hypothesis 3	72
4.9.4 Hypothesis 4	73
4.9.5 Hypothesis 5	73
4.10 Summary of Research Question and Key Findings	74
<b>CHAPTER 5</b>	<b>CONCLUSION AND RECOMMENDATION</b>
5.1 Introduction	76
5.2 Discussion	76
5.3 Limitation	78
5.4 Recommendation	79
5.4.1 Technology Function Recommendation	79
5.4.2 Government Recommendation	80
5.5 Recommendation for Future	81
5.6 Conclusion	82
<b>REFERENCES</b>	<b>83</b>
<b>APPENDICES</b>	<b>89</b>

## LIST OF TABLES

<b>TABLES</b>	<b>TITLE</b>	<b>PAGES</b>
2.4.1	New definition of SMEs in Malaysia by Size of Operation	12
2.4.2	Distribution of SME Establishment by Size of Sector	13
3.5.1	Sample Size	29
3.5.2	Sample Size of Known Population	29
3.7.1	Gantt Chart 1 <sup>st</sup> Semester	33
3.7.2	Gantt Chart 2 <sup>nd</sup> Semester	34
3.10.2	Correlation Coefficient Range	36
4.2	Cronbach's Alpha Value	40
4.3.1	Respondent's Gender	41
4.3.2	Respondent's Age	42
4.3.3	Cross table of Education Level and Position in Firm	43
4.3.4	Years of Working Experience	44
4.3.5	Firm's Operation Years	45
4.3.6	Firm Size	46
4.3.7	Sales Turnover per Year	47
4.3.8	Cross Table of Firm's Knowledge about E-commerce	48
4.3.9	Years of Using E-commerce	49
4.3.10	How Their Business was Conducted	50
4.3.11	E-commerce Platform Utilized	51
4.4.1	Exploratory Factor Analysis 1	53
4.4.2	Exploratory Factor Analysis 2	55
4.4.3	Exploratory Factor Analysis 3	57
4.4.4	Exploratory Factor Analysis 4	59
4.4.5	Exploratory Factor Analysis Final Result	61
4.5	Reliability Analysis	63
4.6.1	Pearson's Correlation Coefficients of Independent Variables to Attitude	64
4.6.2	Pearson's Correlation Coefficients of Attitude to Behavior Intention	65
4.7.1.1	Multiple Regression Analysis, Model Summary	66

4.7.1.2	ANOVA	66
4.7.1.3	Coefficient	67
4.7.2.1	Model Summary	68
4.7.2.2	ANOVA	68
4.7.2.3	Coefficient	69
4.8	Finalized Theoretical Framework	70
4.10	Summary of Research Questions and Key Findings	74

**LIST OF FIGURES**

<b>FIGURES</b>	<b>TITLE</b>	<b>PAGES</b>
2.7.1	Technology Acceptance Model (TAM)	17
2.7.2	Unified Theory of Acceptance and Use of Technology	18
2.8.1	Theoretical Framework	20
4.3.1	Respondent's Gender	41
4.3.2	Respondent's Age	42
4.3.4	Years of Working Experience	44
4.3.5	Firm's Operation Years	46
4.3.6	Firm Size	46
4.3.7	Sales Turnover per Year	47
4.3.9	Years of Using E-commerce	49
4.3.10	How This Business was Conducted	50
4.3.11	E-commerce Platform Utilized	51

## LIST OF ABBREVIATIONS

GDP	- Gross Domestic Product
SME	- Small and Medium Enterprise
NSPC	- National SME Development Council
ICT	- Information and Communication Technologies
EDI	- Electronic Data Interchange
EFTPOS	- Electronic Fund Transfer at Point of Sale
WWW	- World Wide Web
PU	- Perceived Usefulness
PEOU	- Perceived Ease of Use
SI	- Social Influence
RC	- Resistance to Change
SP	- Security and Privacy
KMO	- Kaiser-Meyer-Olkin
TAM	- Technology Acceptance Model
UTAUT	- Unified Theory of Acceptance and Use of Technology
EFA	- Exploratory Factor Analysis
<i>df</i>	- Degree of freedom
<i>Sig</i>	- Significant
<i>p</i>	- Significant value
<i>B</i>	- Beta value

**LIST OF APPENDICES**

<b>APPENDIX</b>	<b>TITLE</b>	<b>PAGES</b>
<b>A</b>	Theoretical Framework and Tested Hypotheses	86-87
<b>B</b>	Questionnaire	88-94
<b>C</b>	Gantt Chart	95-96



## **CHAPTER 1**

### **INTRODUCTION**

In Chapter 1 explains a conclusion write up of the research conducted through this research. This chapter aimed to explain in detail on the background of study, problem statements, research questions, and research objectives, significant of study, scope and limitations. Besides, researcher also clarifies the definition terms include in this research study.

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

E-commerce is a subset under e-business. It is acknowledged as a plain-simple transaction over the Internet which was first introduced in 1990. As the latter evolved, its horizon has gradually expanded to include online sales, purchasing, logistic and other organization-management activities (Schneider, 2001; Sung, 2006; Jahanshahi, Zhang, & Brem, 2013). Advances in technology of Internet have promoted high rate of sales transaction between parties – individuals, firm, and business, via applications of innovation in business organizational progress. (Elseoud, 2014).

Electronic commerce (e-commerce) has been a vital issue in business since the Internet began to be used commercially. SMEs are necessary and important for almost all of the world's economies, especially those with major challenges in terms of

employment and distribution of financial gain. E-commerce technology is widely known to provide many other potential business advantages. The key benefits of e-commerce are increased sales, increased productivity, lower cost, reduced processing times and increased customer loyalty (Rita Rahayu & John Day, 2017).

Small and Medium Sized Enterprise (SMEs) are those small-scale business organization that are often family-run lack of networking. SMEs are increasingly applying this digitalized innovation in the contemporary business environment to reach and note the enhancement of performance, competitive sustainability advantages and opportunities for future success (Fatima Ajmal, 2017). In Malaysia, e-commerce business is becoming importance as people now prefer to buy and buy online products and services. Because buyers have an opportunity to buy products and service online, e-commerce offers plenty of advantage as buyers can take a look at the product and compare price with just one click. since buyers can have a peek on the product and comparing price just in a single click. In addition, e-commerce is important for Small and Medium-Sized Enterprise to make their product well known and to provide them with a wider opportunity to grow. Also, Small and Medium-Sized Enterprise can build a competitive advantage by having a lot of values compared to their competitors. In terms of revenue and recognition of their products and service, this will give them a greater margin

In addition, according to Kotler (2013) e-commerce meaning that to giving visitors with company information, history, policies, products, and opportunities for work, the company or offer the web site to operate or facilitate online sales of products and service. E-commerce builds on traditional trade structures by adding flexibility to traditional environment by reduced transaction costs, more competitive product prices (Bakos, 1991) and improving transaction efficiency.

For many economies, Small and Medium Enterprises (SMEs) is the economic growth of their backbone. Statics show that SMEs account for about 98.5% of Malaysia's business establishment, contribute more than 65 percent of job opportunities, and SMEs also contribute 36.6% of Malaysia's Gross Domestic Product (GDP). For the sector, service sector contributes 89.2%, while the manufacturing sector contribute 5.3%, 4.3% of construction, 1.1% of agriculture and mining and quarrying contribute 0.1%. The National Council for SME Development (NSDC) was

established in 2004 (Bank Negara Malaysia, 2004) to provides a more focused and coordinated SME development inter-agency strategic framework.

This sector has resulted, this study is being performed on the service sector in Malaysia's SMEs. The service sector is the largest sector of the institution of SMEs with 89.2% of the total establishment of SMEs (Economic Census, Department of Statistic Malaysia, 2016). It generally includes the services, communication technology (ICT), information and primary agriculture. In addition, the service sector has gained momentum worldwide and would remain the engine of economic growth.

The continued survival of SMEs in e-commerce technology is important (Jahanshahi et al., 2013). E-commerce has given a competitive advantage to many large companies, thus giving SMEs a chance to market and promote their business by providing cost-effective ways. The E-commerce system has enabled small enterprises to benefit from integrated flexibility, fast decision making, low cost structure, maintenance and customer service (Hanim and Taha, 2010), thus improving customer communication and information, marketing new products and identifying potential suppliers / parties. Although e-commerce has many advantages for SMEs, it is still limited in use (Turban, 2010).

This work seeks to better understand IT adoption in SMEs through the investigation and identification of factors that influence IT process adoption, both in the developed and developed countries, among small and medium-sized enterprises. It is by examining existing literature and some problems related to small and medium-sized enterprises. By examining previous literature including concepts, methodology, theories, Empirical research, and IT adoption studies among SMEs and combining existing views, the proposed conceptual framework illustrates the determinants of the method and process of IT adoption among SMEs. The research examines and reveals various internal and external issues which drive small and medium-sized companies to embrace information technology solutions. In the same way, the barriers to IT adoption in SMEs will be addressed by reviewing and classifying the IT adoption factors. The authors also propose to SMEs a systematic strategy of IT adoption in order to achieve and succeed at completely different stages of IT institutionalization using the proposed conceptual model of effective IT adopted.

## 1.2 PROBLEM STATEMENT

One of the main employments and technological advancement opportunities for each developed and developed country is Small and Medium-Sized Enterprises (SMEs) (Jahanshahi, et al., 2013; Savrul, Incekara & Sener, 2014). SMEs are increasingly using e-commerce in the contemporary business environment to achieve performance improvement, sustainable competitive advantage and long-term success opportunities (Ghobakhloo, Arias-Aranda, & Benitez- Amado, 2011). Many governments have consistently recognized SMEs ' contribution and tried to provide appropriate incentives to encourage the use of e-commerce by SMEs (Thong & Yap, 1995).

Moreover, as changing clothes in the dressing room, the new way of running a business is not easy. This conversion process has been slowed down by the literacy level of three keys groups: business owners, employees and consumer in particular. Failure to know about ICT's unquestioned advantages among top management it even more difficult to select a suitable technology to assist the business process. The importance of ICTs in Malaysia, which is a critical factor for the growth of their company, has yet to be discovered in the present environment. Many of them still do not know how to operate a computer and will not take the risk a chance in order to strengthen their technological edge. The issue that employees faced when the company only decided to accept the e-commerce platform in its daily operation. Cost of mastering the new system will be a challenge for management if the worker cannot master what they think.

Some organizations also faced security issues In Malaysia's SMEs (SME Corp. Malaysia, 2018). Security is that when making transaction on the internet, the most talked about issues. Making a secure and private transaction is not only crucial for the customer, it will also determine how effective the website interface is, or whether customer privacy information is well protected, and how the company should act when there are any problems. Banking service providers have engaged web security provider to avoid intruding their online applications. Certification from such security providers allows the user to be more confident of the entire transaction to be in safe hands. For this particular purpose, the legal, policy and regulatory framework is very significant

in order ensuring growth between SMEs through e-commerce adoption. This effort can prevent uncertainty while offering a standard operating system to encourage business information sharing while a number of opportunities and challenges remain to be discovered.

E-commerce is still growing today, although many online consumers are still hesitating to give their personal such as the card credit and private information due to security and privacy concerns. The reasons and obstacles to future growth of e-commerce are the consumer security concerns. Survey shows consistently that consumers associate a significant amount of risk with internet financial transactions (Gabriel & Nyshadham, 2008; Zendeheh & Paim, 2012; Zhang, 2013). Consumers are not new in safety and privacy; the public has been concerned about the use of personal data by government and companies for several years (Adelola, Dawson & Batmaz, 2015).

SMEs using e-commerce for business transactions achieve higher growth in sales than their non-e-commerce competitors (Anthony Obioma, 2017). SMEs were slow to accept e-commerce for marketing and commerce. The general business issue I addressed in this study was that some retail SME business owners were adversely affected by the lack of e-commerce system for online consumer shopping.

The aim of this study is to establish the level of acceptability for e-commerce in SMEs. There is still a lack of awareness among most companies in this industry that there is the technology application developed to help them manage their business operations systematically, save time and cost, efficiently with minor error and disruption. E-commerce acts as a platform that has prepared various applications of technology that can be accepted by SMEs in Malaysia. Because of this scenario, Malaysia's SMEs need to prepare themselves for future challenges with technology that will facilitate the e-commerce platform.

The goal of this study is to identify e-commerce acceptability factors in Malaysia's SMEs. In order to improve their businesses Malaysian SMEs, need to disseminate thorough recognition and awareness of the importance of e-commerce, particularly in accepting the e-commerce platform, which can help them. This step is very important in order to reduce the common challenges and errors that usually occur while managing the e-commerce platform.

Through e-commerce acceptance and starting to select this platform, it could increase the organization's level of productivity and sustain them with strong, cost-effective and efficient in the challenging industries. In Malaysia's SMEs, further research will discover and respond to the acceptance of e-commerce by the service sector.

### **1.3 RESEARCH QUESTION**

Three research questions were constructed from this research problem statement as follows:

RQ 1: What is the acceptance factor of e-commerce among Small and Medium-Sized Enterprise (SMEs)?

RQ 2: What is the relationship of acceptance factor towards attitude to use e-commerce?

RQ 3: What is the most influential acceptance factor towards attitude of using e-commerce?

### **1.4 RESEARCH OBJECTIVE**

The following are research objectives of this study:

RO 1: To identify the acceptance factor of e-commerce among Small and Medium-Sized Enterprise (SMEs).

RO 2: To identify the relationship of acceptance factors towards attitude to use e-commerce.

RO 3: To identify the most influential acceptance factor towards attitude of using e-commerce.

## **1.5 SIGNIFICANT OF STUDY**

This research seeks how to know the e-commerce acceptability factor in the Small and Medium-Sized. In addition, this study can facilitate the service sector in Malaysia's small and medium-sized enterprises to be ready to accept the e-commerce platform to improve their business by adopting state-of - the-art technologies, building infrastructure, and growing internationally. In addition, there is such a large amount of developed technology and e-commerce application that a company can accept it as a tool for managing and facilitating the entire business and operation in order to become more efficient and efficient.

Next, this study also identifies the acceptability factors in any Malaysian use of e-commerce in the service sector. As a result, researchers can identify the factors why some SMEs in Malaysia are resisting accepting to make an e-commerce platform to improve their business. As a result, most SMEs lack sufficient finance, knowledge or talent for the workforce to adopt these new technologies as a result of this research. This researcher will discover, conduct research, and deeper understand the scope and limitation that this study will carry out to ensure that this research focuses on the right topic.

## **1.6 SCOPE AND LIMITATION**

The scope of this research is to identify the acceptance factor of e-commerce in SMEs. Next, the aim of this study is to identify e-commerce acceptance factor. This research focuses on the service sector in Malaysia that focuses on SMEs. In this study, two limitations have been identified.

First, this study is being carried out in Malaysia, as well as any SMEs in the service sector Secondly, is the examination of the acceptance factor level of e-commerce services sector companies of these SMEs. Next, this study also identifies

the factor that influences the acceptance of e-commerce in SMEs. Moreover, while carrying out this, time also has a limitation as the data must be collected within the given timeframe and analysed thoroughly in order to obtain the good result and conclusion. Next, the cost is the limitation. The purpose of this study is to be conducted in Malaysia, so data need to be collected efficiently and costs must be managed wisely in order to obtain it.

## **1.7 SUMMARY**

This chapter is introduced and leads to the next chapter which includes the background to the study, the statement of problems, the question of research and the objective of research, study importance, scope and limitations. Based on this chapter as a platform, the researcher proceeds to the next chapter to study literature review, which is chapter two focus. The past research associated with this study will be explained in more detail in Chapter 2. In addition, the model used as a reference in this research will also be included. Based on Chapter 2, this study will give people a better understanding based on previous research study.