

THE DETERMINANTS FIRM PERFORMANCE AMONG WOMEN ENTREPRENEUR SMALL AND MEDIUM ENTERPRISES (SME) IN THE NORTHERN REGION

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Abstract: *Malaysia has the biggest e-commerce industry in ASEAN, which has helped small and medium-sized businesses expand significantly. Nevertheless, numerous SMEs have trouble with long-term viability and encounter obstacles. Therefore, the purpose of this study is to close the knowledge gap by determining firm performance among women entrepreneurs in small and medium enterprises in the Northern Region, Malaysia. A quantitative method was adopted in this study, and partial least squares will be used to evaluate the research data. Finally, the results of the study will contribute to SMEs and women entrepreneurs to improve their firm performance in the future*

Keywords: *Firm, Performance, Business*

Introduction

Small Medium Enterprise (SMEs) contribute more than 97 percent of the Malaysian economy, 48% of jobs, and 38% of GDP (Yap, 2023). Moreover, SMEs accounted for 99.2% of all businesses and helped to 56.4% of the total employment. SMEs are essential to the creation of jobs and the expansion of the global economy because they promote economic growth, innovation, and job creation. SMEs play a significant role in employment, social inclusion, growth, innovation, and the overall sustainability of society. Through the provision of RM127.5 million in loans to 98 entrepreneurs, SME Bank has supported the owners of micro, small, and medium-sized businesses. Due to this financial assistance, company owners have been able to invest in their companies and encourage economic expansion. A number of entrepreneur development initiatives have been put in place by SME Corp. to support the expansion and prosperity of business owners. Avv (2023) mentions *Tunas Usahawan Belia Bumiputera* (TUBE) as one of these initiatives, which has awarded 244 young entrepreneurs RM3.66 million to help them launch their projects.

The Malaysian government has set in place a number of initiatives and programs to empower and elevate small business owners. These programs are designed to provide entrepreneurs the support, training, and financial they need to succeed in their business. For instance, several companies have received grant financing of RM2.08 million from *Peningkatan Enterprise Bumiputera* (BEEP), which has allowed them to grow and enter new markets. While *Pembangunan Perniagaan Usahawan* (BizME), with an allocation of RM320,000, has given training assistance to 108 entrepreneurs, giving them the skills and knowledge, they need to succeed in their businesses, SMEs Status and SME Competitiveness Rating for Enhancement (SCORE) has certified 1,052 companies in total, recognising their excellence and competitiveness in the market (Nabalu news, 2023).

In general, SMEs are defined differently and categorised using various standards. The magnitude of yearly revenue and the number of employees are two often-used indicators, as seen in Figure 1.1 below. For instance, a firm will be classified as a microenterprise if its volume of sales falls into the medium category but its workforce falls into the micro category. Furthermore, the smaller size of a firm will be applicable if it falls within either group for a range of operating sizes.

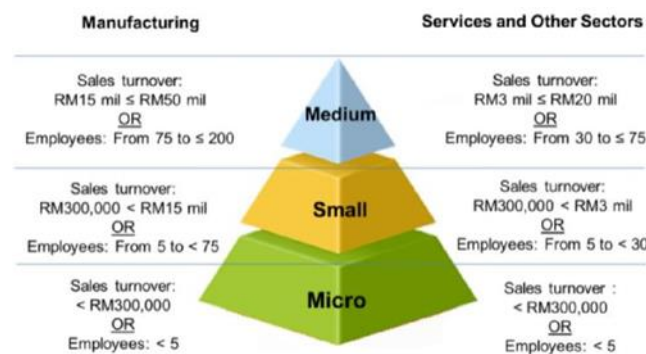


Figure 1: Detailed definition of category, micro, small and medium

Source: SME Corporation Malaysia Official Website

Despite various government assistance programs, SMEs still face challenges in managing their issues and often remain financially vulnerable. The main problem is ignorance of management and company performance, particularly in ineffective business operations targeted at international markets (Bakhtiari et al., 2020). Entrepreneurs frequently fail in their endeavours because they lack the fundamental understanding of entrepreneurship and begin their careers without the necessary training, skills, or strategic company management (Ahmad & Yaacob, 2021). Besides that, the significant problem that impacts the functioning of the company is the absence of record-keeping and transaction documentation. SME owners encounter a variety of challenges that impair their ability to survive, expand, and run their businesses effectively (Bakhtiari et al., 2020; Gherhes et al., 2021). Innovation is an important factor in small and startup businesses' ability to survive. Most SMEs struggle with issues due to a lack of knowledge, which results in low work skills and, ultimately, worse product quality and creativity. Despite the fact that SMEs are increasingly turning to growth as a way to establish and maintain a competitive edge, most businesses refrain from embarking on hazardous ventures because of significant resource limitations that restrict their capacity to engage in entrepreneurial activities.

Consequently, this impacts the country's economy, and increasing employment opportunities has little and unrealised economic benefits. Small and medium-sized business owners in particular need to improve their knowledge of finance and business management in order to build stable and competitive firms. Therefore, the purpose of this study is to close the knowledge gap by determining firm performance among women entrepreneurs in small and medium enterprises in the Northern Region, Malaysia.

Literature Review

This study focuses on firm performance on women SME that affect the economy such as financial knowledge, financial record keeping, innovation, proactiveness, and risk taking.

Resource-Based View (RBV) Model

The Resource-Based View (RBV) posits that a resource can confer a competitive advantage if it adds value to the company, is rare and unique, and is difficult to replicate, thereby providing uniqueness and value (Barney, 1991). Resources that are valuable, rare, inimitable, and non-substitutable (VRIN) form the foundation for a company's survival (Pfeffer & Salancik, 1978) and long-term growth (Barney, 1991). According to RBV, a firm's competitive advantage is grounded in its resources that are valued, rare, imperfectly imitable, and non-substitutable (Barney, 1991; Wernerfelt, 1984).

Firm Performance

In the literature on small businesses, SME performance has been explored by numerous researchers, with studies investigating performance using various variables. Weng (2024) defines SMEs' performance as how a firm delivers value to its stakeholders and customers. Similarly, Jung et al. (2023) notes that firm performance, a concept widely discussed in studies, lacks a single definition. Previous studies suggest that women's participation in leadership roles can influence organizational performance (Hoobler et al., 2018; Post & Byron, 2015). Increased ownership provides women with greater decision-making power, enabling them to leverage their unique skills to enhance SME performance (Kiefer et al., 2022).

Financial Literacy

According to Lusardi and Mitchell (2007), financial literacy is defined as knowledge about finances aimed at achieving wealth. It emphasizes the use of financial information and skills to make sound financial decisions, encompassing an investor's comprehension of financial products and concepts, as well as their ability and confidence to recognize financial risks and take steps to improve their financial well-being (Richter & Kempson, 2024). Financial literacy enables entrepreneurs to make informed decisions regarding cash management and business investments. It has become a critical skill for SME owners, significantly impacting the viability and sustainability of their enterprises (Felipe, Ceribeli, & Lana, 2017).

H1: Financial literacy positively influences firm performance.

Financial Record Keeping

Nassiuma (2019) explored the positive impact of record-keeping practices on SME performance. In practice, many SME entrepreneurs find bookkeeping challenging due to limited accounting knowledge and a misconception about the relevance of financial statements. Some business owners fail to keep accurate records or distinguish between personal and business transactions, relying instead on memory. The cost and complexity of maintaining an accounting system also deter effective record keeping (Aryani et al., 2023).

H2: Financial record keeping positively influences firm performance.

Innovation

Mbizi (2013) asserts that globalization and heightened international competition compel SMEs to seek innovative, flexible, and imaginative strategies to survive, forming the basis for innovation as a survival strategy for SMEs. Additionally, innovation is crucial in today's knowledge-based economy for enhancing SME performance, although empirical evidence on this is limited in emerging economies. SMEs must innovate continuously to lower production costs, improve delivery schedules, and enhance manufacturing capabilities, along with fostering better supplier relationships and other business practices (Karaca et al., 2024).

H3: Innovation positively influences firm performance.

Proactiveness

Proactiveness is goal-oriented, emphasizing initiative, anticipation, creating change, and forecasting progress toward critical situations, preparing early for potential risks and uncertainties (Boohene, Marfo-Yiadom, & Yeboah, 2012). As a component of entrepreneurial orientation, proactiveness involves seeking opportunities and adopting a forward-looking perspective that anticipates future trends and demands, thus seizing these opportunities to gain a competitive advantage (Kropp, Lindsay, & Shoham, 2008).

H4: Proactiveness positively influences firm performance.

Risk Taking

According to Górska-Warsewicz (2024), risk-taking involves the propensity to undertake bold actions, such as entering new and unfamiliar markets or allocating significant resources to ventures with uncertain outcomes. Risk management, on the other hand, entails identifying,

analyzing, mitigating, and preventing potential risks to a business, while also balancing the costs associated with protecting against risks versus the costs of exposure to those risks. The optimal approach to managing risk involves perceiving and controlling risks from their inception with entrepreneurs typically taking proactive steps to manage risks effectively (Cornelia, 2004). Research indicates that risk-taking behavior in entrepreneurial firms exhibits a curvilinear relationship with firm performance (Kreiser & Davis, 2010).

H5: Risk taking positively influences firm performance.

Research Methodology

This study applied quantitative research method to fulfil the objective. Zikmund et al. (2009) believe that the quantitative method is mostly used by academics to gain a deeper grasp of the suggested model through statistical or empirical analysis. The data will be collected using a self-administered survey with an emphasis on women entrepreneurs as respondents. The survey questionnaire is divided into two sections. The first section featured demographic questions, while the second section asked about antecedent elements such as knowledge, documentation, innovation, proactiveness, and risk taking. All items are on a five-point Likert scale, from '1' (strongly disagree) to '5' (strongly agree). The data for this study were analyzed using Smart-PLS, and the results will detail the dependability of each individual indication as well as the standardization of items through composite reliability (CR). Starting with the measurement model (outer model), model structure (inner model), and hypothesis testing, structural equation modeling (SEM) is used to analyze the models. Lastly, Smart-PLS Version 4.0 will be used to analyze the data and evaluate the model's assumptions in order to determine the validity and reliability of the constructs.

Conclusion

This study will be also emphasized the needs and consequences for theoretical and practical contributions. The importance of this study is obtained from the benefits given to certain parties, as discussed in the next section. This study will cooperate with SMEs need to explore internal and external opportunities to maximize their resources, aligning them with current needs and requirements to develop their business operations significantly. Lastly, this study will aim to expand the framework for small and medium-sized enterprises (SMEs) led by women entrepreneurs, exploring new research and innovation opportunities.

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