The Effectiveness of SME Corporation Programs towards the Performance of Small & Medium Enterprises (SMEs) in Perak

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ABSTRACT: *This study was conducted to examine the effectiveness of the program conducted by SME Corporation on Bumiputera Small and Medium Enterprises (SMEs) in Perak. In this study, the research focuses on the programs provided by SME Corp. which is an initiative for SMEs to strengthen their business as well as increase the economy of the country. SMEs are a catalyst for the country's economic growth that will continue to shape the future of the country. The findings of the study are important so that readers can know the existence of SMEs as one of the contributions to the national economy and can provide potential investment opportunities to enable businesses to soar to a higher level. In addition, the study also plays a role in identifying research problems that exist due to several factors that have been listed. This study uses a quantitative method in which questionnaires are distributed to SMEs following the Program organized by SME Corp. to see the level of effectiveness of the program on SMEs. The sample consists of 100 respondents from Bumiputera SMEs in Perak which consists of various sectors. Theoretically, this study provides knowledge to SMEs through the programs held and they need to seize the opportunities offered, especially Bumiputera SMEs. Through the study as well, readers are exposed to the picture related to the position and stability of entrepreneurs in the State of Perak. Through reviews of existing works, to some extent help readers to understand the concepts and programs run by SME Corp. as one of the agencies under the Ministry of International Trade and Industry (MITI). Readers will also be able to know the general picture related to SMEs available in Malaysia, especially in Perak. It is also hoped that this research can provide useful contributions to several parties, among them to local SME entrepreneurs and prospective entrepreneurs, as well as to SME agencies.*
KEY WORDS: *Small and Medium Enterprises, Entrepreneurs, Profits, Products, Economy*

I. INTRODUCTION AND LITERATURE REVIEW

Small and Medium Enterprises (SMEs) are an important component in the economic development of the country. In the current developing economy, awareness of the role and contribution of SMEs by various parties is increasing. Various programs in enhancing the development of Small and Medium Enterprises (SMEs) are also designed and implemented by government and private agencies and institutions in ensuring the rapid development of SMEs. SMEs are an important source of the Malaysian economy, accounting for one-third of gross domestic product (GDP) and providing employment to more than four million workers or 60% of total employment. Based on the latest census policy collected in 2011, the number of SMEs grew by 20% to more than 662,000 compared to previous census data in 2005. (BNM, 2011). As there are various changes in the economy such as price inflation, changes in economic structure and changes in business trends since 2005 a definition review was conducted in 2013. (National SME Development Council, 2013)

Annual sales volume and number of full-time employees are two criteria used to determine the definition using the "OR" basis as follows:

- For the manufacturing sector, SMEs are defined as firms with annual sales not exceeding RM50 million OR the number of full-time employees not exceeding 200 people.

- For the services sector and other sectors, SMEs are defined as firms with annual sales not exceeding RM20 million OR the number of full-time employees not exceeding 75 people.

During the Eleventh Malaysia Plan (11MP), 2016-2020, the first three years of the 2016-2018 Plan, gross domestic product (GDP) recorded an average growth of 5.0 per cent per annum. This growth rate reflects the strong foundation of the Malaysian economy as well as the diverse structure of the domestic economy. The objective of the Bumiputera Development Agenda is to increase Bumiputera household income and living

standards, in line with the philosophy of development and equity. The focus is on efforts to strengthen entrepreneurship, increase ownership beyond corporate equity and increase the number of Bumiputera in high-paying jobs. The participation of Bumiputera entrepreneurs in the economy is still low. Based on information from the Companies Commission of Malaysia (SSM), in 2015 a total of 283, 200 companies or 27.6% of the 1, 026, 100 companies registered were Bumiputera companies. According to the 2018 Establishment and Enterprise Census, a total of 241, 281 or 37.4% of the 645, 136 small and medium enterprises (SMEs) belong to Bumiputera. Of the total Bumiputera SMEs, 218, 930 or 90.7% are micro enterprises.

The development of entrepreneurial skills and the provision of financial assistance are among the efforts to strengthen Bumiputera entrepreneurship. There are various institutions that offer entrepreneur development programs especially to Bumiputera. Development financial institutions (DFIs) play an important role in supporting the priority sectors. Among such institutions include Small Medium Enterprise Development Bank Malaysia Berhad (SME Bank) which provides services to SMEs across all sectors. SME Bank provides a variety of financing products to entrepreneurs in helping to increase the productivity and working capital of the company.

During the Eleventh Malaysia Plan (11MP), 2016 - 2020, the manufacturing sector showed encouraging performance. Most major sub-sectors recorded positive growth in Gross Domestic Product (GDP) and exports. The manufacturing sector is the largest contributor to total exports and the second largest to GDP. However, the number of shares of the country's manufacturing sector to the world market recorded a decline due to fierce competition from emerging economies such as the People's Republic of China, India, and Vietnam, especially in the Electricity and Electrical (E&E) sector. The development of the manufacturing sector which is not in line with the changing global demand, which is to produce the same products as the products produced by most other Countries is one of the factors contributing to the decline. (Source: Economic Planning Unit and Department of Statistics Malaysia, 2018.

The government in its efforts to support the growth of SMEs has put in place various programs through its agencies. In 2017 and 2018, the government spent RM 5.7 billion and RM 5.9 billion respectively in the form of SME support programs. A total of 148 programs were implemented in 2017 and 158 programs in 2018.

Table 1.1: Support Program from Government to SMEs

Year	Total Program	Expenditure Value (RM)
2017	148	5.7 billion
2018	158	5.9 billion

Source: SME Corp. Malaysia *(2018)*

SME performance in the manufacturing sector is one of the largest exports of the country and is still in the process of expansion and development. (Rahmah Ismail et al. 2006). The Malaysian Small and Medium Enterprises Corporation (SME Corp. Malaysia) is a Central Coordinating Agency under the Ministry of International Trade and Industry which is responsible for formulating comprehensive policies and strategies for Malaysian Small and Medium Enterprises (SMEs) as well as coordinating the implementation of SME development programs run by all Relevant Ministries and Agencies. It serves as the main reference centre for research and dissemination of information on SMEs as well as providing advisory services for SMEs in Malaysia.

The size of SMEs in Malaysia is determined based on two criteria, based on (i) total annual sales, and (ii) the number of full-time employees (Source: Department of Statistics Malaysia (DOSM) and SME Corp. Malaysia (2018). The division of SMEs by size shows that 70 percent is in the micro group, 27 percent small size and only 3 percent SMEs are in the medium size group. This indicates that the number of small size SMEs is increasing in the overall establishment of SMEs in the manufacturing sector. Moha Asri (1999a) in his study confirmed that development programs SMEs have managed to increase the number of SME firms, but their performance as a whole remains unchanged. This encouraging growth in the number of firms is due to the strategy implemented by the government in an effort to provide employment opportunities and overcome the problem of unskilled labor. carry out labor-intensive operations and provide many employment opportunities (Moha Asri, 1997a; Ismail, 1990). The number of Bumiputera entrepreneurs in the industrial sector is increasing, but their involvement is still low and limited to the sector with less potential and operating at a small size (Rahmah Ismail et al. 2006).

Table 1.2: Determinants of SME size in Malaysia

Size (%)		Total Employees (Bill)	Total Sales (RM)
Micro	(70)	1-5	Less than 300,00
Small	(27)	5-75	300,000-15 Million
Medium	(3)	75-200	15-50 Million

Source: Department of Statistics Malaysia (DOSM) and SME Corp. Malaysia (2018)

In terms of ownership status, the information obtained up to 2018 shows that 71.0 per cent of SME firms are Sole Proprietorship, only 18.4 per cent are private limited companies, and only 8.5 per cent are partnership firms. In this case, 77.0 micro-SME firms are privately owned and almost 20.0 per cent of small and medium scale firms are private limited companies. (Source: Department of Statistics Malaysia (DOSM) and SME Corp. Malaysia (2018). This information is also important to know because from the literature review conducted, it was found that among the conditions of government funding is "private limited company".

Table 1.3: SME Ownership Status in Malaysia.

SME Ownership Status	Percentage
Sole Proprietorship	71.0
Company	18.4
Partnership	8.5
Others	2.1
Total	**100**

Source: Department of Statistics Malaysia (DOSM) dan SME Corp. Malaysia *(2018)*

The latest SME profile shows that 77.7 per cent of employees in the SME sector are full-time employees, only 3.6 per cent are part-time workers and 18.7 per cent are self-employed as shown in table 1.4. This shows that SMEs are getting stronger in terms of providing employment opportunities.

Table 1.4: SME Employee Status

Employee Status	Percentage
Full-time Employees	77.7
Part-time Employees	3.6
Self Employed	18.7
Total	**100**

Source: Department of Statistics Malaysia (DOSM) dan SME Corp. Malaysia *(2018)*

1.2 Research Objectives

This study was conducted to provide an academic and intellectual discourse on the programs conducted by SME Corporation that are available to Bumiputera entrepreneurs, especially in Perak. Specifically, the objectives of the study are:

i. To identify the level of effectiveness of the SME Corporation program on the quality of SME products

ii. To identify the level of effectiveness of the SME Corporation program on SME management.

iii. To identify the level of effectiveness of the SME Corporation program on SME profits.

1.3 Research Methodology and Data Analysis

The main objective of this study is to examine the level of effectiveness of the program made by SME Corporation on the performance of small and medium enterprises (SMEs) in Perak. Sample size of 100 entrepreneurs who obtained the program from SME Corporation Ipoh branch, Perak. Therefore, most SMEs consist of SMEs that do business in Perak and close to SME Corporation.

The sample consists of 100 SMEs, which are micro, small, and medium-sized enterprises. There are generally several activities included in the classification of economic activities involving SMEs namely: basic agriculture, manufacturing or manufacturing (including agro-based), manufacturing-related services, services, mining and quarrying and construction (Malaysia, Bank Negara [BNM], 2005).

1.3.1 Research design

There are three study designs in conducting research namely exploratory, descriptive and causal design (Hair et al., 2007). This research is based on descriptive study. The main purpose of descriptive studies is to give a true picture of a phenomenon (Hair et al., 2007). Descriptive research is appropriate for this research because this study helps provide an overview for future research (Sekaran, 2003). In addition, the descriptive method is also the most appropriate method to be practiced in this research to understand the issue more systematically by using structured data collection techniques (Cavana, Delahaye, and Sekaran, 2001). Quantitative methods have been used throughout this study. This method was chosen because it is in accordance with the questionnaire distributed to the respondents. The data obtained are prime data obtained directly from the respondents. This method is also suitable for use because it involves a large number of respondents (Hair et al., 2007).

1.3.2 Study Instrument Design

Based on the quantitative methods selected in this study, the research instrument is through a questionnaire. This method is most suitable for use due to the limited location of respondents in a bank only. In addition, researchers can collect questionnaire data in the area in a short period of time (Sekaran, 2003). The types of questionnaires conducted are based on personally administered questionnaires (Sekaran, 2003). In this way, researchers have the opportunity to obtain information more accurately because respondents can ask directly if there is any doubt about the questionnaires distributed.

1.3.3 Questionnaire Instrument

There are two forms of questionnaires that can be done, namely open-ended questions and closed-ended questions. Researchers choose to conduct research based on the closed question method. Through this method, respondents are required to answer a set of questions related to involvement in the SME Corporation program on product quality and SME profits

1.3.4 Questionnaire measurement scale

There are two types of measurement scales in the questionnaire used. For this questionnaire, the researchers used a nominal scale, and a 5-point Likert Scale measurement scale (Likert Scale 5-point). The Likert scale is used to test the level of respondents' inclination towards an item being tested (Sekaran, 2009). This scale is best suited to evaluate behaviour in the study conducted (Salkind, 2009). Through previous studies as well, this Likert scale was selected to study the relationship between the two variables (Ferdous and Towfique, 2008; Norkhazainna, 2009). In both sections, there are questions that use this scale, respondents are required to select only one degree of agreement out of five degrees consisting of the following degrees; 1-Strongly disagree, 2-Disagree, 3- Neutral, 4- Agree and 5-Strongly agree. In order to observe the factors that affect the inflow of FDI of the country, the paper is going to use the factors that can directly or indirectly affects the inflow of FDI of the country. The variables taken to represent the factors are GDP growth rate, volume of tax calculated, time spend on governance and amount of inflation. The variables are first defined and then how they can directly or indirectly affect FDI is discussed.

1.4 Findings and Interpretation

The results of the study were analysed based on the three research questions stated. All three analysis of study questions were performed based on mean scores.

Analysis of the level of effectiveness of the SME Corp. program. in terms of the quality of SME products.

No.	Item	Mean	Analysis
1.	SMEs have a high level of confidence to market their products to foreign markets	3.40	Medium
2.	The production of SME products is better quality as a result of the program that has been attended	3.50	Medium
3.	SMEs are able to produce a variety of products according to the needs of the market	3.50	Medium
4.	Participation in the program can produce entrepreneurs to venture seriously in business as well as produce quality products.	3.60	Medium
5.	SMEs constantly monitor food processing to ensure product quality is always in a good condition.	3.33	Medium
6.	SMEs always strive to market their products in the international market.	3.37	Medium
7.	ISO, HALAL certification is very important to SME	3.37	Medium
8.	SMEs always follow the level of quality and criteria set by government agencies.	3.67	Medium
	Average Mean	**3.47**	**Medium**

The overall average mean score of the effectiveness of the SME Corp. program. against SMEs in terms of product quality is at 3.47. Studies show a mean scale at a moderate position. The highest mean position is on item 8 which is 3.67. Item 8 shows where SMEs always follow the level of quality and criteria set by Government agencies. While items 2 and 3 are in the middle position which is between the highest and lowest. The mean for items 2 and 3 is 3.50 in the medium position. Item 2 describes the production of SME products is better quality as a result of the program that has been organized by SME Corp. Item 3 shows that SMEs are able to produce a variety of products according to market needs. In addition, item 5 is in the lowest position in terms of product quality factor which is a mean score of 3.33. The mean score of item 5 is at a moderate rate. Item 5 describes SMEs constantly monitoring food processing to ensure product quality is always high.

Analysis of the level of effectiveness of the SME Corp. Program. in terms of profit

No	Item	Mean	Analysis
1	SMEs are able to handle problems related to business operating costs as a result of financial courses attended	3.43	Medium
2.	SME profits are increasing as a result of the programs that have participated	3.47	Medium
3	The result of sharing knowledge and experience between participants and program operators, indirectly helps SMEs in increasing profits	3.53	Medium
4	Training assistance provided by SME Corp. can help improve the business economy of SMEs	3.70	Medium
5	SMEs are able to compete with external markets both domestic and international	3.37	Medium
6	Participation in programs organized by SME Corp together with government agencies such as MAHA can increase SME profits.	3.62	Medium
7.	SMEs are able to provide more economical spending estimates as a result of the programs attended	3.43	Medium
	Average Mean	**3.51**	**Medium**

The average overall mean score in terms of profit factor is 3.51 which is at a moderate position. The highest mean position is 3.70 on item 4. Item 4 shows where the training assistance provided by SME Corp. can help improve the SME business economy. For item 3 is in the middle position which is 3.53. Item 3 describes the results of sharing knowledge and experience between SME Corp and SMEs can help SMEs in increasing profits. For the lowest position is in item 5 that SMEs are able to compete with foreign markets both domestic and international. The mean score for item 5 is 3.37.

Analysis of the level of effectiveness of the program in terms of management

No	Item	Mean	Analysis
1	SME management is better and more orderly as a result of participating programs	3.40	Medium
2.	SMEs have obtained JAKIM HALAL certificate	2.43	Medium
3	SME management is able to meet the needs of the external market	3.20	Medium
4	he management of the company has complied with international market standard standards	2.43	Medium
5	SME management has complied with the standards set by government agencies such as FAMA	3.30	Medium
6	The programs provided are able to give confidence to the management of SMEs to move forward to the external market	3.33	Medium
	Average Mean	**3.51**	**Medium**

The average mean score is 2.83 which is in the medium position. The highest position is in item 1 which is better and orderly SME management as a result of the programs that have participated. The mean score for item 1 is 3.40 which is in the medium position. Item 3 is in the middle position at 3.20. Item 3 shows that SME management is able to meet the needs of the external market. The lowest position is on items 2 and 4 where the mean score is 2.43. Item 2 shows where SMEs have obtained JAKIM HALAL certificate. While item 4 illustrates where SME management has followed international market standards.

According to Amir Hassan Dawi (2006), the importance of the study means whether the study is useful to any party. Every study conducted often has specific motives or for the benefit of certain parties. This study was conducted to see the effectiveness of the program conducted by SME Corporation in evaluating the performance of Bumiputera SMEs which to study the extent of relevance and suitability of the program in improving the performance and productivity of SMEs. In this study, the factors studied include aspects of profitability, product quality, and SME management which are considered as the main pillars for researchers to measure the extent of effectiveness and acceptance of the program can improve the performance of SMEs. Therefore, with this kind of study, it is hoped that it can attract the parties involved to work with SME Corp. such as commercial banks, Credit Guarantee Corporation (CGC), Business Group Economic Fund (TEKUN) in offering support programs that can indeed help improve the performance of SMEs.

In addition, readers will be able to know the general picture related to SMEs available in Perak. It is also hoped that this research will provide useful contributions to several parties:

i.   To local SME entrepreneurs and would-be entrepreneurs.
Through this study, SME entrepreneurs and prospective entrepreneurs who want to run a business can find out the program organized by SME Corp. and the importance of the program. Entrepreneurs will also be able to identify the factors that most influence customers to follow the program, especially entrepreneurs in Perak.

ii.   Contributions to SME agencies

Currently, in Malaysia there are various agencies linked to SMEs such as MPPK, SME Bank, Ministry of International Trade and Industry (MITI) and so on. With this study, it can provide guidance to these agencies and the government to establish relations with SMEs can further strengthen the previous measures to increase GDP as well as the contribution of exports of SME products abroad.

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