

FACTORS AFFECTING THE PERFORMANCE OF SMEs' IN FASHION INDUSTRY AT MALAYSIA

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ABSTRACT

The Small and Medium Enterprise (SMEs) sector contributes greatly to the economic growth and SMEs have an important role to play in the development of the country. However, the SMEs have not been given the adequate attention for continuous entrepreneurship development and their facing difficulties in obtaining finance to expand the operations. The aim of this research is to examine the factor affecting the performance of small and medium enterprises in Fashion Industry at Malaysia. Entrepreneurs are individuals who accept risks and who are innovative in terms of their business management skills, while displaying the personal traits of risk taking, creativity, ambition and other qualities involved in the provision of products and services to society. The purpose of this study was to establish factors affecting the performance of SMEs in fashion industry at Malaysia. Factors are proposed in the conceptual framework including the internet skills, access to finance, entrepreneurs' characteristics among SMEs at Malaysia. Based on the data collected from 300 fashion industry SMEs in Malaysia the result showed the factor internet skills has the most significant affecting on performance of SMEs. Factors access to finance and entrepreneurship characteristic has negative significant affecting on performance of SMEs.

Keywords:

SMEs, Performance of SMEs and Entrepreneurship

1. INTRODUCTION

The Small and Medium Enterprise (SME's) sector contributes greatly to the economic growth and thus currently recognized and therefore there are high expectations of the Small and Medium Enterprise (SME's) sector (Mwihaki, 2015). Small and Medium Enterprises (SMEs) have an important role to play in the development of the country. Globally, the application of online business has been promptly gaining acceptance, particularly since the dot-com boom and bust in the 90s. The level of international acceptance and popularity of online business among women entrepreneur is largely enhanced due to the ability to go beyond international boundaries and enable actions within the virtual marketplace. This enables women entrepreneurs to expand business globally at comparatively low cost.

Consumers are also highly satisfied in availing of goods and services through online business portals from the convenience of their homes or offices. With the help of online businesses entrepreneurs enable to avoid expenses on logistics such as physical spaces, smaller human resources and sometimes lower inventory levels are able to provide an offer lower prices on products and services, contributing towards greater customer satisfaction.

Online business is one of the biggest markets in Malaysia. According to SME Annual Report (2012/13) presented by National SME Development Council, 139 programs worth RM7.1 billion were employed in the year 2012 by government bodies to assist more than 430,000 SMEs. These programs included access to financing 29%, human capital development 22% and market access and innovation and technology adoption 21%. Innovation and technology adoption were considered as the most important determinant of SME performance by the SME master plan and thus were primarily focused in SME Development Programs in 2012.

The fashion industry has a clear opportunity to act differently, pursuing profit and growth while also creating new value for society and therefore for the world economy. It comes with an urgent need to place environmental, social and ethical improvements on management's agenda. In recent decades, the fashion industry has been an engine for global development. The fashion industry has attracted the attention of researchers for many years. The interest in this area has increased mainly due to the growing complexity within this dynamic context. In the fashion industry, the markets undergo rapid changes which require the players to be more flexible and responsive.

As retailers are on the frontier, they are crucially important to the flexibility and responsiveness of the supply chain. Hence, in the fashion industry, the retailing end plays a much more crucial role to sustainability than that in most other industries. Fashion brands with targeted initiatives will be best placed to improve their environmental and social footprint and counteract the rising costs of apparel production. They will pull ahead of their competitors with innovative ways of doing business and efficient production techniques that minimize the use of water, energy, and land as well as hazardous chemicals. By realizing better working conditions and improving workers' safety, they will minimize their operational and reputational risks and create significant value for themselves and the world economy.

Small and Medium Enterprises (SMEs) have an important role to play in the development of the country. A strong SME sector contributes highly to the economy, contributing to the gross domestic product, reducing the level of unemployment, reduction in poverty levels and promotion of entrepreneurship activity (Siti Fatimah Hashim, Rosita Mohd.Tajuddin, Amer Shakir Zainol, 2015).

This study is to determine the factor of internet skills that affect performance of SME in Malaysia. Revolution of modern technology has rapidly emerged and the internet becomes one of the important tools in business environment. The use of technology is vital for business owners today to get updated information and sharpen their strategies in running their businesses. Technology provides greater access of market, networking opportunities and greater capabilities (Wu, D., 2009). Computerization and office automation using internet have facilitated great advantages to business companies such as high productivity, job freedom, work quality improvement and nurture good responsibility on one's own work.

Women face more high barriers when it comes to initial access, affordability of digital services and use of information and communication technology (ICT). Especially, lower levels of technical and digital literacy skills as well as lower confidence impact women's access to and use of ICT. In general, more women than men report difficulties in using mobile phones or how to use the internet. Women are 1.6 times more likely to report lack of skills as a barrier for internet use. Women also tend to have little formal training in ICT skills compared to men. Mostly, female users develop their skills at home, in the workplace or in trusted local community environments. Another problem is that online content is often not catered to women and thus leave out topics even languages that speak to them.

Next, this study is conducted to determine the factor of access to finance that affect the performance of SMEs to the entrepreneur in Malaysia. SMEs generally face difficulties in obtaining finance with lack of collateral and insufficient documents to support loan application. SMEs are vital for economic growth and development in both industrialized and developing countries because they play a key role in creating new jobs. Financing is necessary to help them set up and expand their operations, develop new products and invest in new staff or production facilities.

Many small businesses start out as an idea from one or two people, who invest their own money and probably turn to family and friends for financial help in return for a share in the business. But if they are successful, there come at times for all developing SMEs when they need new investment to expand or innovate further. That is where they often run into problems because they find it much harder than larger businesses to obtain financing from banks, capital markets or other suppliers of credit (Hasnah Haron, Saniza Binti Said, K. Jayaraman, Ishak Ismail, 2013).

This study also to determine the factor of entrepreneur's characteristics that affecting the performance of entrepreneur in fashion industry in Malaysia. Many empirical studies have focussed on the relationship between the characteristics of the entrepreneur and the performance of a firm. Five elements which are likely influencing the performance of a firm are age, gender, education, motivation, previous work experience of the owner or manager. On gender of entrepreneur, reported that most SMEs firms owned by men were bound to perform better than those owned by women. This could be attributed to the following factors, limited access to finance, stringent collateral requirements and women's double duties. On the influence of the age of the entrepreneur, the younger entrepreneur has the necessary motivation, energy and commitment to work and is more inclined to take risks as the older entrepreneurs are likely to have reached their initial aspiration (Mwihaki, 2015).

SMEs are characterized by some specific aspects due to their own dimensions and abilities, showing points of strength and contemporarily aspects of weakness. Owners and the managers typically have a good knowledge of the local market and are aware of the clients' demands. The relationships with the clients and the after-sales services are often more intensive in SMEs than in large organizations.

Moreover, the restricted number of managers, executives and experienced figures inside SMEs decreases notably the amount of expenses, as the restricted investment in infrastructures. In SMEs it is possible to dedicate efforts to niche markets, since it is easier to focus on a category of selected clients and satisfy them with customized products and personalized. For these reasons it is evidently obvious the importance for SMEs to measure and understand their own performances (Taticchi, Paolo, Cagnazo, Luca, Botarelli, Marco, 2008).

Some studies state that the fact that a business owner has a higher level of education seems to stimulate the growth and better performance of the firm, thus having an impact on survival, growth and performance. The converse argument is that SMEs entrepreneurs who have higher level of education generally achieved lower performance rates than those less well educated. Mostly people who run SMEs are usually is lacking in educational background. Hence, they may not well be equipped to carry out managerial routines for their enterprises. Management skills relate to the owner or manager and the enterprise (Mwihaki, 2015). Studies have found SME that is more managerial, sector experience or prior SME experience as owners tend to parallel with greater performance. It reported that the probability of SMEs failure was also found to be related with the owner or manager's work experience prior to business launch and education. The ability of the SMEs entrepreneur to motivate affects the performance of a firm. It makes a distinction between positive and negative motivation (Mwihaki, 2015).

The objectives of this study are to find the factor affecting the performance of Small and Medium Enterprise (SME's) in fashion industry at Malaysia:

- i. To examine the factor of internet skills that affecting SMEs in Malaysia.
- ii. To examine the factor access to finance or credit that affecting the performance of entrepreneur in Malaysia.
- iii. To examine the factor of entrepreneur's characteristics that affecting the performance of entrepreneur's in Malaysia.

2. METHODOLOGY

Quantitative research method was adopted in this study. Quantitative research is the numerical representation and manipulation of observations for the purpose of describing and explaining the phenomena that those observations reflect (Eng Ai Jia, 2012). This study outlines the factor affecting the performance of SME's in fashion industry at Selangor. It is appropriate to categorize this research as exploratory research and causal research. Exploratory research is conducted to clarify ambiguous situations or discover ideas that may be potential business opportunities. Conversely, causal research is the

seeking to identifying cause-and-effect relationships among variables when the research problem has already been narrowly defined (Eng Ai Jia, 2012).

Population and sampling in this study focusing on perspective of the SMEs in Selangor and Klang Valley region running an online and offline business at whole Malaysia. The targeted respondent will be the SMEs in Selangor region and there is total about 179, 599 SMEs established in Selangor (Economic Census 2016: Profile of SMEs by the Department of Statistics, 2017). With considering information limitation on SMEs of the population, convenience sampling method which is one of the sampling methods that not based on probability has been applied in the research.

Questionnaire technique has been applied in obtaining research data. Basically, the questions in the questionnaire were adopted from previous researchers and modified based upon the necessity to fit into this study (Eng Ai Jia, 2012). Generally, there are four sections in the survey conducted namely A, B, C and D.

In Section A, it consists of six questions which are closely related to the demographic data namely age, number of employees, business ownership type, work status, income and online platform of the respondents. Section B contains information to determine the factor of internet skills that influence SMEs in Malaysia. Section C contains questionnaires about factor influence of performance of SMEs in terms of access to finance or credit among entrepreneur in fashion industry in Malaysia. Section D contains questionnaires about the factor that influence the performance of SMEs from entrepreneur characteristics factor. The questionnaires have been distributing to 300 fashion industry SMEs in Malaysia.

Few analysis and test are used in this study which are included descriptive analysis, reliability test, Pearson Correlation Coefficient Analysis, Multiple Regressions Analysis and Linear Regression Analysis.

3. FINDING AND DISCUSSIONS

3.1 Demographic

In the research demographic characteristics of the respondents have been firstly examined. Based on 300 respondents the highest age there are 27-33 years old 28.3% and the second highest are 27.0% age between 34-49 years old, majority of respondents have employee between 11-50 which is 42.7% after that followed by less than 10 employee which is 31.7%. The respondents are majority run a Sole-Proprietorships business which are 42%. It followed Partnerships with a frequency 30.3%. Year of operation the business the highest are 41.7% run a business more than 3 years and 27% running a business less than 2 years. The monthly business income of the respondents is between RM5,000-RM10,000 which is 29.7%. The second highest income is between RM1,000-RM5,000 which is 25.7%. There is a total respondent of 300 participated in the survey questionnaire. The percentage of who have own online platform which is 93.0% and 7.0% is don't have online platform.

3.2 Scale Measurements

For the reliability test, questions for independent variables (internet skills, access to finance and entrepreneur characteristic) and dependent variable (performance of SME entrepreneur) are reliable since each test indicates its value. Pearson Correlations Test shows all the four independent variables are free from multicollinearity problem as all correlation values are less than 0.9.

Pearson correlation test also used to measure the relationship between each individual independent variables and dependent variable. All these four independent variables establish significant relationship with purchase intention as their p-values are less than 0.05. However, internet skills have positive relationship whereas access to finance and entrepreneurs' characteristics has negative relationship toward performance of SME's in Fashion Industry in Malaysia. Multiple Linear Regressions (MLR) shows that the value of Correlation Coefficient (R value) in 0.281. Independent variable can explain 28.1% of the variation in Dependent variable. However, it is still 71.9% unexplained in this study.

In order to validate the research objectives and hypotheses the major findings are refer to Table 1.

Table 1: Discussion of Major Findings

Hypothesis	Significant	Conclusion
H1: There is positive relationship between internet skills and performance of SME's.	0.000	Supported
H2: There is negative relationship between access to finance and performance of SME's.	0.595	Not supported
H3: There is negative relationship between entrepreneur characteristic and performance of SME's.	0.270	Not supported

H₁ indicates that internet skills have the most significant affecting on performance of SME's. Result shows p-value is 0.000 and β -value is 0.697 which expressed that H₁ is supported. H₂ indicates that access to finance has no significant affecting on performance of SME's. Result shows P-value is 0.595 and β -value is 0.032 which expressed that H₂ is not supported. H₃ indicates that entrepreneur characteristic has also no significant affecting performance of SME's. Result shows P-value is 0.270 and β -value is 0.089 which expressed that H₃ is not supported.

3.3 Implication of the study

i) Managerial

In this research, business performance was influences by the three factors. The results show from the data collected is valuable for helping the SMEs in Malaysia understand that what are the factors that will influence the business performance and try improving on these factors. In order to increase the business performance, the SMEs in fashion industry Malaysia should continue to improve on their internet skill in order to make customer knew about their product and services in fashion industry and it would able to help the business continue to grow.

In this finding, most of the respondents gain profit for monthly income only RM1,000-RM5,000 and the business operation age is more than three years. And this is the time to test whether the business can be survived in the cruel world, and if they survived, they can continue to grow and become larger company in coming future. To satisfy the customers, SME's should continue to have employee's development and improving on their internet skill such as provide better learning program on internet skill and continue to train employees, it would make sure it will increase in internet skill and improve on business performance.

ii) Government

Based on these three factors, government should continue investigate on these factors and help the SMEs in Malaysia enhance the business performance. Government should allocate more budgeting on the SMEs, and it would help them to grow, this is because most of the SMEs is lacking funds to make more changes. One of the examples is internet skill. SMEs need more fund in order to provide more training for the employees or even investing in latest technology in the businesses process and help the organization to act faster to compete with others. The government should encourage more SMEs in fashion industry to growth, and continue to enhance the export activities, not just only focus in few areas but try to diversify into different area and to lower down the risks of being taken by other countries. Government should continue to give more encourage and reward to those SMEs that having the innovation, flexibility and dare to transform the business activities.

4. CONCLUSIONS

Internet technology in Malaysia is very advanced. Although the connection to broadband services outside the major cities is still developing, the general technology does not fall behind the international level. For SMEs entrepreneur, they must embrace the technology and utilize government initiative or platform towards greater access of market networking opportunities and greater capabilities. Moving from this point, SMEs entrepreneur must overcome the difficulties in obtaining finance by improving their credit profile. Malaysia government should help the SMEs to allocate more

budgeting on the SMEs especially in training to help entrepreneur to grow, encourage more SMEs in fashion industry by enhancing entrepreneurship activities and reward highly innovation SMEs entrepreneur who successfully transform the business activities.

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