

Determinants of Microenterprise Performance among Microcredit Clients in Urban Areas of Malaysia

Penentu-Penentu Prestasi Perusahaan Mikro dalam kalangan Peserta Mikro Kredit di Kawasan Bandar Malaysia

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ABSTRACT

As one of the anti-poverty instruments, the potential of microenterprise in improving livelihoods through the promotion of self-employment activities and micro-entrepreneurship appears to have been increasing over time including in Malaysia. Therefore, this study aims to assess the determinants of microenterprise performance, with particular reference to microenterprise under the TEKUN Nasional microcredit scheme in urban areas of Malaysia. A conceptual framework is proposed considering a set of hypothesis, which were tested to a sample of 171 microcredit clients using random sampling method in Penang State, Malaysia. This study employed a descriptive analysis and multiple linear regression to analyze the primary data that was obtained through self-administered questionnaire. The results led to the conclusion that access to microcredit, previous experience, entrepreneurial values, and managerial competencies are predictors of microenterprise performance. The number of workers are also equally significant for the performance. The findings of this study suggests that finance per se is not sufficient in boosting the performance of microenterprise. The entrepreneurs and the enterprise attributes are equally important for microenterprise performance. Despite considerable attention on microcredit facilities, policy makers and practitioners in Malaysia should focus their energy to ensure their clients are highly competence in terms of entrepreneurial insights, managerial skills, basic experience and the stability of enterprises prior to venturing in microentrepreneurship activities particularly in urban areas.

Keywords: Microcredit; microenterprise performance; entrepreneur attributes; enterprise attributes; environmental-related factors

ABSTRAK

Sebagai salah satu instrumen anti kemiskinan, potensi perusahaan mikro dalam meningkatkan taraf hidup melalui galakan terhadap aktiviti bekerja sendiri dan keusahawanan mikro dilihat semakin meningkat dari semasa ke semasa termasuk di Malaysia. Justeru, kajian ini bertujuan menilai penentu-penentu prestasi perusahaan mikro, dengan merujuk kepada perusahaan mikro di bawah skim mikro kredit TEKUN Nasional di kawasan bandar Malaysia. Kerangka konseptual di dibentuk, yang kemudiannya diuji ke atas sample 171 pelanggan mikro kredit menggunakan kaedah persampelan rawak di negeri Pulau Pinang, Malaysia. Kajian ini menggunakan analisis deskriptif dan regresi linear berganda untuk menganalisis data primer yang diperolehi melalui soal-selidik yang ditadbir sendiri. Keputusan yang diperolehi telah membawa kepada kesimpulan bahawa akses kepada mikro kredit, pengalaman lepas, nilai-nilai keusahawanan dan kecekapan pengurusan merupakan peramal terhadap prestasi perusahaan mikro. Hasil keputusan kajian ini mencadangkan bahawa aspek kewangan sahaja masih tidak mencukupi dalam mempengaruhi peningkatan prestasi perusahaan mikro. Sifat khusus usahawan dan perusahaan juga adalah sama penting untuk sesebuah perusahaan mikro. Di samping perhatian yang khusus terhadap kemudahan kredit mikro, pembuat dasar dan pengamal di Malaysia harus menumpukan tenaga mereka untuk memastikan pelanggan mereka mempunyai kecekapan tinggi dalam aspek wawasan keusahawanan, kemahiran pengurusan, pengalaman asas dan kestabilan perusahaan sebelum menceburi aktiviti keusahawanan mikro terutamanya di kawasan bandar.

Kata kunci: Mikro kredit; prestasi perusahaan mikro; ciri khusus usahawan; ciri khusus perusahaan; faktor keusahawanan

INTRODUCTION

The role of microenterprises is becoming more important across the globe. World Trade Report (2016) reported that 82.9 per cent of the Small and Medium Enterprises (SMEs) consists of microenterprises and it continues to create jobs as well as improving the overall economic outlook of the countries. Microenterprise has varied definitions across the countries due to the peculiar features that differentiate it from other businesses. For instance, World Bank (2005) defined microenterprise as firms with total annual sales of up to \$100,000, with the number of full-time employees not exceeding 10 persons, and total assets of up to \$10,000. Meanwhile, The Commission of European Communities (2003) considered microenterprise as firms which employs fewer than 10 workers with annual turnover and/ or annual balance sheet total does not exceed EUR 2 million. In the context of Malaysia, 78.6 per cent of SMEs are microenterprises which are defined as enterprise that employs less than five workers and whose annual sales turnover does not exceed MYR 300,000 (SME Corporation Malaysia 2021).

Financial constraints have long been identified as major impediments facing by microenterprises (Tundui & Tundui, 2020). In Malaysia, SMEs Master Plan (2012) previously reported that microenterprises faced the most daunting challenges due to a lack of business viability, poor credit worthiness, and weak recording of financial statements. The high density of microenterprises in the SMEs sector of Malaysia eventually results in higher competition in obtaining financial facilities. The government, through the SME Business Strategic Plan 2022-2030 (DKN 2022), steps in to ensure access to financing facilities to help these microenterprise operators, also known as microentrepreneurs. The establishment of the *Tabung Ekonomi Kumpulan Usaha Niaga* (TEKUN) is one of the major efforts to provide low-income earners, especially in urban areas, with microcredit assistance to start their microbusiness activities. The major goal of this program is to provide quick and easy access to financial aid for business start-ups or for expansions that does not require collateral from their clients.

Microcredit is considered a major contributor to microenterprise performance (Mahmood & Mohamad 2013; Jalil 2021), despite some criticisms. Literatures have noted that in some cases, microcredit alone is not enough to empower microenterprises as purported and it does not have uniform positive

impacts. For instance, Parvin, Birner and Nahar (2021) discovered government microcredit had no significant impact on the business. While Bateman (2020) explained several damaging trajectories associated with microcredit, such as no growth along with a low productivity economic structure, reckless lending services that ultimately created a high level of indebtedness among the poor, and the growing loss of assets such as land, especially when extensively used as collateral.

Microenterprises in Malaysia need more than credit to grow. Literatures suggested that access to credit may lead to better performance of microenterprise especially in the urban areas. Furthermore, microenterprises have become primary source for urban settlers since it is easier to operate and does not require advanced knowledge and huge capital (Al-Shami et al. 2016). Hence, it is critical to identify the factors that determine the performance of microenterprise that have access to credit facilities to understand their perseverance that allow them to generate income-generating activities. In the context of Malaysia, a few studies have attempted to gauge the determinants of microenterprise performance among the recipients of microcredit facilities. However, most of current studies focuses on the micro-businesses in rural or sub-urban areas in the East Coast of Peninsular Malaysia (Jalil 2021; Wan Nurulasiah et al. 2019).

With these background scenario, this paper attempt to investigate the determinants of microenterprise performance among Malaysian microcredit clients. The objectives of this study is to investigate: (1) the impact of microcredit on microenterprise performance of Malaysian microcredit clients; and (2) other critical factors that influencing the performance of microenterprise funded by microcredit. It is important to discover the contribution of microcredit and other factors on microenterprise performance among microcredit beneficiaries as it is will provide information on whether such factors can be sustained. Sustainability is essential for long-term survival of these microenterprises. Furthermore, understanding the factors affecting microenterprise progress among microcredit recipients can help policy makers to formulate appropriate guidelines to improve the well-being of urban poor particularly in the informal sector. The focus of the study is TEKUN Nasional microcredit recipients in the state of Penang, Malaysia.

LITERATURE REVIEW

Several theories have been put forth to explain the growth and performance of microenterprises. This includes Storey's theory of small business growth (Storey 1994). Storey's model has received prominence and is utilized in the literature on business management and small business entrepreneurship (Hansen & Hamilton, 2011; Tundui & Tundui, 2020). This model conceptualizes the growth of a business that depends on the role of entrepreneur attributes (owner-managers), enterprise attributes, and the business strategy. Therefore, it is essential to combine and mobilize all these characteristics to understand the drivers for the enterprise's performance, growth, and sustainability for long-term survival. The next section will discuss the conceptual framework of the potential factors affecting the performance of microenterprises.

CONCEPTUAL FRAMEWORK

In order to examine the role of microcredit in influencing microenterprise performance requires an understanding of why microcredit was introduced in the first place. Microcredit have been introduced as one of the poverty alleviation strategies by encouraging the poor to engage in micro-entrepreneurial activities, diversified economic progress and ultimately uplift their standard of living (Bhatt et al. 1999; Hietalahti & Linden 2006). This is because in many cases, microentrepreneurs were unable to access to credit facilities through normal routes, such as conventional banks because they do not meet the requirement that many of these institutions set, such as minimum deposits, collateral and proven credit record.

Contrary to the requirements of the mainstream financial institution, microcredit was provided with minimal credit screening, flexible, without collateral and use to create or expand informal microenterprise (Bateman, 2020). As a developing country, Malaysia has successfully established TEKUN as one of the trusted agencies to fund income-generating activities to facilitate the setting up of microenterprises (Nik Nur Izzati & Mohamed Asmy (2020). TEKUN's credit scheme were set-up to provide credit facilities to overcome the shortcomings for microenterprises pertaining to access to credit. This institution is intended to provide quick, easy and interest-free financial aids for business start-ups or expansion

that does not require collateral from their borrowers (Gan, Nartea & Xia 2017).

Previous work has discovered several reasons behind the inconsistent relationship between microenterprise performance and access to credit. Generally, their participation in business ventures among microcredit clients are driven by the necessity, rather than opportunity since majority of them lack other options. As a consequence, microcredit has strayed from its initial purpose and led to the oppression of those it was intended to aid through high interest rates and excessive debt (Bateman 2020; Ramos 2022). In addition, many of them are forced into entrepreneurship but are not equipped with business skills to manage and develop the business. Therefore, the availability of microcredit is expected to facilitate the growth and expansion of the microentrepreneurs to a profitable level. This should be especially true in Malaysia where micro-financing alternatives through TEKUN would facilitates the development and expansion of microenterprises.

Despite the importance place on microcredit, the characteristics of entrepreneurs are also critical in identifying the determinants of microenterprise performance. The successful microentrepreneur may be influenced by the owner-managers background with regards to the demographics and internal characteristics. Previous studies found that male-run enterprises have a higher performance than female counterparts. This is because men tend to spend more time in the business activities than woman, easier to establish market outlets through social networks and in a position to borrow money from lending institutions to boost their businesses (Chaudhuri, Sasidharan & Raj 2018; Rantso 2016). Reynolds et al. (2001) observes that older entrepreneurs are more successful compared to their younger counterparts and at the same time possess higher entrepreneurial endeavors. In Ghana, Essel, Adams and Amankwah (2019) postulates that entrepreneur's age is positively associated to small-scale business growth given that most small businesses' operators have lower formal education and are constrained by technical training. Older firm operators might be endowed with rich business experience and might have gone through different aspects of business challenges (Littunen & Virtanen 2006). Nonetheless, Davidsson and Honig (2003) mentioned that older entrepreneurs, in some cases are less likely to invest in the business activities and adversely affect the performance of microenterprise.

Meressa (2020) suggests that individuals with increased abilities such as experience are more likely to produce better results. In the context of microenterprises, these concepts imply that individuals with greater abilities perform better in business ventures. This ability may exist in different forms, including prior experience and education level among other personal characteristics. Beltramino et al. (2020) indicate that microentrepreneurs with a higher level of education and previous experience are more likely to undertake innovation, which in turn ensures success. Besides, most informal enterprises are based on long-term relationships with clients, so entrepreneurs who have been in business longer have more advantages (Otoo et al. 2012). While Beronne et al. (2014) have found that the level of education is perhaps the only personal characteristic that stays consistent with the performance of the enterprise.

Internal characteristics refer to the quality of microentrepreneur in terms of entrepreneurial values and management competencies. Kader, Mohamad and Ibrahim (2007) stated that these qualities refer to individuals who have the self-confidence to undertake risks and willing to work hard to explore market opportunities and create innovations. Nawang and Mamat (2019) reported that the higher the entrepreneurial characteristics possessed by the owner-managers, the higher their inclination to engage in entrepreneurship, which in turn contributes to the better performance of the enterprises. For Mahmood and Mohamad (2013), entrepreneur attributes such as entrepreneurial values and management practices of the owners were positively associated with performance because micro firms are less organized and more personalized due to the inseparable entity of firm and entrepreneur. Munoz et al. (2015) also suggested that environmental challenges would require changes in management competencies for Malaysian microenterprises. Following that, policy makers are encouraged to take managerial skills and entrepreneurial values into consideration while making policies related to improving the performance of microenterprises (Thapa 2015).

Furthermore, the characteristics of microenterprises including firm age and size of the enterprise were also considered as predictors of the microenterprise performance. The age of enterprise refers to the number of years the enterprise has been established while number of employees is used as a proxy to the size of the enterprise. Mengistae (1998)

points out that over the years any firms will gain experience through its observation and the lessons learned. Similarly, Islam et al. (2011) presume that period in operation in business ventures probably influence the older firms to learn valuable lessons from their experiences to succeed. In that sense, older enterprises may benefit from prior experience and therefore have a higher degree of performance than younger counterparts (Sinha & Sen 2011; Sorensen & Stuart 2000).

Previous studies also noted that microenterprise with more employees tend to perform better. This is because of the number of employees influences the enterprise to have more capabilities and stability to acquire resources and profitability (Whittington, 1980). The previous studies suggests that number of employees is used as a proxy to the size of enterprise and micro firm performance and there is an ample of evidences on the positive and significant association for both variables (Alom et al. 2016; Alasadi & Abdelrahim 2007).

Encouraging micro-entrepreneurship by providing the conducive business environment is crucial for microenterprise performance. Nonetheless, there are less research on business environment and performance issues in the context of microenterprises compared to small and medium-sized enterprises and large firms (Khan & Quaddus, 2015). Al-Mamun, Fazal and Zainol (2019) suggest that the government should be the entity that focuses on developing supportive programs and policies to reduce economic vulnerability as well as to develop entrepreneurial competencies. Hopp and Stephan (2012) and Le, Lisovich and Raven (2016) argued that government efforts is one of the antecedents that are likely to enhance entrepreneurs to make their business venture ultimately successful. Particularly, government policies should aim to support and facilitate the formalization of informal entrepreneurship that are critical in promoting economic development and growth (Williams & Nadin 2012). This is because future microenterprise development requires both financial and non-financial support to develop their businesses and to expand into new markets (Munoz et al. 2015).

METHODOLOGY

This study employed a cross-sectional design and quantitative approach. The questionnaire is develop based on the previous studies by Beltramino et al. (2020) Mahmood and Mohamad (2013), and Rantso

(2016). It is divided into four block questions. The first block addresses the entrepreneur-attributes such as gender, age of microentrepreneur, education level, previous experience, entrepreneurial values and managerial competencies. The respondents were asked to rate their entrepreneurial values and managerial competencies using a five-point Likert scale, ranging from “1-strongly disagree” to “5-strongly agree”.

The second set of questions is dedicated to the enterprise attributes and environmental-related factors associated with the enterprise age, the number of workers and government policy. The enterprise age measures the number of years the business has been in operation, and the number of full-time employees is used as a proxy for the size of the enterprise. Using a five-point scale from “1-strongly disagree” to “5-strongly agree”, the respondents in the sample rate their perception on the environmental variable which examines the role of government policy in microenterprise performance.

The third set of questions are related to the construct of microcredit. The scale for microcredit in this study includes the aspect of advisory services, perception of the amount micro-lending program, and self-development programs. The final set of questions addresses the outcome variable. The outcome variable is represented by the construct of microenterprise performance. Both financial (objective) and non-financial (subjective) measures were employed in this study based on a modified version from previous studies (Mahmood and Mohamad 2013; Yaacob et al. 2014).

The data were collected randomly from microentrepreneurs financed by Teman TEKUN Microcredit Scheme (TEKUN) in urban areas of Penang State, Malaysia. The data collection process started in December 2018 until February 2019. The list of the respondents received the approval from TEKUN headquarters at Kuala Lumpur since the information about microcredit clients are strictly confidential. The total of active microcredit clients in Penang, specifically in the Northeast and Southwest districts are 230 members. Data is collected through self-administrated questionnaire that was distributed

face-to-face to the microcredit clients.

Following Krejcie and Morgan (1970), the estimated minimum sample size is therefore 144. The questionnaires were distributed to all microcredit clients and 171 were valid for data analysis. 59 questionnaires were returned uncompleted and deemed unusable to be included in the data analysis.

RESULTS

DESCRIPTIVE ANALYSIS

A descriptive analysis in Table 1 provide broad outlook of the samples in this study. Of the 171 respondents, majority (71.3%) of the respondents are female. The three age categories used in this study are 22-30, 31-45 and 46-60 age group. As noted in Table 2, 49.7 per cent of the respondents are from the age between 31-45 years old, 14.0 per cent aged between 22-30 years old and 36.3 per cent age between 46 to 60 years old. As per the education level, 77.8 per cent of the respondents have completed secondary education and 16.9 per cent possesses tertiary level of education. The remaining 14.0 per cent has obtained only primary school education.

57.9 per cent of the respondents have at least four years and above experience in business venture prior join TEKUN Nasional microcredit scheme, while 15.8 per cent and 22.2 per cent of the respondents have been doing business within the last two and three years respectively and 4.1 per cent of the respondents involved only within a year in business venture.

In terms of enterprise age, the sample of this study consisted of microenterprises that have been in operation for more than four years (56.7%), three years (27.5%), two years (8.8%) and the remaining 3.5 per cent were one year and less than that. The results of descriptive analysis also documented that most of the entrepreneurs (50.9%) are unable to employ any worker, and are concentrated in food and beverage businesses (56.1%).

TABLE 1. Demographics of the respondents (N=171)

Variables	Categories	Percentage (%)
Gender	Male	28.7
	Female	71.3
Age of microentrepreneurs	22-30 years old	14.0
	31-45 years old	49.7
	46-60 years old	36.3
Education level	Primary school	5.3
	Secondary school	77.8
	Certificate/ Diploma	14.0
	Degree and above	2.9
Previous experience	1 year	4.1
	2 years	15.8
	3 years	22.2
	4 years and above	57.9
Enterprise age	Less than one year	3.5
	1 year	3.5
	2 years	8.8
	3 years	27.5
	4 years and above	56.7
Number of employees	None	50.9
	1 person	25.1
	2 people	14.0
	3 people	4.1
	4 people and above	5.8
Types of production	Food and beverage	56.1
	Sewing and crafting	14.1
	Beauty and healthcare	21.1
	Retail	2.9
	Agriculture, farming and others	2.9

MULTIPLE LINEAR REGRESSION

TABLE 2. Estimation Model on Microenterprise Performance

	β	t	Sig.
Constant		3.227	0.002**
Microcredit	0.226	2.869	0.005**
Entrepreneur attributes			
Gender	-0.120	-2.135	0.034**
Age	-0.105	-1.418	0.158
Education	0.022	0.347	0.729
Business experience	0.180	1.827	0.070*
Entrepreneurial values	0.257	3.284	0.001**
Managerial competencies	0.183	2.571	0.011**
Enterprise attributes			
Enterprise age	0.058	0.670	0.504
Number of workers	0.139	2.418	0.017**
Environmental factors			
Government policy	0.118	1.593	0.113

Notes: Significant at: *p < 0.10, **p < 0.05; microenterprise performance as dependent variable

The results of the hypothesis testing are presented in Table 2. The results show that microcredit has a significant and positive effect on microenterprise performance at 0.05 level of significance with a t-statistic of 2.869. This evidence allows the acceptance of hypothesis 1 (H1), which states that microcredit is positively associated with microenterprise performance at any significance level. The standardized regression coefficient is 0.226, meaning that an increase in 1 unit of explanatory variable results in an increase of 22.6% in the outcome variable.

In this study, we turned the gender variable to dummy variable through recoding the value of male and female from 1 = male and 2 = female to 1 = female and 0 = male. Since gender takes on the value of 1 for female and 0 for male, the predicted scores are $[1.105 + (-0.12 \times 1) = 0.985 \text{ for Female}]$; and $[1.105 + (-0.12 \times 0) = 1.105 \text{ for Male}]$. Our sample of data has shown that on average, male earned total scores that are higher than female. In this case, the male-owned enterprise is hypothesized to associate positively with microenterprise performance, compared to the female-owned enterprise. This study discovered positive signs in the regression analysis which allows us to accept the hypothesis 2 (H2) and the significant relationship exists between the variables ($\beta = -0.120$, $p < 0.05$; 010).

Age of microentrepreneurs was often hypothesized to have a positive association with microenterprise performance. Nonetheless, this study analysis reveals that there is no positive and significant relationship for both variables ($\beta = -0.105$, $p > 0.05$; 010), which leads to the rejection of hypothesis 3 (H3). The results demonstrate that for each one year increase in age of microentrepreneurs, there is a decrease of 10.5% in microenterprise performance.

Education level is hypothesized to have a positive association with microenterprise performance. The standardized regression coefficient is 0.022, meaning that an increase in 1 unit of explanatory variable results in an increase of 2.2% in the outcome variable. However, the analysis did not observe sufficient evidence to confirm the significant relationship and thus, hypothesis 4 (H4) were rejected ($\beta = 0.022$, $p > 0.05$; 010).

The model nonetheless shows a positive and significant relationship between previous experience and microenterprise performance, at the 0.10 significance level with a t-statistic 1.827 and $p = 0.070$ ($p < 0.10$). This allows the acceptance for

hypothesis 5, which states that previous experience is positively associated with microenterprise performance. The regression analysis indicates that for each one-year increase in experience, there is an increase of 18% ($\beta = 0.180$) in outcome variable.

The result reveals that entrepreneurial values have a great impact on microenterprise performance at 0.05 significance level, with t-statistic 3.284 and $p = 0.001$ ($p < 0.05$). The standardized beta coefficient is 0.257, which clearly reveals the highest effect that this variable has on the performance of microenterprise. An increase of 1 unit in the entrepreneurial values will lead to an increase in microenterprise performance of 25.7%. Therefore, the empirical evidence allows the acceptance of the hypothesis 6 (H6), which proposes that entrepreneurial values have a positive effect on microenterprise performance.

Managerial competencies are also considered as an entrepreneur's attributes that might affect the microenterprise performance. The results of this study confirmed a positive association between the two variables and allowed us to accept the hypothesis 7, which states that managerial competencies are positively related to the microenterprise performance ($\beta = 0.183$, $p < 0.05$; 0.10). Based on the regression coefficient of 0.183, an increase of 1 unit of explanatory variable will lead to an increase of 18.3% in the microenterprise performance. This demonstrates that competency in managing enterprises is the third major predictor for microenterprise performance, after entrepreneurial values and microcredit assistance.

In terms of enterprise attributes, the hypothesis in this study posits a positive relationship between enterprise age and microenterprise performance. Nonetheless, the results from the analysis indicate the absence of any association between both variables ($\beta = 0.058$, $p > 0.05$; 0.10) and allows the rejection of hypothesis 8 (H8).

Enterprise size is measured by the number of employees and is hypothesized to have a positive association with microenterprise performance. The results of our regression analysis demonstrate that enterprise size is significant and has a positive effect on microenterprise performance ($\beta = 0.139$, $p < 0.05$; 0.10), and allow the acceptance of hypothesis 9 (H9). The standardized regression coefficient is 0.139, meaning that an increase in 1 unit of explanatory variable results in an increase of 13.9% in the outcome variable.

Government policy was hypothesized to have positive association with microenterprise performance. Contrary to the expectations developed from literature survey, the result of this study implies that government policy does not have significant impact on enterprise performance ($\beta = 0.118$, $p > 0.05$; 0.10).

DISCUSSION

This study aimed to investigate the determinants of microenterprise performance financed by microcredit facilities in urban areas of Malaysia. Specifically, this study attempts to evaluate the impact of microcredit facilities on the performance of microenterprise in Penang State, Malaysia. In addition, other critical factors that tend to influence the performance of microenterprise were assessed through three major factors namely entrepreneur attributes, enterprise attributes and environmental-related factor. Based on the hypothesis testing, the analysis of data allowed six predictors of microenterprise performance to be verified, five at the 0.05 significance level and one at the 0.1 significance level.

The first hypothesis proposes that there is positive association of microcredit on microenterprise performance. The results allowed this hypothesis to be accepted at a statistically significant level, meaning that microcredit is an important determinant for microenterprise in urban areas to progress. These findings contradicted several previous studies (Atmadja et al. 2018; 2016; Beck et al. 2015). According to the Al-Mamun (2016), flexible financial scheme such as microcredit may enable microentrepreneurs to borrow more amount of money when they need and takes advantage of short-term business opportunities. As a consequence, microenterprise experienced higher business performance than they would have been without the loan (Copestake et al. 2001).

The second hypothesis, which states that men is positively associated to the performance of microenterprise is accepted at the 0.05 significance level. This is in line with the previous study by Chaudhuri et al. (2018) and Rantso (2016). In the context of this study, family constraints have become the main reasons for these outcomes. Malaysian women in urban areas usually face more pressures compared to their men in using the microcredit for things unrelated to the business activities such as to cover households needs, while men have no bound

with the household responsibilities. For this reason, male entrepreneurs experience more progress and better performances.

The third hypothesis, which says that age of microentrepreneurs have a positive relationship with microenterprise performance, was rejected. These results indicates that age of microentrepreneurs does not appear to be the key determinants of microenterprise performance in urban areas. This study suggests that insignificant association is attributed to the average age of owner-managers that middle-aged and older. As discussed by Davidson and Honig (2003), most of the older entrepreneurs are demotivated to grow their business due to the fewer incentives provided for them. In contrast, younger entrepreneurs were found to be more successful and experiencing high performance level of enterprises as a result of hard work and dedication (Rantso 2016). The older entrepreneurs are more comfortable to run an easy-going business and alludes to take high risks (Thapa. 2015); hence, age of the entrepreneurs does not appear to have positive influence on microenterprise performance.

The fourth hypothesis, which predicts that education level has a positive association with microenterprise performance was rejected. These results seem contrary to previous studies, such as Beltramino et al. (2020) and Beronne et al. (2014). In the context of this study, majority of the microenterprise operates in food and beverage sector, an area that does not require any educational prerequisite. Higher level of education may not matter much in exploiting the local food and beverages market in urban areas for microenterprise. Therefore, educational attainment does not appear to be important in their operations and these results has no positive effect on microenterprise performance. In contrast, people with higher education level tend to be more ambitious and micro-entrepreneurship does not interest them since the income from this source is relatively small.

The fifth hypothesis, which states that previous experience is positively associated with microenterprise performance, is accepted. As stated by Meressa (2020), business experience plays a significant role in influencing microenterprise performance and this is due to the long-term relationships between the microentrepreneurs and their clients. This is in line with Beltramino et al. (2020) that shows that human capital including business experience have a significant impact on entrepreneurial success since it contributes to the innovation in microenterprises.

Entrepreneurial values is hypothesized to have positive relationship with microenterprise performance, was accepted and considered as a predictor of microenterprise performance. This is consistent with Kader, Mohamad and Ibrahim (2007), Mahmood and Mohamad (2013) and Nawang and Mamat (2019). This study has found that entrepreneurial values appear to be a major contributing factor of microenterprise performance, compared to microcredit assistance. In the context of this study, higher contributions of this factor might be attributed to several reasons. First, entrepreneurial values act as motivational element that stimulate individual to be more aggressive in their business operation. Second, internal desire to be the one's own boss, high profits and available business opportunities have exerted a significant influence over microenterprise owner-managers among microcredit clients. This should be especially true in urban areas where the unemployment or job uncertainty have forced the individual to start a small-scale business.

The next hypothesis posited that managerial competencies is positively associated to the microenterprise performance; hence it was accepted. In this study, microenterprises among microcredit clients in urban areas are concentrated in low-skilled sector especially in food and beverages. As a consequence, the performance of microenterprise is dependent on the capability of its owner-managers to take advantage and overcome challenges particularly related to the urban areas' characteristics. Mahmood and Mohamad (2013) suggest that microenterprise is normally less-structured, less-organized and more personalized in nature. As such, the microenterprise is need to operate based on creativity of the microentrepreneurs in developing new ideas and creates new products and process (Thapa, 2015).

This study posits a positive relationship between enterprise age and microenterprise performance. Nonetheless, the results of this study allow the rejection of hypothesis 8 (H8) and reports conflicting findings to the studies by Sinha and Sen (2011) and Thapa (2015). The insignificant association in the results pointed to two main issues; first, enterprise age is not a predictor for the microenterprise performance, and microentrepreneurs seem failed to experience advantages or benefits throughout the business that can enable the enterprise to enjoy the desirable achievement.

The results of the multiple linear regression demonstrate a positive effect between the size

of enterprise and microenterprise performance and allow the acceptance of the next hypothesis, which states that the size of enterprise, provide by number of employees is positively related to the microenterprise performance. The results of the analysis imply that employees have some degree of influence on the capability of the microenterprise in exploiting and enjoys more profitability. This is in line with findings by Alasadi and Ibrahim (2007) and Alom et al. (2016). The increase in the number of employees might influence the capability and ability of the microcredit clients in exploiting more resources and enjoying profitability and economies of scale (Whittington, 1980).

The last hypothesis was rejected, which proposes that government policy have positive association with microenterprise performance. The result concludes that government policy does not appear to be a significant determinant in the microenterprise performance. Therefore, the results of this study is not in line with those previous studies by Berrone et al. (2014), Le et al. (2016), and Mahmood and Mohamad (2013). The reasons behind such results could be explained by the nature of microenterprise market. Microenterprise in urban areas normally operates at the informal sector which is less diversified and therefore, local government is not favorable towards the enterprise. Therefore, this study suggest that local government needs to be more proactive to provide incentives to boost the growth of microenterprise. This is because in many cases, they seem to not understand the real problems, perceptions and potential acquired by the microcredit clients.

This study construe that the drivers of microenterprise performance must be fully understood, especially to design appropriate policies and support services for the microcredit clients. Based on the conceptual model of Storey's theory, this study suggests that policy makers and practitioners need to consider the specific role of entrepreneurs. The analysis has found that the entrepreneur must possess a strong work ethics to ensure the success of their business ventures. This entrepreneurial value serves as motivation for them not only during start-up period but also to manage and firmly grow their business. Early exposure in business activities gained from previous experiences played a key factor in ensuring that the ventures achieve the desired level of performance and profitability.

CONCLUSION

Prior studies indicate that microenterprises owned by microcredit clients have underperformed enterprises. Microcredit clients generally possess “special attributes” in terms of disadvantages in managing business operations, particularly on credit assistance. Many of the clients use the credit for the non-business purpose and are unable to distinguish the credit for business improvement and household expenditures. Using multiple regression analysis on 171 samples, this paper re-examined the position of microcredit in microenterprise performance and other related factors through entrepreneur attributes, enterprise attributes and environmental factors which contribute positively to the performance under TEKUN Nasional microcredit schemes.

This study finds that microcredit has a significant and positive effect on microenterprise performance. However, the results reveal that credit provision does not appear to be the major contributing factors to the overall performance, and the progress of enterprise depends entirely on the entrepreneurial values possessed by the clients. Besides that, other factors that have positive association with microenterprise performance are prior experience, managerial competencies, and size of enterprise measured by the number of employees. This study also find that there is a significant association between gender and enterprise performance. Male microentrepreneurs are found to perform better than the women microentrepreneurs which is in line with the research hypothesis as well as previous studies. Meanwhile, the hypothesis of this study that posited that microenterprise performance tend to be influenced by environmental conditions is rejected. The results of the study demonstrate the significant and positive association between microenterprise performance and government policy does not exist. This study would draw a conclusion that government may have neglected the microbusinesses although they play an important role in enhancing economic growth in local areas.

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