

## Micro-Entrepreneurs' Competency in Malaysia: Roles of Self Efficacy

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### Abstract

The research is to identify the roles of self-efficacy that influence micro-entrepreneur's competency in Malaysia. This study investigates the relationship between marketing, innovation, management and risk-taking towards micro-entrepreneur's competency. Causal research and a non-probability sampling were applied, specifically judgmental purposive sampling. Primary data was collected through questionnaires that have been distributed among micro-entrepreneurs in Malaysia. 100 respondents were derived from this study by using Statistical Package for Social Science (SPSS). Management and risk-taking were found to be significantly positive meanwhile marketing and innovation were found trivial for this study. This research sees the importance of emphasizing on the elements of management and risk-taking in order to enhance the competency of micro-entrepreneur in Malaysia.

**Keywords:** Micro-Entrepreneur, Marketing, Innovation, Management, Risk-Taking, Micro Entrepreneurs' Competency, Self-Efficacy

### Introduction

At present, Small and Medium-sized Enterprises (SMEs) are a significant platform for entrepreneurship, contributing to employment, social, political sustainability, innovation and competitive power (Bhattacharya & Londhe, 2014). The Malaysia's ambitions to become a National Entrepreneurship Framework (NEF) by 2030 have been outlined by the National Entrepreneurship Policy. They inspired towards developing a favorable and interconnected market environment (Prime Minister's Office of Malaysia, 2019). Small and Medium-sized Enterprises (SMEs) can be classified into three categories: micro, small and medium contributed RM572.6 billion of the nation's GDP (Department of Statistics Malaysia, 2022). According to SMECorp, (2022), currently, SMEs provide 47.8% of the workforce in Malaysia with 97.4% of all businesses in Malaysia are SMEs. Additionally, the growth of micro-enterprises which is 78.6% indicates the importance of SMEs towards Malaysia's economic. Small and medium-sized enterprises (SMEs) play a critical role as drivers of economic growth in generating income, employment, innovation and promoting social stability (Zaki et al., 2018).

Micro-enterprises today play an important role in promoting growth, income, employment and are an integral part of the economic transformation process in Malaysia (Tahir et al.,

2018). The value of these enterprises lies in their ability to create incentives for social change, jobs and profits, cultivating entrepreneurial talents, inspiring disadvantaged segments of the population, raising the standard of living of societies, creating conditions for sustainable living and removing extreme poverty (Asmy & Mohammed, 2015). Nevertheless, this influential group of SMEs tend to be lagging in terms of finance support and human capital development (Chin & Lim, 2018). Many of the micro-entrepreneurs have low productivity levels and lack of skills as they do not get enough funds from government in developing their human capital (Zain et al., 2017). Moreover, they are unable to innovate new products, invest in information and communication technology (ICT), perform research and development in R&D, satisfy the growing market demand and gain greater working capital for growth without sufficient capital. Research by Wickramaratne et al., in 2014, found that entrepreneurial competencies affect performance of the firm by positively influencing the entrepreneurial attitude of a company's owner/manager. Entrepreneurs with entrepreneurial competencies have been found to seek for better opportunities and devise better strategies for their companies (Al Mamun et al., 2016). Entrepreneurs' engagement in the economic development has been growing rapidly over the past few decades, and surveys have highlighted micro-entrepreneurship as one of the key benefactors to economic growth (Department of Statistics Malaysia, 2018). The most underestimated influential factor is self-efficacy, which can have a strong influence on entrepreneurship abilities and success (Al Mamun et al., 2016). Therefore, this research focuses on the roles of self-efficacy on entrepreneurial competencies, which is eventually intended to boost the quality of businesses owned and operated by micro-entrepreneurs.

Hence, the research objectives of this study are

- To determine the roles of self-efficacy (marketing, innovation, management and risk taking) towards micro-entrepreneurs' competency.

## **Literature Review**

### *Micro-Entrepreneurs' Competency*

Entrepreneurial competencies are best defined as self-images, motivations, roles in society, attributes and specific knowledge that led to the creation, success and growth of the enterprise (Al Mamun et al., 2016). The entrepreneurship competency is an attribute that an entrepreneur requires most. The entrepreneur must always have personal competencies, referring to crucial personal abilities and qualities that help build personal strength and improve the effectiveness of individuals in performing complex tasks such as managing his own company (Kyndt & Baert, 2015). Entrepreneurs' capability to execute entrepreneurial tasks is acknowledged by entrepreneurial competencies construct (Dzulkifli, 2010).

### *Roles of Self-Efficacy*

It has been observed that self-efficacy is a strong driver for motivating behaviour, while (Bandura, 1986) also described it as the determination that the necessary behavior such as successfully starting a business can effectively be carried out to achieve results (Oyeku et al., 2014). In the case of entrepreneurship, entrepreneurial self-efficacy may include the deliberation of actions relating to the creation and emergence of new undertakings (Oyeku et al., 2014). The fundamental principle behind self-efficacy theory is that people would engage in tasks that they consider to be competent in (Mohd et al., 2014). In the context of

this study, entrepreneurial self-efficacy is best seen as a multi-dimensional construct (Drnovsek et al., 2010). There are four factors that capture the self-efficacy of an entrepreneur in relation to marketing, innovation, management and risk-taking (Newman et al., 2019). He also clarified that the approach was used with a number of applications, including franchisees, entrepreneurs and owners of small businesses.

### *Marketing*

As a marketing stream at the interface of marketing and entrepreneurship, entrepreneurial marketing is especially important to support the rapid growth of resource-constrained firms in dynamic industrial markets (Yang & Gabrielsson, 2017). Entrepreneurial marketing has been defined as “the proactive identification and exploitation of opportunities for acquiring and retaining profitable customers through innovative approaches to risk management, resource leveraging and value creation” (Resnick et al., 2016). Marketing self-efficacy is specifically linked to skills and competencies in the marketing field, such as strategic marketing decision making, sales performance, marketing communications, and marketing calculations (Antoncic et al., 2016).

### *Innovation*

Innovation has been characterized as the deliberate implementation of new and useful methods, products, or procedures to a new domain for the benefit of society (Kahn, 2018). Innovative action, in the context of a product or service, is the production and integration of something new (Prihatsanti, 2018). Innovation is critical when they need a different way of growing their enterprise and getting people to remember their product (Dessyana & Dwi Riyanti, 2017). According to Schar et al (2017) self-efficacy of innovation will influence both the goals of innovation and the option of a person to undertake entrepreneurship as a career goal. Furthermore, Schar et al. (2017) stated that innovation self-efficacy evolves over time through a range of experiences in several ways, making it useful to understand how the background of innovation self-efficacy.

### *Management*

In a comparative framework and almost simultaneously, Wickramaratne et al (2014) established a measurement of entrepreneurial competences that merged managerial, entrepreneurial, and technical-functional positions to cover the full range of entrepreneurial operation. The ability of the scale is to separate founders from non-founders. It even revealed that the concept was progressing from rather managerial positions to a more entrepreneurial conception (Fancher et al., 2012). Management efficacy has been an important predictor of the corresponding results, although entrepreneurial and technical dimensions do not predict success. High-level of self-efficacy found in managers means they are more entrepreneurial than those with low level of self-efficacy (Mohd et al., 2014).

### *Risk-Taking*

According to Al Mamun et al (2016) risk-taking applies to someone engaged in a circumstance that is either beneficial or bad, believing that he/she will be able to achieve a better result at the end of the scenario. Darmanto & Yuliari (2018) conducted a study to assess the factors influencing risk-taking in business self-efficacy. Risk-taking is the willingness and ability of the entrepreneur to participate in a risky activity because an entrepreneur who is risk-averse is

less likely to take advantage of a business opportunity (Hoogendoorn et al., 2019). Additionally, Jebran et al (2014) further explained that unless the consequences are known in the future, entrepreneurs should not take risks. The willingness of micro-entrepreneurs to risk, therefore, will lead to better output by micro-entities, to exploit short-term revenue-generating opportunities.

### Research Model and Hypotheses

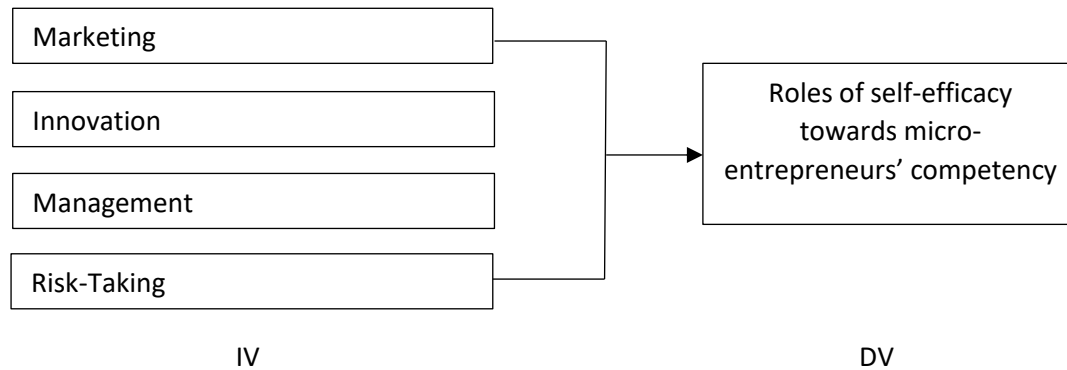


Figure 1: Conceptual Framework

- H1: Marketing has a positive relationship with micro-entrepreneurs' competency.  
 H2: Innovation has a positive relationship with micro-entrepreneurs' competency.  
 H3: Management has a positive relationship with micro-entrepreneurs' competency.  
 H4: Risk-taking has a positive relationship with micro-entrepreneurs' competency.

### Methodology

A survey was conducted, and all data were obtained in this study. Sets of questionnaires were given to the respondents via google forms that were sent personally to all potential respondents through Facebook and Instagram. The respondents are targeted for micro-entrepreneurs who must fit the criteria set by SME Corporation Malaysia which are those with less than 5 employees or annual sales turnover of less than RM300,000. A total of 100 respondents have answered the questionnaires given by researcher. A purposive judgement sampling whereby participants are chosen for research purposes with the aim that each respondent can have unique and valuable knowledge and information for the importance of the analysis (Etikan, 2016). In terms of the distribution of gender, most of the respondents were female, 74% and are at the age 20-29 (50%). As for education level, majority of the respondents were Degree holders (42%) and are Malay by race (83%). Data was collected using a structured questionnaire which contains 6 sections which are Section A for Demographic Profile, Section B are questions relating to marketing, innovation, management and risk-taking. The questionnaire was adopted from a measurement developed by Baker et.al (2017) that used 5-point Likert-scale. All the dimensions are ranging between 0.903 to 0.943 and the  $R^2$  for this study is 0.773 which indicate that 77.3% of the variation of dependent variable are an interpretation by the independent variables. In analyzing the research model, this study used the Statistical Package for the Social Sciences software (SPSS) to run the Multiple Regression analysis and test the hypotheses to discover the relationship between independent variables and dependent variable of this study.

## Assessment of Hypotheses using structural model

Table 1

*Hypothesis Testing*

Hyp	Relationship	Std Beta	Std Error	t-value	Sig	Decision
H1	Marketing- Micro-Entrepreneurs' Competency	.115	.127	.908	.366	Not Supported
H2	Innovation- Micro-Entrepreneurs' Competency	-.173	.103	-1.673	.098	Not Supported
H3	Management - Micro-Entrepreneurs' Competency	.742	.102	7.262	.000	Supported
H4	Risk-Taking- Micro-Entrepreneurs' Competency	.206	.098	2.104	.038	Supported

**Discussion**

From the findings of this research, it is evident that managerial and risk-taking have significant impact to micro-entrepreneurs' competency in Malaysia. The government should continue to focus on raising awareness of the policies financial assistance and training of micro-entrepreneurs. The National Entrepreneurship Policy 2030 reflects the ongoing efforts of the government to build a competitive and integrated entrepreneurial environment. Specific financial services for small businesses should be actively marketed or incorporated in conjunction with the demands and potential of businesses. As for the lack in marketing and innovation, a need to enhance education, training, and programs to build innovative micro-entrepreneur. For instance, SME Corp can build an eCommerce marketplace for these micro-entrepreneurs to be able to use it as a platform to market their products or assist in the innovation of a new payment system to cater exclusively for micro-entrepreneurs. As a result, Malaysian consumers will be able to access a dedicated all-local product shopping portal consisting of high-quality products.

**Conclusion**

In summary, this study has found that management and risk-taking has a positive relationship with micro-entrepreneurs' competency while marketing and innovation were found to have an adverse relationship. The reality is that the world at present is challenging place for entrepreneurs to survive. The unstable economic condition, uncertain political situation and climate change it is necessary to identify the roots to enhance entrepreneurial competency in order to ensure the survival of small medium entrepreneurs.

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