DETERMINANTS OF BUSINESS PERFORMANCE AMONG RURAL ENTREPRENEUR

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ABSTRACT

The present study attempts to provide empirical evidence on the relationship between the three facets of entrepreneurial initiatives and rural entrepreneurs’ business performance. The entrepreneurial initiatives considered in the study are entrepreneurship training, marketing support, and business support. Toward this end, a survey among 183 rural entrepreneurs was carried out. Self-reported measures were used to obtain data pertaining to government entrepreneurial initiatives and rural entrepreneurs’ business performance. The multiple regression analysis was used to ascertain the proposed relationships and it was found that only two entrepreneurial initiatives (entrepreneurship training, and marketing support) were significantly related to business performance. Discussion on the findings is highlighted, so as the implications for practice and future research. Limitations of the study are also discussed.

Keyword: Entrepreneurship Training, Marketing Support, Business Support, Rural Entrepreneur, Organizational Support Theory.

1. Introduction

Entrepreneurship is recognized as the primary engine of economic growth and a vital contributor to the overall performance of the Malaysian economy. In Malaysia, Small Medium Enterprises (SMEs) consist of three different enterprising categories: micro, small and medium enterprise. SMEs form establishments in three different sectors – agriculture, manufacturing and services. 449,004 SMEs (or 86.5% of total SMEs) formed the largest category in the services sector. The bulk of the SMEs are 80.4% for micro enterprises, followed by 17.6% for small enterprises and 2.1% for medium enterprises. Most of the SMEs are in the following sub-sector services: retail, restaurant, wholesale, transportation and communication, and professional services.

In regard to the rural entrepreneurship, its role has been accepted as the central force of economic growth in Malaysia. The government, institutions and individuals seem to agree on the urgent need to promote rural enterprise as an enormous employment potential and instrument for improving the well-being of rural community. The issues on rural business performance and the role of government in supporting and developing a conducive business environment have been discussed and debated in several occasions. Due to the important role of rural entrepreneurship and the government initiatives in helping rural entrepreneurs to increase their business performance, it has been a subject of interest for various groups including the government, the practitioners and the researchers to look at the influence of government supports on rural business performance.

The previous researches on factors contributing to the success or growth of rural entrepreneurs have focused primarily on the entrepreneurial, managerial or other personality attributes of business owner. However, little is known about the influence of government initiatives on rural
entrepreneur business performance in Malaysia. Most of these researches have been highlighted and discussed descriptively on the opportunities and constraints faced by the micro entrepreneurs (Abd. Razak, Hassan, Kamariah & Wan Fauziah, 2012; Mohd Noor & Mohd Rafi, 2010; Nurbani, Susan, Jian & Noor Ashikin, 2011; Radiah, Mohd Rosli & Azid, 2009). For example, several studies have been conducted by employing descriptive nature of study, and less efforts have been done to examine its relationship (Abd. Razak et al., 2012; Hoe, Filzah, Hin & Norashidah et al., 2012). Thus, empirical research on the influences of these government interventions on rural entrepreneurial activities, and the sustainability of entrepreneurial actions is very restricted, especially when related to rural entrepreneurs’ business performance. To address this gap, the present study focuses on the influences of government entrepreneurial initiatives, namely, entrepreneurship training, marketing support, and business support on rural business performance.

2. Relationship between Entrepreneurship Training and Rural Business Performance

Entrepreneurship education and training is one of the factors that have been associated with rural entrepreneurs’ performance (Reijonen, 2010; Kuene, 2008; Smith & Perks, 2006). For instance, entrepreneurial training discovered the need for entrepreneurial skills and business skills for the upkeep of the business (Reijonen, 2010). Furthermore, the entrepreneur’s initiatives and skills are significant determinants of success (Kuene, 2008). Training for small business is primarily and internally focused and imparts generic management skills such as marketing, finance, record-keeping, human relations, as well as industrial relations (Reijonen, 2010; Kuene, 2008). Research has found that entrepreneurial training improves SME performance over time, showing that the business and the entrepreneurial skills are really important in the business world, especially for entrepreneurs. Business and entrepreneurial skills are important for the sustainability and profitability of businesses (Smith & Perks, 2006).

However, there have been relatively little studies conducted on the impacts of entrepreneurship’s education and training, namely on the development of entrepreneurial skills and values (McMullan, Chrisman, & Vesper, 2001; Sexton & Kasarda, 1991). Most of the research has tended to be fragmented and mainly on a descriptive orientation. Nevertheless, recent research made on the contribution of entrepreneurship education indicates conclusively that it contributes significantly to risk taking attitudes, to the formation of new businesses and to the propensity of being self-employed. Entrepreneurship’s competency education also seems to have a positive effect on the perceived feasibility of entrepreneurship, or on entrepreneurial self-efficacy (Hytti; 2008; Julien, 1993). Thus, based on above discussion, the following hypothesis is proposed:

H1: Entrepreneurship training has positive influence on business performance.

3. Relationship between Business Support and Rural Business Performance

Government’s influence and supports for entrepreneurship is very crucial in promoting entrepreneurial development in order to guarantee rural entrepreneur’s future business success. There are five major areas of government’s support programs for SMEs in Malaysia, among which are: financial and credit assistance; technical and training assistance; extension and advisory services; marketing and market research; and infrastructure supports (Skuras, Caldas, Meccheri, Psaltopoulos & Viladomiu, 2003). Government support is vital to cultivate SMEs expansion and authorized aspects are used in selection operating resolution in order to guarantee SMEs upcoming business achievement. Governmental financial support for developing small ventures becomes an essential input for their long-term economic prosperity (Jones & Perry, 2011). In this sense, government could influence the market mechanisms and make them function efficiently by removing conditions that create market imperfections and administrative rigidities. Moreover, an
extra measurement of the environment is the governmental and supporting environment (Skuras et al., 2003; Jones & Perry, 2011). Overall, these showed that the government’s in many countries actively contemplates measure, both at the local and state levels, where it stimulates entrepreneurial activities and ensures adequate financing and advices are present to back up business formation. Based on above discussion, the following hypothesis is proposed:

H2: Business support has positive influence on business performance.

4. Relationship between Marketing Support and Rural Business Performance

With regard to the links between marketing support and business performance, there have been many attempts by previous scholars to provide a clear, comprehensive and theoretically anchored framework linking marketing role and firm’s business performance (Mastura, 2012; Morgan, 2012). For instance, poor marketing has always been recognized as a problem faced by small businesses (Mastura, 2012). Marketing support provided by the government has been crucial in assisting rural entrepreneurs (Hoe et al., 2012). Marketing accessibility is one of the aspects in marketing support which is crucial for rural entrepreneur’s success. This is represented by good networks with supermarkets, accessibility of products into supermarkets and tourist centres, establishing good networks with wholesalers and retailers, offering comparable quality of products, penetrating niche market, and grabbing market opportunities (Pech & Cameron, 2006). Based on above discussion, the following hypothesis is proposed:

H3: Marketing support has positive influence on business performance.

5. Theoretical Framework

The theory of organizational support suggested that in order to meet socio-emotional needs and to assess the benefits of increased work effort, employees form a general perception concerning the extent to which the organization values their contributions and cares about their well-being (Eisenberger, Huntington, Hutchison, & Sowa, 1986; Rhoades & Eisenberger, 2002). Such perceived organizational support would increase employees’ felt obligation to help the organization reach its objectives (Eisenberger et al., 1986). Based on this theory, the model of government entrepreneurial initiatives was developed. Basically, all the government entrepreneurial initiatives could be considered as the government’s support in enhancing rural business performance. In addition, the underlying premise is that rural entrepreneur’s business performance could be valued as rural entrepreneurs’ obligation to help the government increase their business performance. In this regard, the model of entrepreneurial initiatives suggests that rural entrepreneur’s business performance is not only influenced by the government’s entrepreneurial initiatives such as entrepreneurship training, business support, marketing support, but also are positively related to rural business performance. Based on OST, research framework was developed as shown in figure 1 below.

![Government Entrepreneurial Initiatives](image)

Figure 1: Research framework
6. Methodology

6.1 Sample and data collection method

Five-hundred rural entrepreneurs who participated in the Rural Entrepreneurs Carnival organized by the Ministry of Rural and Regional Development were considered the population of study. The rural entrepreneurs in the present study were involved in a diverse range of businesses such as cosmetic, craft, herbs, food and drinks, agriculture, and textile, among others. Prior to data collection, written permission from the carnival organizer to collect data from rural entrepreneurs was obtained.

Questionnaire was used as the main data collection technique. They were distributed randomly to participants during the carnival. The participants were told about the purpose of the study and its significance to solicit their voluntary response. Once agreed to participate in the study, the participants were asked to complete the questionnaire within three days, after which we returned to the carnival to get the questionnaire from them.

6.2 Instrumentation

In this study, business performance is operationalized as financial performance (business profit). Entrepreneurship training was operationalized as various education and training programs for entrepreneurs that focus on ensuring growth and feature development of the business (Petridou & Glaveli, 2008).

Entrepreneurship training is measured using 10 items adapted from two researchers (Petridou & Glaveli, 2008; Rogoff, Soo Lee & Churl, 2004). Participants were asked to indicate their degree of agreement or disagreement on a five-point Likert scale, ranging from ‘1’ “strongly disagree” to ‘5’ “strongly agree”, on government provision such as “Provide comprehensive marketing course” and “Provide training on technical and skills in business management”.

Marketing support is operationalized as the government effort to provide good networks with supermarket, accessibility of products into supermarket and tourist centres, establishing good networks with wholesaler and retailers, offering comparable quality of products, the ability to penetrate niche market, and grabbing market opportunity (Morgan, 2012; Mastura, 2012). All items employed a five-point Likert scale, ranging from ‘1’ “strongly disagree” to ‘5’ “strongly agree”. Participants were asked to indicate their degree of agreement or disagreement on government provision on items such as “Sale promotion at state and national level” and “Government-appointed distributors”.

Finally, business support is operationalized as the government’s initiatives in providing good business infrastructure, implementing right business policies for rural entrepreneurs, controlling domestic economic conditions and supplying enough raw materials (Pech & Cameron, 2006). All items employed a five-point scale ranging from ‘1’ “strongly disagree” to ‘5’ “strongly agree”. Examples of items included ‘provide conducive business infrastructures and facilities’ and ‘raw material supplies’

7. Finding & Discussion

7.1 Reliability analysis

The values of composite reliability of measures for all latent constructs, ranges from 0.769 to 0.844, which far above 0.6. The results also shows the Cronbach alpha values for each constructs such as 0.769 for entrepreneurship training, 0.844 for business support, and 0.821 for marketing support,
where all are above 0.6. Thus, construct liabilities for reflective measurement models are established.

7.2 Descriptive statistics & analysis

With reference to gender composition, the sample was made up of 132 (72.13%) females and 51 (27.87%) males. The statistics are not surprising because there are other studies that show similar distributions (Fatimah, Mohamad Azahari, & Tamkin, 2013; Musdiana & Noor Zahirah, 2011; Radiah et al., 2009). In general, female entrepreneurs are the dominant players especially in micro and small businesses in Malaysia (Hoe et al., 2012). In terms of marital status, 53.0% are married, 45.9% are single, while 1.1% are divorced. As for education, majority of the respondents have completed SPM and Diploma (25.7%), followed by degree (15.8%) and SRP (9.3%). On average, 39.9% of the respondents had four to seven years of experience in running their business, where majority of them were involved in food business (31.1%), and employing between two to seven employees (71.9%).

To test the research hypotheses, multiple regression technique was used. Prior to employing this analysis, all assumptions related to regression were checked and no serious violations were found on issues of linearity, normality, homoscedasticity, and independence of error terms. Table 1 shows the result of multiple regression analysis. We observed that, out of three entrepreneurial initiatives, two variables had statistically significant relationship with rural business performance, with marketing support recording the highest beta value marketing support ($\beta = .231, p < .05$). However, entrepreneurship training was significantly negative relationship with business performance ($\beta = -.195, p < .05$) and business support was not found to significantly influence on rural business performance. Based on these results, H1 was accepted, and H2 and H3 were rejected.

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<th>Table 1: Multiple regression results</th>
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**p<.01, *p<.05

8. Discussion, Conclusion and Future Recommendation

The main objective of the present study was to investigate the influence of entrepreneurship training, business support and marketing support on business performance of rural enterprises. In general, the regression analysis result seems to support the model, suggesting that government support is an important element for rural enterprises to succeed, hence adding to the growing literature on the role of government support and assistance to entrepreneurs.

As hypothesized, marketing support seemed to have a positive influence on business performance of rural entrepreneurs. In every start-up stage, a rural entrepreneur is more concerned with inventing
the product or services, establishing a market niche, attracting new customers, and manufacturing and marketing of the product. Marketing support clearly is important to ease the product(s) or service(s) into the market and this may be the main reason why rural entrepreneurs perceive that marketing support from the government would help increase their business performance, especially those who are new into the market. The positive significant result shows that marketing and market research where among the five major areas of government support programs for SMEs in Malaysia. Practically speaking, the finding suggests that the existing marketing support should be continued and enhanced as it appears to be effective in assisting rural entrepreneurs in their business ventures.

But, contrary to expectation, training was negatively associated with business performance, which means that the more rural entrepreneurs received training, the lower their business performance would be. One of the possible reasons would be the way the training itself is designed. In this context, any entrepreneurship programs intervention involving rural business should be sensitive to the entrepreneurs’ need and designed according to specific module and local requirement, so that there is continuity between rural entrepreneurship program. If this speculation is valid, then the entrepreneurship training programs especially those conducted by the relevant government agencies may need to be re-visited and re-assessed so that they could achieve the intended training objectives. Review of existing training programs may need to start with identifying what actually rural entrepreneurs need rather than what the government wants the entrepreneurs to have. Once training needs analysis is conducted, the whole training program needs to be designed to meet those needs. Even though such speculation may be probable, studies need to be conducted to examine the effectiveness of the training programs implemented.

The present study considered three types of government support for rural entrepreneurs in Malaysia: marketing support, entrepreneurship training, and business support. Because the result found that these forms of government intervention explained around 14 percent of the variance in business performance, future studies may consider other predictors or other types of government support. Future studies may also wish to consider whether government support has different effects among small-sized and medium-sized enterprises. Such finding will enlighten whether the intended objectives of the government intervention programs are inclusive or exclusive for some types of enterprises. To achieve this purpose, future studies should widen the scope of the study population to comprise different sizes of business ventures.

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References


