


Chapter 2

The Influencing Factors of Business Success Among Small Medium Enterprises (SMEs) in Selangor, Malaysia

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ABSTRACT

The purpose of this study is to examine the factors influencing SME business success in Malaysia. This study employed a quantitative research design and used a paper-based online questionnaire to collect data from 200 SME entrepreneurs in Malaysia. The SPSS program was used to analyse the data collected in this study. The study demonstrates that among entrepreneurs, financial literacy and financial practice have a significant positive relationship related to SME business success. The study focuses on how financial literacy and financial practice impacts SMEs in Selangor, aiming to provide insights that can help policymakers develop programs to enhance financial literacy and improve business performance, leading to greater economic stability and growth.

1.0 INTRODUCTION

The SMEs are known to be prime movers of economic development. They are the most numerous businesses in the world and contribute significant focus in the world economy and they are central to create jobs (Yahaya & Nadarajah, 2023). But more than 90% of businesses and over 50% of jobs in the world already belonged to this sector. In addition, traditional SMEs are responsible for around 40% of total

DOI: 10.4018/979-8-3373-0608-7.ch002

domestic income in under-developed countries She et al. (2020). Small and medium-sized enterprises (SMEs) have driven the larger global economy with their significant contributions towards industrialization, employment generation, poverty reduction, income generation, replacement sector through sector creation, and innovation and entrepreneurship through industry identification (Ahmad et al., 2020).

Hence, the world-leading role of those small and medium-sized enterprises (SMEs) in industrialization, employment creation, poverty alleviation, income generation, deepening the backbone of the economy, stimulating innovation and entrepreneurship (Ahmad et al., 2020) Formulae for these SMEs includes recognizing the divergence in the market with bringing the innovation of products or services that produces competition and improves economies. In fact, SMEs contribute significantly to growth and development of the economy (Anshika et al. Significant, given that causation is only one way between growth and entrepreneurship (Tahir & Burki, 2023). This implies that the promotion of entrepreneurship is vital to sustain rapid economic growth. The report also asks that policies supporting trade and entrepreneurship be fit into an integrated economic growth framework. Such policies would improve their competitiveness and trigger sustainable righteous investment which would lead to long-term economic growth through an ecosystem to support global trade.

Small Medium Enterprise (SME) is closely related to economic structure in Malaysia and Selangor is one of the most developed and industrialized state in the country. These institutions are the pillars of the national economy, contributing to GDP and innovation, both of which lead to employment. The purpose of the study is to study the impact of certain factors affecting the performance of small-medium enterprises (SMEs) in Malaysia, particularly Selangor. Driving strategy to the market is one of the critical factors that influences the fundamental configuration and competitive advantages of the entrepreneur (Islam & MuktadirAl-Mukit, 2016). According to Islam and Muktadir-Al-Mukit (2016), performance of SMEs is influenced by many important factors, including but not limited to the nature and type of business; finance accessibility; management experience; application of technology and market accessibility. Subsequently, some are antecedents to the performance results of SMEs regarding their growth and endurance, while others are regarded as the dependent capabilities. Business Performance, this research is very relevant in examining those who do not have a financial knowledge, especially the context of SME in Selangor. This will add to the literature on financial literacy and the success of entrepreneurs. In addition, know this relationship will provide the stakeholder and policy maker in Selangor with the particulars works to develop focused plan and initiative in the succeeding with the aims of improving the financial literacy of SME owners which in turn will enhances the stability and performance of these firms.

2.0 BACKGROUND OF THE STUDY

Entrepreneurship is fundamental for economic development; it fosters innovation, creates employment, increases productivity, and raises competition, all of which leads to sustainable high GDP and a better quality of life. Entrepreneurs sniff out opportunities in the market, build unique products or services and take calculated risks to succeed. These are all challenges that the community is facing, but they are all building blocks for more production, more global trade and more diversified economy.” They will paradoxically encourage international trade and attraction of foreign investors, they will also give stability and prosperity to the economy. Small and Medium Enterprises (SMEs) help promote competition and fix market failures. Scholarly research says that enabling entrepreneurship is critical

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