

UNIVERSITI TEKNOLOGI MARA

**FINANCIAL, MANAGEMENT AND
GOVERNMENT INCENTIVES:
IMPLICATION ON THE SURVIVAL
OF SMALL MEDIUM ENTERPRISES**

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ABSTRACT

Small-medium Enterprise have been regarded as an important existence or backbone to the economic growth in many developing countries globally. In Malaysia alone, Small-medium Enterprise (SME) have been acknowledge as an anchor in economic growth in Malaysia as it not only helps to provide jobs, it also contributes in reducing poverty and further increasing the standard of living of the people aside from the increase of Gross Domestic Profits (GDP) of the country. Therefore, various plans have been conducted by the Malaysian government through SME Corp that have costs millions with the purpose of transforming SMEs further in the effort to achieve the high-income nation by 2020. However, scholars have stated that SME is failing in an alarming rate only after a few years of its establishments causing it to become one of the topic that need to be discusses and overcome. Thus, this study will study not only the relationships of the factors but also to evaluate the level of influence of these factors that contributed to the challenges on SME survival in Selangor. Furthermore, questionnaire has been used for the data collection and involves total of 385 respondents who owns or work as a manager in SMEs within Selangor area. The findings of this study show that there is a positive relationship between all the independent variables with SME survival. Finally, the results also show that the government incentives only moderately help the SME to survive.

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CHAPTER 1

INTRODUCTION

1.1 BACKGROUND OF STUDY

Over the year, the creation of these SMEs has contributed to the increase of the GDP and have been regarded as an important existence or backbone to the economic growth in many developing countries globally (Agwu & Emeti, 2014; Roslida, 2011). Thus, many researched has been done regarding SME from various researcher to further improve the performance of these SMEs. In Malaysia alone, SME Corp (2016) have acknowledges the SMEs contribution of up to 36% in the increase of GDP and were approved by the Prime Minister, Dato' Seri Najib bin Tun Abdul Razak in the 2014's SME annual report, as the anchor for the economic growth in Malaysia. What more, various plans have been conducted by the Malaysian government through SME Corp that have costs millions with the purpose of transforming SMEs further in the effort to achieve the high-income nation by 2020.

However, all those efforts could have been for naught if SMEs were to fail only after a few years of its establishments as 50% of these SMEs were said to be unable to survive, particularly for the first five years of its establishment (SME Corp, 2016; Nurulhasanah et. al., 2016; Noor Hazlina & Seet, 2009). Likewise, the SME Corp Annual Report for 2015/16 have also stated through their survey saying that there is a hint of decrease in business performance in the mid of these SMEs causing it to become one of the alarming topic that need to be discusses and overcome. With that, SMEs businesses need to be able to manage themselves to avoid such situation, therefore, it is only natural for us to take serious attention to the identification of the factors that can contribute to the challenges in the survival of these SMEs in management perspectives to manage their business. However, the discussion of these challenges is not something that are rare in this field of studies as many researchers have tried to identify the factors that contribute to the challenges or failure of SMEs in the long run and these can be seen in the research made in various country globally