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DETERMINANTS OF FIRM PERFORMANCE AMONG WOMEN ENTREPRENEURS IN SMALL AND MEDIUM ENTERPRISES (SMEs) IN THE NORTHERN REGION

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Abstract: Firm performance in SMEs is deteriorating in Malaysia. Many SME are drawn to measure firm performance in their business because it affects their monthly and annual profit or loss. Women entrepreneurs from SMEs in the northern region must increase their performance in managing the business. Firm Performance can make women entrepreneurs improve their management skills. The term firm performance refers to the ability of a company to achieve effective and efficient results in order to experience development and make progress. A quantitative method was adopted in this study, and responses from 381 respondents that were chosen from the list of members of Amanah Ikhtiar Malaysia in the northern region were used. Therefore, Partial Least Square (SmartPLS) will be used to evaluate the research data. Finally, this study can be applied and extended to determine the determinants of financial literacy on firm performance in other countries. Moreover, the results will show how firm performance had an impact in providing job opportunities as well as promoting the economy of Malaysia and fulfil firm performance according to the SMEs' desires.

Keywords: Firm, Performance, Business

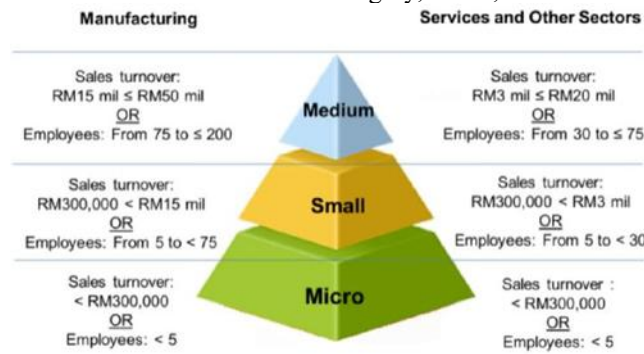
2. Introduction

SME Bank has assisted Micro, SME entrepreneurs by providing RM127.5 million in financing to 98 entrepreneurs. This financial support has allowed entrepreneurs to invest in their businesses and drive economic growth. SME Corporation Malaysia has implemented various entrepreneur development programs to foster the growth and success of entrepreneurs. These programs include Tunas Usahawan Belia Bumiputera (TUBE), which has granted RM3.66 million to 244 young entrepreneurs, empowering them to kick-start their business ventures (Avv, 2023).

Peningkatan Enterprise Bumiputera (BEEP) on the other hand, has provided grant financing of RM2.08 million to 10 companies, enabling them to expand their operations and reach new markets. SMEs Status and SME Competitiveness Rating for Enhancement (SCORE) have certified a total of 1,052 companies, recognizing their excellence and competitiveness in the market, while Pembangunan Perniagaan Usahawan (BizME), with an allocation of RM320,000, has provided training assistance to 108 entrepreneurs, equipping them with the necessary skills and knowledge to succeed in their businesses (Nabalu news, 2023).

Generally, the definition of SMEs varies and is classified based on different indicators or criteria around the world. Two widely utilised indicators are the size of annual sales and the number of employees, as shown in Figure 1.1 below. For example, if a company's sales turnover qualifies as medium but its number of employees qualifies as micro, the business will be categorised as a microenterprise. Additionally, if a business qualifies under either category across different operational sizes, the smaller size will apply.

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Figure 1.1: Detailed definition of category, micro, small and medium

Source: SME Corporation Malaysia Official Website

This study focuses on three issues related to firm performance among SMEs. Most entrepreneur program models in the northern region only target *asnaf* entrepreneurs, with limited models available as a basis for entrepreneurs to manage finances effectively in this region. The development of such a model is aligned with the objectives of the 12th Malaysia Plan and the National Entrepreneurship Policy (DKN) 2030, specifically Strategic Core 2, which aims to enhance the regulatory framework and improve access to financing. This initiative is also in line with the objectives of the Shared Prosperity Vision (WKB) 2030, which aims to advance the business and industrial ecosystem by enhancing financial management knowledge among Bumiputera enterprises to increase their competitiveness.

Despite various government assistance programs, SMEs still face challenges in managing their issues and often remain financially vulnerable. The problems related to organizational management among SMEs such as financial knowledge, financial record keeping, innovation, proactiveness, and risk taking.

2. Literature Review

This study focuses on firm performance on women SME that affect the economy such as financial knowledge, financial record keeping, innovation, proactiveness, and risk taking.

2.1 Resource-Based View (RBV) Model

The Resource-Based View (RBV) posits that a resource can confer a competitive advantage if it adds value to the company, is rare and unique, and is difficult to replicate, thereby providing uniqueness and value (Barney, 1991). Resources that are valuable, rare, inimitable, and non-substitutable (VRIN) form the foundation for a company's survival (Pfeffer & Salancik, 1978) and long-term growth (Barney, 1991). According to RBV, a firm's competitive advantage is grounded in its resources that are valued, rare, imperfectly imitable, and non-substitutable (Barney, 1991; Wernerfelt, 1984).

2.2 Firm Performance

In the literature on small businesses, SME performance has been explored by numerous researchers, with studies investigating performance using various variables. Weng (2024) defines SMEs' performance as how a firm delivers value to its stakeholders and customers. Similarly, Jung et al. (2023) notes that firm performance, a concept widely discussed in studies, lacks a single definition. Previous studies suggest that women's participation in leadership roles can influence organizational performance (Hoobler et al., 2018; Post & Byron, 2015). Increased ownership provides women with

greater decision-making power, enabling them to leverage their unique skills to enhance SME performance (Kiefer et al., 2022).

2.3 Financial Literacy

According to Lusardi and Mitchell (2007), financial literacy is defined as knowledge about finances aimed at achieving wealth. It emphasizes the use of financial information and skills to make sound financial decisions, encompassing an investor's comprehension of financial products and concepts, as well as their ability and confidence to recognize financial risks and take steps to improve their financial well-being (Richter & Kempson, 2024). Financial literacy enables entrepreneurs to make informed decisions regarding cash management and business investments. It has become a critical skill for SME owners, significantly impacting the viability and sustainability of their enterprises (Felipe, Ceribeli, & Lana, 2017).

H1: Financial literacy positively influences firm performance.

2.4 Financial Record Keeping

Nassiuma (2019) explored the positive impact of record-keeping practices on SME performance. In practice, many SME entrepreneurs find bookkeeping challenging due to limited accounting knowledge and a misconception about the relevance of financial statements. Some business owners fail to keep accurate records or distinguish between personal and business transactions, relying instead on memory. The cost and complexity of maintaining an accounting system also deter effective record keeping. (Aryani et al., 2023).

H2: Financial record keeping positively influences firm performance.

2.5 Innovation

Mbizi (2013) asserts that globalization and heightened international competition compel SMEs to seek innovative, flexible, and imaginative strategies to survive, forming the basis for innovation as a survival strategy for SMEs. Additionally, innovation is crucial in today's knowledge-based economy for enhancing SME performance, although empirical evidence on this is limited in emerging economies. SMEs must innovate continuously to lower production costs, improve delivery schedules, and enhance manufacturing capabilities, along with fostering better supplier relationships and other business practices (Karaca et al., 2024).

H3: Innovation positively influences firm performance.

2.6 Proactiveness

Proactiveness is goal-oriented, emphasizing initiative, anticipation, creating change, and forecasting progress toward critical situations, preparing early for potential risks and uncertainties (Boohene, Marfo-Yiadom, & Yeboah, 2012). As a component of entrepreneurial orientation, proactiveness involves seeking opportunities and adopting a forward-looking perspective that anticipates future trends and demands, thus seizing these opportunities to gain a competitive advantage (Kropp, Lindsay, & Shoham, 2008).

H4: Proactiveness positively influences firm performance.

2.7 Risk Taking

According to Górska-Warsewicz (2024), risk-taking involves the propensity to undertake bold actions, such as entering new and unfamiliar markets or allocating significant resources to ventures with uncertain outcomes. Risk management, on the other hand, entails identifying, analyzing,

mitigating, and preventing potential risks to a business, while also balancing the costs associated with protecting against risks versus the costs of exposure to those risks. The optimal approach to managing risk involves perceiving and controlling risks from their inception (Cornelia, 2004), with entrepreneurs typically taking proactive steps to manage risks effectively. Research indicates that risk-taking behavior in entrepreneurial firms exhibits a curvilinear relationship with firm performance (Kreiser & Davis, 2010).

H5: Risk taking positively influences firm performance.

3. Research Methodology

This study applied quantitative research method to fulfil the objective. Zikmund et al. (2009) believe that the quantitative method is mostly used by academics to gain a deeper grasp of the suggested model through statistical or empirical analysis. The data will be collected using a self-administered survey with an emphasis on women entrepreneurs as respondents. The survey questionnaire is divided into two major portions. The first portion featured demographic questions, while the second half asked about antecedent elements such as knowledge, documentation, innovation, proactiveness, and risk taking. All items are on a five-point Likert scale, from '1' (strongly disagree) to '5' (strongly agree). The data for this study were analyzed using Smart-PLS, and the results will detail the dependability of each individual indication as well as the standardization of items through composite reliability (CR). Starting with the measurement model (outer model), model structure (inner model), and hypothesis testing, structural equation modeling (SEM) is used to analyze the models. Lastly, Smart-PLS Version 4.0 will be used to analyze the data and evaluate the model's assumptions in order to determine the validity and reliability of the constructs.

4. Conclusion

This study will be also emphasized the needs and consequences for theoretical and practical contributions. The importance of this study is obtained from the benefits given to certain parties, as discussed in the next section. This study will cooperate with SMEs need to explore internal and external opportunities to maximize their resources, aligning them with current needs and requirements to develop their business operations significantly. Lastly, this study will aims to expand the framework for small and medium-sized enterprises (SMEs) led by women entrepreneurs, exploring new research and innovation opportunities.

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