



**SMALL BUSINESS OWNERS'
CHARACTERISTICS AND
BUSINESS PERFORMANCE:**

**A CASE STUDY OF STATE
ECONOMIC DEVELOPMENT
CORPORATION (SEDC) SARAWAK**

By

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A Research Paper Submitted in Partial Fulfillment
Of the Requirement for the degree of
Bachelor in Business Administration (Honours) Marketing

UNIVERSITI TEKNOLOGI MARA
Semester 2 2006/2007

TABLE OF CONTENTS

	Page
Approval Page	v
Declaration and Copyright Page	vi
Acknowledgements	vii
List of Tables	viii-ix
List of Figures	x
Abstract	xi

1. INTRODUCTION

1.0 Introduction	1
1.1 Background of the Study	1-2
1.2 Brief Background – The Formation of SEDC Sarawak	2
1.2.1 General Functions and Duties of the Corporation	2-3
1.2.2 Assistance Extended To Bumiputera	3-4
1.3 Problem Statement	4-6
1.4 Objectives of Study	6
1.5 Conceptual Framework	6-7
1.6 Hypothesis of Study	7-8
1.7 Definition	
1.7.1 Small Business Owner	8
1.8 Scope of Study	9
1.9 Significance of Study	9
1.0 Conclusion	9

ABSTRACT

SMALL BUSINESS OWNERS' CHARACTERISTICS AND BUSINESS PERFORMANCE : A CASE STUDY OF SARAWAK ECONOMIC DEVELOPMENT CORPORATION (SEDC) SARAWAK

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Past research had found out that during the infancy stage of small business Industry during the first year, an average of one third of the firms were not successful in this crucial period of business cycle. This research is designed to investigate the characteristics of small business owners' (managerial expertise, educational qualification, motivational and psychological) and the firm's financial performance that influence the business performance in small business industry. Specifically, this study is to explore the possible answers to this phenomenon based on demographic factors such as gender, age, academic qualification, number of years of business and type of business.

The findings did show some significant differences on business performance based on respondent's demographic factors. The findings provide a very strong correlation between small business owners' characteristics (managerial experience and education).

CHAPTER 1

INTRODUCTION

1.0 Introduction

Today's era of Information Technology and globalisation has seen the rapid growth of small business in Malaysia. The importance of small businesses to the growth of Malaysia's economy is supported by the various government agencies supporting mechanisms and policies for small businesses, including funding, physical infrastructure, training and business advisory services. Small businesses owners are a major source of creative or entrepreneurial activity. The establishment of Ministry of Entrepreneur and Cooperative Development (MECD) in 1995 showcases the importance the government places upon the growth of entrepreneurship and entrepreneur development. The role of the Ministry is to act as the lead agency for the development of Bumiputra entrepreneurs as well as to co-ordinate entrepreneurship activities in general¹.

The blue-print of the Malaysian Third Outline Perspective Plan 2001-2010 (revisited) demonstrates the restructuring of society, poverty eradication and income distribution; to promote an equitable society, one of the strategies is to build Bumiputera Commercial and Industrial Community (BCIC) with the attention directed towards developing Bumiputra entrepreneurs who are resilient, self-reliant and world class

1.1 Background of the Problem

Rapid business change has taken place throughout the world, bringing with it a growing realization of the importance of small businesses to economic development in every country. Small businesses create jobs, provide economic opportunity and flexibility, and to boost economic output. In most developing countries, small businesses form the backbone of the national economy.

¹ Strengthening Entrepreneurship in Malaysia by Mohamad Arif and Syarisa Yanti Abu Bakar (2002)

CHAPTER 2

LITERATURE REVIEW

2.0 Introduction

This chapter discusses on the literature review, definition, concept, performance, owners' characteristics (education, managerial experience, motivation and psychological as well as financial performance) related theories and studies of small business of international research.

2.1 Small Business

Small business as defined by Beddall (1990) is a business, which independently owned and operated, with close control over operations and decision held by the owners. Business equity is not publicly traded and the owners personally guaranteed business financing. The business will have less than twenty employees. While in Malaysia, Small and Medium Enterprises (SMEs) is classified as enterprises with annual sales turnover of less than RM25 million and with employees of 150 and below⁴.

Since the actual definition for small business in Malaysia is hardly available at the time of this study is conducted, it is therefore the definition of small business as defined by Bedall (1990) would be used to define the meaning of small businesses in the context of this study. This is because the criteria used in the definition by Bedall (1990) are similar in nature to the small businesses that are currently being studied in this case.

2.2 The Concept of Small Business Entrepreneurship

The study of entrepreneurship has become one of the fastest growing research fields during the last few decades (Davidsson and Wiklund, 2001). Nevertheless, entrepreneurship is quite a new field of research and there is lack of clear-cut definitions of "entrepreneurship".