



UNIVERSITI TEKNOLOGI MARA

**MACROECONOMICS FACTOR INFLUENCE ON SMES'
PERFORMANCE**

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ABSTRACTS

Small and Medium Enterprises (SMEs) in Malaysia are regarded as an important contributor to economic growth. The purpose of this research is to examine the factor contributes for the SMEs performance in Malaysia in terms of macroeconomics point of view. This report offers the results of a study which using the data conducted between 2001 and 2020. There were a total of 20 observations used in this study. A macroeconomics factor is created by combining the following independent variables: Inflation rate (CPI), the Interest rate (IR), and Unemployment rate (UR). SME GDP (SME GDP) serves as the dependent variable in this analysis.

This study has used time series data and employed descriptive analysis, correlation analysis, and regression analysis. Research findings reveal that from the regression analysis, unemployment rate (UR) has a negative significant relationship and interest rate (IR) also has a negative significant relationship with SMEs performance (SME GDP). Meanwhile, the other independent variable which is, inflation rate (CPI) shows negative and insignificant relationship with dependent variable, with SMEs performance (SME GDP).

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CHAPTER 1: INTRODUCTION

1.1 INTRODUCTION

A small and medium-sized enterprise (SMEs), also known as a small and medium-sized enterprise (SME), is one of the most essential items that contribute to the economy of Malaysia. Small and medium-sized firms (SMEs) have had a tremendous impact on the commercial environment and have emerged as a source of strength for Asian economies (Suprpto, Wahab, & Wibowo, 2009; Yoshino & Taghizadeh-Hesary, 2015; Yoshino, Taghizadeh-Hesary, Charoensivakorn, & Niraula, 2016).

The level of success of small and medium-sized enterprises (SMEs) has contributed to the development of the economy and can be used to evaluate the effectiveness of government policies that have encouraged an entrepreneurial culture (Nasir, W. M. N. bin W. M., Al Mamun, A., & Breen, J, 2017).

According to Department of Statistics Malaysia Official Portal (2021), the growth rate for SMEs Gross Domestic Product (GDP) currently stands at negative 7.3 percent, which was lower than Malaysia's GDP for the first time over the past 18 years since 2003. The contribution of SMEs GDP eased to 38.2 per cent in 2020 with a value added of RM512.8 billion as against 38.9 per cent (value added: RM553.5 billion) in the preceding year. Services and Manufacturing sectors remained as the main drivers of SMEs GDP activities which both sectors represent more than 80 per cent to SMEs GDP.

SMEs' GDP are supported by domestic demand, particularly consumption and investment activities. Services and Manufacturing sectors are the anchor of SMEs economic structure, contributed 80.6% to SME GDP. Agriculture is the third largest contributor with 12.0%. Globally, SMEs have a very significant contribution to the provision of goods and services to the society; without SMEs, large companies may not be able to meet the demand.

The significance of small and medium-sized enterprises (SMEs) in Malaysia was underlined during the introduction of the New Economic Policy (NEP) in 1971, which aimed at enhancing the welfare of citizens and reshaping the disparities of the economic across different ethnic groups in Malaysia (Hoq, Che, & Said, 2009). The Malaysian government has