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## **SMEs ISSUES IN LENGGONG: A CASE STUDY OF THE LENGGONG VALLEY WORLD ARCHEOLOGICAL HERITAGE SITE MALAYSIA**

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### **Abstract**

*SMEs are fundamental for the economic development of a country. Tourism development has been beneficial in terms of its contribution to the income generation, economic growth, poverty reduction, and improving rural livelihoods. Lenggong Valley which is located in Hulu Perak is one of Malaysia's most significant areas after it has been nominated to UNESCO as a world heritage site. Lenggong Valley is not only rich with its human civilization, but it also has a variety of products to offer. In relation to tourism development, the contribution of small local community entrepreneurship is significant in producing various agro products such as "serunding", "dodol", "ikan pekasam" and also in running the activities of cattle, goats and deerfarming. Hulu Perak District Local Plan 2002-2015 has come out with the initiative to develop a concept of 'one product one village'. Thus this study reports the achievement of SMEs based on studies done for village within the area of Mukim Durian Pipit & Mukim Temelong.*

**Keywords:** Small and Medium Enterprises (SMEs), tourism, entrepreneurial.

### **1. Introduction**

Small and Medium Enterprises (SMEs) is the driving force of an economic country development. In Malaysia, the percentage contribution of SMEs to Growth Domestic Product (GDP) total value added of 32% (NSDC, 2010). SMEs account for 99.2 percent or 518,996 of total establishments in the three (3) key economic sectors, namely manufacturing, services and agriculture (Normah, 2007). The 2005 Census of Establishment and Enterprise (Census) results also show that SMEs are a key source of employment, providing jobs for over 5.6 million workers and accounting for 56% of total employment. It is evident that Malaysian SMEs are involved in a wide range of activities, from simple processing and production of raw materials to assembling and manufacturing of electrical and electronics appliances and components. Our fourth Prime Minister of Malaysia, Dato' Sri Mohd Najib Tun Haji Abdul Razak has also commented about the importance of SMEs (SME Annual Report 2010/11, 2011):

*"Against a backdrop of an increasingly competitive environment and uncertain global economic landscape, the small and medium enterprises (SMEs) have continuously demonstrated resilience, perseverance and determination not only to succeed, but to become an important catalyst for Malaysia's economic development towards attaining the nation's aspiration in becoming a high-income economy in 2020."*

Scholars such as Thurik and Wennekers, (2004) argue that, in a time when large firms had not yet gained the powerful position of the 1960s and 1970s, small businesses were the main supplier of employment and hence of social and political stability. Besides the popularly used term of SMEs, previous scholars also include micro enterprise as part of small businesses for example Heshamti (2001) and Bannock (2002) emphasizes on the significant roles of micro- small medium enterprise (MSME's) in a market economy in developing markets, accumulate capital through trading and develop commercial culture and skills and also creating jobs and complement larger firms in raising productivity.

New Economic Model (NEM) has laid emphasis on SMEs in way to increase the turnover of domestic sector. Increasing the entrepreneurship chain and ecosystem are among the initiatives that carried out by government to create a competitive domestic economy. In favor of tourism to be beneficial in terms of income generation, economic growth, poverty reduction, and improving rural livelihoods, it has to be linked to local economies such as agriculture and micro and small scale enterprises (Mshenga, Owuor, 2009). Avcikurt (2003)

added that tourism is conventionally a small and medium- sized enterprises industry as in the fact that a large number of tourist facilities are run by small and medium- sized businesses. Based on the arguments that linkage the tourism and the SMEs, it can be perceived that the success of tourism activities are depending on the micro, small and medium business activities that run in an area. In order to attain government's target to promote Lenggong to the public whether in domestic or globally, thus it is important to understand and observe the actual progress of SMEs activities in the area.

Lenggong Valley located in Hulu Perak has been nominated by United Nations Educational, Scientific, and Cultural Organization (UNESCO) as world heritage site. It is well- known as an archeology site after Archaeological Research Centre of USM discovered human inhabitation in Bukit Bunuh, Lenggong Valley which leads to a conclusion that the site has one of the oldest prehistoric settlements in the world. It is believed that Bukit Bunuh was a home for early settler after excavations have discovered a Paleolithic culture in the area. Another finding of "Perak Man" the oldest human skeleton dates to about 11,000 years before present, discovered in 1991, it was also found in Lenggong Valley, in a cave called Gua Gunung Runtuh. Lenggong Valley has been awarded the "Pre-historic HeritageTown," indicating its importance as a rich source of natural success, heritage, and culture that has attracted different segments of travelers (PSDSP 2001–2020).

Significantly, Lenggong Valley is not only rich with its human civilization findings, but it is also a beautiful location to be visited. Pulau Banding, a majestic man- made island located within the spectacular Termenggor Lake, that surrounded by the beautiful green of Belum Forest, those such sites in Lenggong Valley would definitely pledge an unforgettable amazing scenery for tourists. Besides, Lenggong Valley is also known for its economic activities. The local community produces agro products such as "serunding", "dodol", "ikanpekasam", black paper spices, and also run activities of farming cattle, goats and deer in a small scale which. Lenggong Valley is also popular for its freshwater fish and fish preserved according to local tradition. Hulu Perak District Local Plan 2002-2015 had also come out with the initiative to develop a concept of 'one product one village'.

Looking at the significant changes happen in Lenggong, there is a vast opportunities for SMEs development. The UNESCO declaration on world heritage site will definitely increase the flow of tourist and provide higher income generation for local community. The development of Lenggong Valley as an attractive tourism site will only success with the close support of local community in providing good services or product to tourist. Consequently, the objective of the current paper is to document and discuss the SMEs issues in the Lenggong community. This is a preliminary study, which examines the actual progress of SMEs based on the interviews with headman of Mukim Temelong and headman of Mukim Durian Pipit.

## **2. Literature Review**

### *2.1 Definition on SMEs*

National SME's Development Council (NSDC) has grouped Malaysia SME's into three groups which are Micro, Small, or Medium. NSDC also approved the use of common definition of small, medium enterprises (SME's) in the manufacturing, manufacturing-related services, primary agriculture and services sectors according to number of employees and sales turnover. Based on NSDC definitions, micro-enterprise in services sector refers to firms with sales turnover of less than RM200,000 and number of full time employees less than 5; small enterprise comprise the company having sales turnover between RM200,000 to RM1 million and number of full time employees between 5 to 19 while medium enterprise is the company that having sales turnover between RM1 million and 5 million and the number of employees between 20 to 50.

### *2.2 Tourism and SMEs*

Tourism is a profitable business and a booming industry worldwide. Archaeological Institute of America (AIA) (2007) stated that the tour operators, national and local governments, and local communities share the revenue derived from tourism, including entrance costs and other related fees and taxes. The institution added that tourism also supports the local retail businesses (hotels, restaurants, local crafts, and souvenir stores) and the same time creating numerous job opportunities, includes the recruiting and training of guides and interpreters. Consequently, heritage tourism is a huge opportunity for not only community development but also for regional development.

Tourism is one of the economic sectors in which a great degree of involvement is needed by the entrepreneurial sector: diversification of tourism products and services is needed to cope with increased demand for new types of tourism needs (Lordkipanidze et al., 2004). Wanhill (2000) argues that in developing countries tourism's economic objectives of increasing earnings, foreign exchange, investment and job opportunities, as

well as minimizing adverse social and cultural effects are not best promoted through inward investment and large tourism enterprise, but through enhancing micro and small enterprises.

There are several studies done have highlighted the high number of business failure in tourism and hospitality industry (Reynolds et al., 1994 and Williams and Sims, 1993). According to Reynolds et al. (1994), 73% of small businesses in the tourism industry in Australia close within the first five years of operations. Besides the external factors such as business cycle and changes in the market, owners/managers also face difficulties in relation to their weaknesses such as limited capital, weak management and resistance to change and refusal to accept external advice (Shaw and Williams, 1990). Moreover, Reynolds et al. (1994) quoted poor management is the major factors of small business failure in Australia.

The low entry barriers to the tourism and hospitality business have placed constraints on the finance and knowledge of the small firms' owners (Ateljevic et al., 1999 and Morrison, 1996). Saayman and Slabbert (2001) have stated that small businesses in this sector face financial problems such as a shortage of funds and lack of knowledge on how to approach financing institutions. Lack of capital is one of the factors that have contributed to bankruptcy besides excessive interest rates and inability to collect debts, Collings, et al., (1994). According to Lu and Chiang (2003), funding for tourism Small, Medium and Micro Enterprises (SMMEs) is insufficient and the funding mechanisms are not coordinated. Funding institutions see tourism as a risky business due to several reasons such as lack of the government's commitment to tourism, safety and security and the fact that it is a relatively new industry.

### 3. Methodology

This study presents a case study that has been done within the area of Mukim Temelong and Mukim Durian Pipit. A structured interview questions have been provided to the respondents that consist of the headmen of both distinct. Researchers had emailed the survey questions to respondents and after a week the question was sent, researchers has made interview with both of the district headmen through telephone calls.

Respondents were asked about the entrepreneurial activities that have been carried out in the area, the entrepreneurial assistance provided to the entrepreneurs, financial support, the entrepreneurial product and its promotion, the readiness of the community to be an entrepreneur and what are the entrepreneurial problems and as well about the future plans. They also were asked for opinion regarding Lenggong Valley nomination as a world heritage site.

### 4. Analysis

Respondent were asked about the main activities of the villagers in order to support their life. Both headmen of Mukim Durian Pipit and Temelong claimed that the main activities of the villagers are related to the agriculture activities. In Mukim Durian Pipit, most the villagers are the rubber tappers and fishermen. Some of them rear the freshwater fishes. While in Mukim Temelong, generally the villagers are the rubber tappers, farm laborers and oil palm laborers.

Not only that, the villagers in both Mukim also involved in SMEs activities. Durian Pipit District Headman claimed that some of the villagers involve in selling *ikan pekasam* that supplied by them, sell confectioneries (*kuih- muih*), involve in retailing, restaurant business and also involve in *kerepok lekor* processing activities. While in Mukim Temelong, the main entrepreneurial activity is selling *ikan pekasam*. Apart from that, some of the villagers involved in rubber trade activities, motorcycle workshop business and retail activities.

When the respondents were asked about the motivation for the villagers to become an entrepreneur, the headman from Mukim Durian Pipit claimed that the briefing on entrepreneurial activities provided by the government agriculture and fishery department as well the entrepreneurship courses by Pertubuhan Peladang Kawasan Peladang, these had motivated the villagers. On the other hand, respondent from Mukim Temelong stated that, "*the core motivation is to increase the standard of living and for the sake of family income*". Respondent had also mentioned about the government's effort in supporting residents to be an entrepreneur.

Population in both districts also had received government's support. This fact is support by the headman of Mukim Temelong in his statement said that "*there are assistances available by MARA, Amanah Ikhtiar and also through seminar by agricultural entrepreneurs*."

In order to be an entrepreneur, initial capital is important to run a business. The respondents were asked whether financial assistance had been provided to the villagers, and both district headmen answered "Yes". Mukim Temelong headman stated that the entrepreneurs received financial assistance from Amanah Ikhtiar, Bank Pertanian (now known as Agro Bank) and MARA.

Regarding the promotion of products and services, there are two scenarios of different answers by respondents. According to Mukim Temelong headman, *"the product promotion received supports from the government agency such as FAMA. The entrepreneurs also collaborate with other villages."* However, for Mukim Durian Pipit headman in his statement said that, *"Promotion is bounded among villagers within the village."*

Respondents were asked about the willingness of the villagers to become an entrepreneur. Both respondents think that the villagers are ready to carry out entrepreneurial activities. However, it is important for the villagers to realize that they have to be prepared in both physically and mentally. This had been touched by Mukim Durian Pipit headman, *"the true is that the villagers are willing to be an entrepreneur, however they have to realize that they need to be prepared in term of capital aspect, and entrepreneurial knowledge."*

Question regarding problem that faced by the villagers in running their business activities were raised to the both Mukim headmen. Mukim Temelong headman stated that, *"the main problems are in the term of training aspect, the sources of capital, the marketing and also promotion."* On the other hand, Mukim Durian Pipit headman had a different thought of thinking. He said *"the villagers need to change their mindset."*

The respondents were asked about the future planning if Lenggong Valley is announced as a world heritage site by the UNESCO. They were asked regarding the specialty of the village area that can be highlighted and how do the villagers can involved in it. Mukim Temelong headman mentioned that the uniqueness that can be highlighted is the tourism product such as the home stay place, jungle trekking activities and food products. He added that *"the villagers can involve through collaboration with the government in business activities. The villagers also can get involve as the arrival of foreign tourists would demand for place to stay and for food products."* However different to Mukim Durian Pipit headman opinion, he replied *"so far, there is nothing much in Kampung Kuak to be highlighted. However there is one home stay place, Kampung Beng that can be emphasized in Mukim Durian Pipit."*

Hulu Perak Distinct Plan 2002-2015 had line-up entrepreneurial development program. Both of the respondents were asked regarding the implication of the development draft to their areas. Respondent from Mukim Temelong replied, *"The major implications to the villagers were in the terms of town development, the infrastructure, and economy that might best described to the food industry and agriculture."* Respondent from Mukim Durian Pipit stated that, *"the implication to the village population is not that much because most of the villagers run their own business on a small scale."*

Research finding had showed that both Mukim populations do have awareness regarding entrepreneurial field. From interview that had been carried out, both Mukim have potential to expand in the entrepreneurial field. Respondents in both Mukim are very positive with the planning in the entrepreneurial field that can be involved by the villagers in the future. Mukim Temelong headman thinks that agriculture such as animal nurture, herbal manufacturing industry and junk food processing should be emphasized for future action. As well for Mukim Durian Pipit headman, his response also highlighted entrepreneurial field in food product field and orchards.

## 5. Discussion

The SMEs in Lenggong Valley has the potential to be developed. This is clearly stated by both Mukim headmen that involved in this study by looking into their hope and wish. Mukim Durian Pipit headman wishes that, with the availability of business capital, the technologies and joint ventures, entrepreneurial field in the district can be implemented. He added that *"local leader intervention is needed in order to increase awareness among the villagers."* Moreover, Mukim Temelong headman believes that the involvement in entrepreneurial help to increase income and also the standard of living as the industry will continue to bloom.

The findings also showed that SMEs activities especially small scale business such micro enterprise is nothing new to the community since they had involved in entrepreneurial activities as a way to earn income and improve their standard of living. Majority of the community is still involved in the first-level economic activities that are, agriculture and fisheries. However, some of the residents have jumped on to the third economic level that is, providing services or selling goods to other people. Nevertheless, their involvement is still at the beginning stage, in which their business accomplishments are still minimal.

In term of readiness to become entrepreneurs, the villagers are willing to be an entrepreneur however they still lack of entrepreneurial knowledge. Therefore more training and exposure are needed in way to help them have a better understand about entrepreneurship and be more prepared. Assistance from such as MARA and Amanah Ikhtiar Malaysia are really necessary to help expand their business.

Nevertheless, the entrepreneurial awareness among the Lenggong community is still need to be developed. They have to realize that the UNESCO nomination has opened a huge opportunity for them in entrepreneurial field. The community must understand that, once Lenggong Valley obtains the title of UNESCO world heritage site, SMEs activities are more than just a way to earn income. The issue in here is that, if the

SMEs in Lenggong is still in the same stage and in a slow growth, it is terrified to imagine that the community will might not ready to receive the arrival crowd of tourists once Lenggong Valley obtain the world heritage site title by the UNESCO. Thus, aggressive plan and action need to be execute as early as possible. Hence, entrepreneurial awareness among the community is essential as they need to be creative and innovative to explore new business potential. Support from external parties, especially from government agency such as MARA, Amanah Ikhtiar, Tekun, SME bank and Agrobank are really needed to give initial capital for them to conduct business. Country Entrepreneurial Institute (Inskpen) should play the role to channel assistance in term of provide training and nurture skills in order to lead local community in entrepreneurial field.

Sharing of knowledge from expertise in higher learning institution in the countries also would be helpful in the entrepreneurship development among Lenggong Valley community. Research and supervision from researcher in higher learning institution can help enliven entrepreneurship attitude among local community. Collaboration between local community and researcher from higher learning institution would help to explore new opportunity in entrepreneurship.

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