

UNIVERSITI TEKNOLOGI MARA

**MEDIATING ROLE OF SELF-
EFFICACY ON THE LINK
BETWEEN HUMAN CAPITAL AND
FIRMS PERFORMANCE:
EVIDENCE FROM MALAYSIAN
SMEs**

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AUTHOR'S DECLARATION

I declare that the work in this thesis was carried out in accordance with the regulations of Universiti Teknologi MARA. It is original and is the result of my own work, unless otherwise indicated or acknowledged as referenced work. This thesis has not been submitted to any other academic institution or non-academic institution for any degree or qualification.

I, hereby, acknowledge that I have been supplied with the Academic Rules and Regulations for Post Graduate, Universiti Teknologi MARA, regulating the conduct of my study and research.

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ABSTRACT

Small and Medium Enterprises (SMEs) has been considered as an important economic agent since it made up a vast majority of population around the world including Malaysia. SMEs is ought to raise its productivity and innovation as a preparation to reach a high-income status by 2020. However, SMEs faced the difficulties to maintain its sustainability and competitiveness as they continuously faced challenges both inside and outside the organization. This is somehow affecting the SMEs' growth and survivals hence, would delay the Malaysia's vision to become developed country. In response to these issues, it is important to build a strong and resilience SMEs in order to ensures that its contribution is consistent to achieve what has been designated. This research explores how human capital affects Malaysian SMEs; determines the extent to develop human capital to enhance self-efficacy; identifies the role played by self-efficacy in ensuring the continuous effort to achieve performance; and lastly examines how human capital and self-efficacy are interrelated to affect performance of SMEs. Data from 244 respondents in both manufacturing and services industry were selected using convenience sampling method. A structural equation modelling software (Analysis of Moment Structures or AMOS) was applied to examine the direct and mediating effects hypotheses. The results of this thesis confirm that self-efficacy mediates the relationship between human capital and firm performance. These support all the hypothesis of this research except for the hypothesis one. The results shows that human capital significantly affects SMEs performance in Malaysia. The analysis of the indirect path indicates that human capital has a significant positive impact on self-efficacy, and self-efficacy has a significant positive impact on firm performance. The presence of self-efficacy however, reduces the direct path between human capital and firm performance. The result of bootstrapping technique has confirmed that self-efficacy mediates the relationship between human capital and firm performance. This thesis concludes that the effect between human capital and firm performance is strengthened through self-efficacy enhancement. Hence, it was confirmed that self-efficacy acts as an integral part between human capital and SMEs performance in Malaysia. The results of this research adds to the existing theory by integrating human capital, self-efficacy and firm performance as a cohesive framework. The thesis proves that human capital and self-efficacy present the internal factor to achieve better firm performance. Strong internal factors such as human capital and self- efficacy suggest a basic to develop a sustainable firm performance. This research provides the valuable insights for the SMEs in Malaysia to get involved with related training or programs to develop their human capital for self-efficacy enhancement. The results could also be a reference for the policy makers in formulating policies to support the SMEs in gaining 42 percent GDP.

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