The Contribution of Sustainability Practices and Microfinance on Micro-Enterprise Business Performance In Malaysia: The Moderating Role of Business Location

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ABSTRACT

This study aimed to examine the impact of sustainability practices (SP) and microfinance (MF) on the financial performance (FP) and non-financial performance (NFP) of micro-enterprises in Malaysia. This study also introduced business location as a moderating variable in the model. A cross-sectional research design using a quantitative research approach was adopted. The data were collected from the owners/managers of micro-enterprises of provision stores in retail sectors covering 12 districts in Kedah. Total 300 self-administrated questionnaires were distributed to micro-enterprise owners/managers, and 282 were utilised for further analysis. Data were further analysed using SPSS and SmartPLS 4 software through the structural equation technique. The results showed a significant direct effect of SP and MF on the FP and NFP of micro-enterprises. Meanwhile, business location significantly moderated the relationship between SP, MF and NFP but not FP of micro-enterprises. This study is the first in examining business location as a moderator on the relationship between SP, MF, FP and NFP in a single model. The findings from this study would enrich the current literature on RBV theories by incorporating SP and MF in the context. Furthermore, this study could also contribute to the government and microfinance institutions designing or strengthening the microfinance programs, infrastructure and guidelines, particularly in improving the overall business performance of MSMEs.

Keywords: Sustainability Practices, Microfinance, Financial Performance, Non-Financial Performance, Micro, Small and Medium Enterprises

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INTRODUCTION

Micro, Small and Medium Enterprises (MSMEs) in Malaysia become the most significant contributor to gross domestic product (GDP). In 2017, they contributed 37% to Malaysia's GDP and 66% of employment (SME Corporation Malaysia, 2018). Micro-enterprises are widely acknowledged as the backbone of a country's economy, especially for the developing economies. They played a major role in alleviating poverty by improving the living standard through providing job opportunities and income-generating activities (Thaker & Mohammed, 2015). SME Corporation Malaysia has defined a micro-enterprise as an organisation or business with an annual sales turnover of less than RM300,000 and less than five full-time workers (SME Corporation Malaysia, 2013).

According to SME Corporation Malaysia, the number of business establishments had increased significantly from 638,790 in 2010 to 1,226,494 in 2021, and roughly 97.5% of the businesses were founded as MSMEs (National Entrepreneur and SME Development Council (NESDC), 2022). In 2021, micro-enterprises accounted for 78.6% out of the 1.2 million MSMEs in Malaysia. Despite the fact that MSMEs play a key role in ensuring long-term economic growth and upward mobility of people in Malaysia, their contribution to Malaysia's GDP remains low compared to other middle-income countries (SME Corporation, 2020b). For instance, in 2019, Malaysian MSMEs contributed 38.4% to the GDP, lower than Thailand's MSMEs which contributed 43% to the country's GDP (SME Corporation, 2020b). This is due to the unsatisfactory business performance by Malaysian MSMEs which recorded a high average business failure rate of around 60% (Rahman, Yaacob, & Radzi, 2016; Nordin, Hamid, & Chong, 2011; Chong, 2012). The MSMEs' performance declined further after the COVID-19 outbreak in 2020. The contribution of MSMEs to national GDP declined from 38.1% in 2020 to 37.4% in 2021. As there is no specific data on micro-enterprises, this study relies on the information of MSMEs in Malaysia as a whole.

MSMEs in Malaysia comprises of five main sectors which are; services, manufacturing, agricultures, constructions and quarrying and mining. MSMEs' GDP is primarily driven by the services sector. Retail is one of the subsectors in the service sector, and it represents the largest

cluster of micro-enterprises in the Malaysian service sector. As retailers, they offer consumers the finished products of manufacturers. They are involved in the packaging of the products using boxes, aluminium cans, bottles and plastic. They also contribute to air pollution, which is a result on the transportation of goods from one location to another (Vijayan, 2015). The growing number of business establishments contributing to the growth of the Malaysia's GDP increases the wastes that are adversely affects the environment. Waste disposal is an immediate and critical issue for the society as ineffective or irresponsible solid waste disposal pollutes the environment and poses a public health risk (Desa, et al., 2011). Due to their small size, micro-enterprises perceive that they do not significantly harm society and the environment as the large businesses. However, the accumulated total impact by the micro-enterprises is significant because their total number is greater than the big business organisations (Amran & Nejati, 2011). Meanwhile, Aiyub et al. (2009) argue that, SMEs is lack of resources to implemnet sustainability practices as it is not profitable. In addition, the contribution of MSMEs to a cleaner environment has not been recognised in developing countries (Nulkar, 2017)through economic activities, has triggered widespread awakening among businesses, governments and civil society. The world over, corporations have responded by adopting sustainability practices and reporting. However, much of these happen within the premises of the corporations. As larger organizations outsource their manufacturing and service operations to small and medium enterprises (SMEs. Since 2010, research on the environmental practises is lacking (Bartolacci et al., 2019), even though MSMEs have been found to contribute about 70% to global pollution and are in dire need of an environmental solution (Boakye et al., 2020; Reyes-Rodriguez et al., 2016). The lack of research and acknowledge on MSMEs' environmental practices makes it difficult to implement affective solutions.

In the meantime, low business performance will make MSMEs face difficulties such as securing financial sources from financial institutions (Mansor, 2017). According to Sidek and Backhouse (2014) and SME Corporation Malaysia (2018), financial sources is the major constraint faced by micro-enterprises in Malaysia even though the government has allocated a massive amount of financing through various sources (Chin & Lim, 2018). As such, microfinance institutions take initiatives to provide financial assistance to entrepreneurs who could not get financing from

financial institutions (Zin & Ibrahim, 2020). Microfinancing is one of the source of financing that could assist micro-enterprises to enhance their business performance (Mahmood et al., 2015; Mahmood & Rosli, 2013). Insufficient financial resources during business start-up and development of the business have affected business growth and performance. Despite that, previous studies have shown that the relationship between microfinance and business performance is diverse and inconsistent (Atmadja et al., 2018; Hameed et al., 2019; Wen et al., 2016).

Micro-enterprises play an important role in developing the Malaysian economy by increasing MSMEs' contribution to the national GDP to 45 per cent in 2025 and 50 per cent in 2030, and becoming a high-income country in 2025 (Economic Planning Unit, 2021). Therefore, it is vital for micro-enterprise owners to enhance their business performance improve their contribution to the the country's total GDP. Most studies of business performance are more focused on larger organisations and SMEs. Little attention is given to micro-enterprises in the context of SP and MF in one model. Many previous studies have revealed that business performance is influenced by SP and MF (Atmadja et al., 2016; Courrent et al., 2016; Johari & Komathy, 2019; Omondi & Jagongo, 2018; Seles et al., 2019; Sy, 2016; Uhlaner et al., 2012; Ul-hameed et al., 2019; Wen et al., 2016; Zahari et al., 2021). However, the results are mixed and inconsistent, paving a way for new studies to examine the role of moderating variables. To fill the gap, therefore, the objective of this study is to examine the ffect of SP and MF on the FP and NFP of micro-enterprises. Furthermore, business location was introduced as a moderator on those relationships.

This study is expected to contribute to the body of literature in the field of business performance especially on MSMEs since this is the first study that examined business location as a moderating variable on the relationship between SP, MF, FP and NFP of micro-enterprises. In addition, it is expected to contribute valuable information about the importance of business location especially to the entrepreneurs in making decision regarding their business and also to policy makers in designing relevant policies or guidelines for MSMEs.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Underpinning Theory

In this study, the business performance of micro-enterprises was explored by using Resource-Based View (RBV) as the underpinning theory. The RBV was introduced by Wernerfelt (1984) as a tool in analysing organisation's resources. The RBV is a widely known theory on how organisations utilize their resources to gain competitive advantage and lead to sustainable and superior long-term performance (Barney, 1991; Grant, 1991). Barney (1991) claimed that internal resources are the strengths and weaknesses of a company, and he classified resources into three categories, namely, physical, human, and organisational resources. Resources are considered as input that organisations use to run their business activities and help them to stay competitive in the market. The resources need to be valuable, rare, non-imitable, irreplaceable and non-transferable, in order to foster distinctive capabilities (Barney, 1991) and play a role in business survival (Gardberg & Fombrun, 2006). Figure 1 illustrates Barney's (1991) RBV conceptual framework.
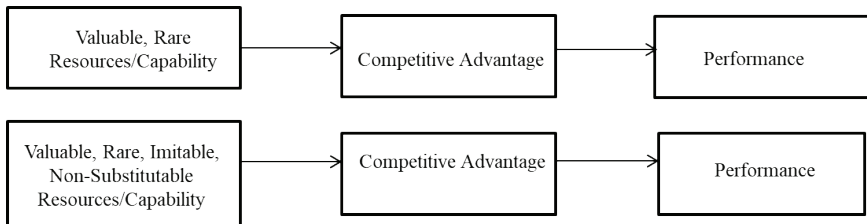

Figure 1: Conceptual Framework
Source: Adopted from (Newbert, 2007)

RBV has classified two types of resources which are tangible and intangible resources (Galbreath & Galvin, 2008). Tangible resources comprise all the physical, financial and locational resources (Radzi et al., 2017) while intangible resources comprises of human capital, technology, culture, education, training, knowledge, skill and social capital (Qamariah & Muchtar, 2019). Most of the previous studies on performance had applied the Theory of Resource-based Vew in their research, such as the studies conducted by Aral and Weill, (2007), Mahmood and Rosli (2013), Ismail et al. (2014), and Radzi et al. (2017).

Sustainability Practices and Business Performance

Sustainability is the ability of an organisation to meet its current needswithout compromising the needs of the future generations (Johari & Komathy, 2019). The concept of sustainability can be divided into three categories, namely, environmental, social and economic. Several studies have identified sustainability practices as green supply chain management (Vijayan, Kamarulzaman, & Abdullah, 2014) as well as environmental management practices (Seles et al., 2019). In this study, sustainability practices refer to environmental management practices.

Previous studies have confirmed that sustainability practices positively affect business performance. For example, Johari and Komathy (2019) found that sustainability has a positive relationship with business performance in Malaysia. In another study, Vijayan et al. (2014) explored Malaysia's grocery retail sustainability practices where sustainability is operationalized as green supply chain management. The finding of the study shows that the level of sustainability implementation is dependend on the retail formats of the businesses. Small retailers are more focused on customer demands for operation planning and they generally practise take-back rather than promoting green products or reverse logistics. This is likely because small retailers lack of resources to implement more sustainabile practices, such as reverse logistics, promotion of green products and consumer education. Similarly, Uhlaner et al. (2012) also found that the level of environmental practices by SMEs is determined by sectors, size of the firm, innovative orientation, family influence and perceived financial benefits.

The study carried out by Sy (2016) on five multinational companies in Cebu also found that sustainability practises significantly affect business performance. Likewise, Seles, Jabbour, et al. (2019) conducted a study from 2013 to 2017 to investigate the impact of environmental practices on business performance and environmental performance in several Brazilian firms. According to the study, environmental practises could still boost companies business performance even during the economic downturn through several company strategies.

In another stduy, Omri, Courrent, and Chasse (2016), examined SME performance in France with sustainability practises as a moderator on the

relationship between entrepreneurial orientation and firm performance. Three categories of sustainability practises were examined in the study: environmental practises, social practises in the workplace, and social practises in the community. However, the study found that environmental practises had a negligible impact on firm performance. Overall, the findings of previous studies suggest that sustainability is an important factor in determining business performance. Thus, Hypothesis 1 was developed as follows.

H_{1a}: *Sustainability Practices positively affect the financial performance of micro-enterprises.*
H_{1b}: *Sustainability Practices positively affect the non-financial performance of micro-enterprises.*

Microfinance and Business Performance

A microfinance program is a scheme that provides small loans to unemployed individuals, poor entrepreneurs, and people living in poverty (Malaysian Economic Development Report, 2007; Ribeiro et al., 2022). Microfinance consists of variety of financial services for low-income households and small businesses, such as financing, insurance, savings, money transfer (Tuyon et al., 2011), training, advice, and monitoring to low-income households and their micro-enterprises.

Several studies have demonstrated that microfinance significantly impacts business performance (Hameed et al., 2019; Omondi & Jagongo, 2018; Wen et al., 2016). Researchers sometimes focus on microcredit alone rather than microfinance. According to Abd et al., (2018), microcredit could be defined as a small loan or credit given to poor people as a means of reducing poverty through government or non-government organisations. Mahmood et al. (2015) and Zahari et al., (2021) emphasized the importance of microcredit program in influencing micro-enterprises business performance. In their study, Mahmood et al. (2015) found that financial assistance, monitoring, entrepreneurship development, and supervision have significant positive effect on firm performance. Micro-entrepreneurs would be efficient if they had sufficient working capital and managerial skills to plan, organize, and control their businesses (Mustapa et al., 2019).

Many entrepreneurs do not have the proper knowledge to utilize the various microfinance facilities (Aliyu et al., 2019). However,the financing providers provide essential training programs and this has helped many entrepreneurs to develop their business skills and improve their business performance. The training provided helps the entrepreneurs to recognize and seize opportunities as well as to acquire the basic business knowledge (Rowland et al., 2017), and act a vehicle that takes the firm in achieving business success within the stipulated time frame (Abdullahi et al., 2015). Entrepreneurs require regular training in order to remain competitive (Jusoh et al., 2011), and to be innovative in designing a new products and meet the requirements of their customers.

Although there are numerous financing facilities for micro-entrepreneurs, the Department of Statistics Malaysia (2011) reported that 55.2% of enterprises said obtaining financing is a very challenging task due to a lack of collateral (Ramli & Razali, 2019). At the same time, microcredit is found to have a significant positive relationship with the performance of Malaysian SMEs (Mahmood and Rosli , 2013). Furthermore, Saad and Duasa (2011) discovered that the amount of credit received from microcredit institutions positively influences the economic performance of microcredit enterprises significantly. Krishnaswamy (2007) also emphasised that financing would increase the ability of small firms to increase productivity. On the other hand, Atmadja et al. (2018) found that microcredit and loans negatively affect the micro-enterprises performance in Indonesia. Thus, Hypothesis 2 was developed as follows.

H_{2a}: *Microfinance positively influences the financial performance of micro-enterprises.*
H_{2b}: *Microfinance positively influences the non-financial performance of micro-enterprises.*

Moderating Role of Business Location

Business location is defined as the choice or mode of entering a business. According to Papadaki and Chami (2002), firm characteristics such as business location, age of the firm, and business sector are among the determining success factors of a business . Lafuente et al. (2010) defined business location as a choice of locating a business either in rural or urban

area, which is linked to the type of product or services the firm offers. Nwokocha (2022) emphasized that the location of a business is vital in determining business performance. Micro-enterprise development is crucial for poverty allievation, inequality and unemployment especially in rural areas (Fiseha & Oyelana, 2015).

The literature has confirmed that firm performance is influenced by SP and MF (Atmadja et al., 2016; Courrent et al., 2016; Johari & Komathy, 2019; Omondi & Jagongo, 2018; Seles et al., 2019; Sy, 2016; Uhlaner et al., 2012; Ul-hameed et al., 2019; Wen et al., 2016; Zahari et al., 2021). However, the results are mixed and inconsistent, thus paving a way for the inclusion of a moderator in the model. The inconsistent findings from previous studies indicate that other important variable such as business location has not been considered in previous models. Therefore, it is important to examine the role of business location as a moderator on the relationship between SP, MF, FP and NFP of micro-enterprises. In this case, it is expected that business location will moderate the relationship between SP, MF, FP and NFP. In this study, business location was measured based on the location where the business was operated rural or urban area. Thus, the following hypotheses were developed.

H_{3a}: *Business Location moderates the relationship between SP and FP of micro-enterprises.*
H_{3b}: *Business Location moderates the relationship between SP and NFP of micro-enterprises.*
H_{4a}: *Business Location moderate the relationship between MF and FP of micro-enterprises.*
H_{4b}: *Business Location moderates the relationship between MF and NFP of micro-enterprises.*
Research Framework

Figure 2 showed the research framework for this study where the independent variables were SP and MF while the dependent variable was business performance of micro-enterprise.
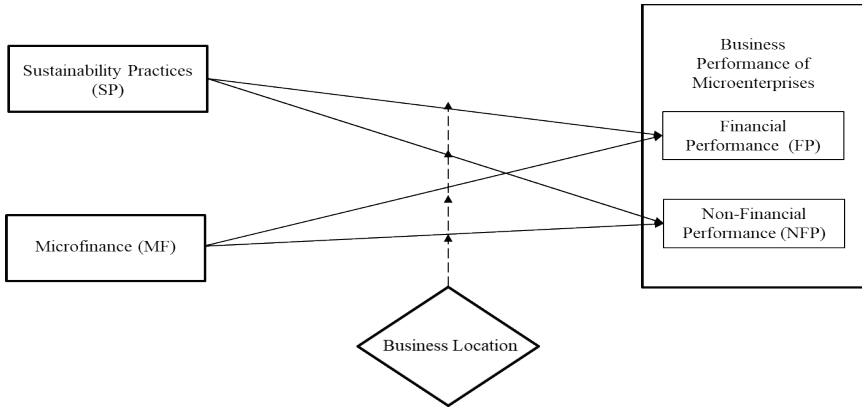
Figure 2: Proposed Research Framework

METHODOLOGY

Sampling and Data Collection

This study adopted a cross-sectional research design using a quantitative research approach using a self-administrated questionnaire. A questionnaire was used to gather the data for this study as it is much easier to get the response from a large number of people. The respondents were owners/managers of micro-enterprises of provision stores in retail sectors covering 12 districts in Kedah. Probability sampling technique through simple random sampling was employed in this study where the list of respondents containing their contact information were gathered from the Ministry of Entrepreneur and Cooperatives Development (MECD) website. According to MECD website, as updated at 31 May 2020, the total population of provision stores under the ministry's supervision in Kedah was 457 enterprises. Provision stores are the largest and most active enterprises under the ministry's supervision. Furthermore, provision stores constitute about 56% of the retail sector. Based on Krejcie & Morgan (1970), for a population of 460, the minimum sample needed is 210. In this study, a total of 350 questionnaires were printed and distributed to ensure the minimum samples could be obtained.

During the data collection period, a simple face-to-face guided interview were provided to avoid low response rate and to ensure the

respondents understand the questions. The purpose of the study was explained to the respondents and they were ensured that the data collected are confidential and are used strictly for the research purposes. Repondents were also reminded that there is no right or wrong answers for the questions asked. For the respondents who refused to be guided, the questionnaires were left at their premises and the researchers collected them after a week. Data collection period was from December 2020 until March 2021 with the help of enumerators.

Development of Variable

Business performance is defined as a business organisation's capability to create employment and sustainable wealth (Sandberg, Vinberg & Pan, 2002; Moorthy et al.,2012). Business performance should be measured in terms oh financial performance and non-financial performance (San et al., 2012). The variables used in this study were adapted from previous studies, for instance, the dependent variables, FP and NFP, are adapted from Islam et al. (2018), Kotane (2015) and Omri et al. (2016). Meanwhile, SP is adapted from Uhlaner et al., (2012), Parpairi, (2017) and Malesios et al. (2018), and MF is adapted from Geoffrey & Emenike, (2018). All the constructs were measured using a five-point Likert scale from a score of 1 (strongly disagree) to 5 (strongly agree).

The instrument used was verified by three experts in a particular field for content validity during pre-testing. In order to confirm the reliability and validity of the instrument, a pilot study was conducted to 50 sample using convenience sampling technique (Hair et al., 2017). The result showed that, all the items were reliable for further investigations.

Data Analysis

The data for the study were analysed using a Partial Least Squares algorithm (PLS) utilizing the SmartPLS Version 4 software. SmartPLS is a second-generation analysis software that is capable of testing a complex model with latent variables. It provide a better explanation of the underlying constructs and their relationships, and it is also appropriate for data that does not meet normality requirements (Afthanorhan *et al*., 2020; Hair *et al*., 2017)although the PLS-PM was developed for a reason. First, the PLS-PM was developed as an alternative to Covariance based Structural Equation

Modeling (CBSEM. PLS is a well-established technique to analyse structural equations and has been widely used by various researcher in business and management (Ngah et al., 2018; Olivas et al., 2022; Radzi et al., 2017) ethical and social responsibility, culture, and gender on performance and job satisfaction. Design/methodology/approach: Using PLS-SEM the authors employ data gathered from a survey administered to a panel of 192 small business owners from across the US We compare the findings across ethnic groups, which result in significant path coefficients. Findings: Greater community mindedness and corporate social responsibility (CSR. Additionally, SmartPLS is appropriate for both small and large sample sizes. The process of data analysis for this study went through 2 steps. First, we tested the measurement model to ensure each item was valid and explained the variance in the construct. In addition, a reliability test was performed in order to ensure the construct is reliable, then, proposed hypotheses were tested using one-tailed test with 95% confidence interval through bootstrapping procedure.

Common Method Variance (CMV)

Common Method Variance (CMV) needs to be examined when data are collected using self-reported questionnaires and both predictor and criterion variables are from the same person (Podsakof, 2003). Harman single-factor test is the best method to determine CMV and suggested by many researcher (Afthanorhan & Aimran, 2020; J. Hair et al., 2017; Irani & Kilic, 2022)Sarstedt, and Straub in 2012, the purpose of this paper is to review and analyze the use of partial least squares structural equation modeling (PLS-SEM. In this study, the Harman single-factor test results was 30.8% which is less than the 50% threshold value. Thus, indicated that, CMV was not a problem in this study.

DATA ANALYSIS AND RESULT

Descriptive Analysis

Out of 300 questionnaire returned, eighteen questionnaires were excluded due to incomplete data given by the respondents. Thus, the sample size of 282 response was adequate to test the research model. The final number of reponsents was 282, comprises 57.1% men and 42.9% women.

About 37.2% of the respondents are in the 40-49 years old age group, and 89% of the respondents are married. Ninety per cent of the respondents were Malay, followed by Indian with 4.3%, Chinese with 2.8%, and 1.8% from other ethnics groups. Most of the repondentes have at least basic school education. About 60.3% of the micro-enterprises were located in the rural area and 39.7% are located in the urban area. Most of the respondents got their business financing from TEKUN (62.4%), followed by AIM with 17.7%. Table 2 in the Appendix illustrates the respondent's profile for this study.

Measurement Model

Hair et al. (2017) proposed that data analysis fulfills the two-step approach, comprising measurement and structural models. Convergent validity and discriminant validity must be established for the measurement model before proceeding with the structural model. Convergent validity is a test to ensure that the items used to measure the construct can explain the construct. Convergent validity is confirmed if the loading and average variance extracted (AVE) are at least 0.5 and the composite reliability is at least 0.7 (Hair et al., 2017). Table 1 shows that convergent validity results of the first order construct are adequate because the loading, AVE and CR values surpassed the recommended values. Specifically, the loading ranged from 0.638 to 0.960, AVE ranged from 0.516 to 0.863, while CR ranged from 0.692 to 0.947. BP3 was deleted due to the low loadings (less than 0.5). Convergent validity was achieved in this study since all the values for loading, AVE, and CR were higher than the minimum values set by Hair et al. (2017). Since SP and MF were measured as second order constructs, convergent validity also needed to be assessed. The results showed that the AVE for SP and MF ranged from 0.550 to 0.622 and CR ranged from 0.829 to 0.859, indicating that convergent validity was achieved.

After fulfilling the requirements of convergent validity, discriminant validity testingwas conducted to ensure that items measuring a construct did not load highly in other constructs. For instance, Franke and Sarstedt (2019) stated that an HTMT ratio should establish discriminant validity and that it should be lower than 0.85 (Hair et al., 2017). Table 2 reports the analysis results of the discriminant validity of the study and the HTMT ratio values for all the constructs were lower than 0.85, confirming the discriminant validity of this study.

Then, after confirming the convergent validity and discriminant validity, lateral collinearity needed to be performed to ensure there is no multicollinearity issue in the model. The VIF values for all exogenous variables were used to assess the model's collinearity issues, as suggested by Hair et al. (2017). Table 3 indicates that the VIF value was 1.142 which is less than 3.3, verifying that there was no multicollinearity issue among the variables included in this study.

Table 1: The Measurement Model And Convergent Validity

Dimensions	Constructs	Items	Loadings	CR	AVE
Financial Performance		BP1	0.867	0.855	0.668
		BP2	0.873		
		BP4	0.819		
		BP5	0.700		
Non-Financial Performance		BP6	0.890	0.938	0.786
		BP7	0.904		
		BP8	0.878		
		BP9	0.880		
		BP10	0.881		
Procurement		SP1	0.718	0.692	0.516
		SP2	0.808		
		SP3	0.661		
		SP4	0.677		
		SP5	0.844		
Service Delivery		SP6	0.788	0.821	0.649
		SP7	0.816		
	Sustainability Practices	SP8	0.771		
		SP9	0.686		
Energy		SP10	0.809	0.710	0.536
		SP11	0.768		
		SP12	0.654		
		SP13	0.82		
Reuse-Recycle		SP14	0.882	0.844	0.677
		SP15	0.764		
		SP16	0.787		
		SP17	0.819		
Pollution Control		SP18	0.828	0.849	0.687
		SP19	0.871		
		SP20	0.796		

Dimensions	Constructs	Items	Loadings	CR	AVE
		Procurement	0.769		
		Service Delivery	0.637		
		Energy Saving	0.755	0.859	0.550
		Reuse-Recycle	0.801		
		Pollution Control	0.736		
Training		MF1	0.859		
		MF2	0.882	0.911	0.779
		MF3	0.889		
Loan		MF4	0.898		
		MF5	0.804		
	Microfinance	MF6	0.793	0.816	0.644
		MF7	0.828		
Monitoring		MF8	0.784		
		MF9	0.934		
		MF10	0.944	0.947	0.863
		MF11	0.938		
		MF12	0.944		
		Training	0.868		
		Loan/Financing	0.633	0.829	0.622
		Monitoring	0.843		

Note: CR=Composite Reliability, AVE=Average Variance Extracted

Table 2: Discriminant Validity (HTMT Ratio)

Construct	FP	MF	NFP	SP
FP				
MF	0.362			
NFP	0.686	0.281		
SP	0.502	0.432	0.514	

Note: SP=Sustainability Practices, MF=Microfinance, FP=Financial Performance, NFP= Non-Financial Performance

Structural Model

A structural model analyis was performed to test the hypotheses after the measurement model had been established. Based on the suggestion made by Hair et al. (2017) in the structural model assessment, the direction of

the beta value and the significance level of the t-value were examined. In order to get the result, a bootstrapping procedure with 5000 resampling technique was conducted. Following Hair et al. (2017), this study used the beta value, one-tailed t-values (1.96), p-values (0.05), and the confidence interval gained from employing a bootstrapping procedure with the 5000 resampling technique to test the hypothesis. Table 3 and Table 4 summarize the hypotheses in the study for direct and indirect relationship.

Table 3: Hypothesis Testing: Direct Effect

Relationship	Beta	SE	T Stat	p-Values	VIF	R^2	F^2	Decision
H_{1a}: SP -> FP	0.386	0.050	7.653	0.000	1.142	0.222	0.174	Supported
H_{2a}: MF -> FP	0.178	0.062	2.883	0.004	1.142		0.037	Supported
H_{1b}: SP -> NFP	0.481	0.048	9.959	0.000	1.142	0.230	0.274	Supported
H_{2b}: MF -> NFP	-0.006	0.058	0.103	0.918	1.142		0.000	Not Supported

Note: SP=Sustainability Practices, MF=Microfinance, FP=Financial Performance, NFP= Non-Financial Performance

Table 4: Hypothesis testing: Indirect effect

Relationship	Beta	SE	T Stat	p-Values	Decision
H_{3a}:BL*SP -> FP	-0.063	0.123	0.511	0.305	Not Supported
H_{3b}:BL*SP -> NFP	-0.303	0.112	2.694	0.004	Supported
H_{4a}:BL*MF -> FP	0.156	0.123	1.272	0.102	Not Supported
H_{4b}:BL*MF -> NFP	0.386	0.120	3.218	0.001	Supported

Note: SP=Sustainability Practices, MF=Microfinance, BL= Business Location, FP=Financial Performance, NFP=Non-Financial Performance

Notably, the R^2 was 0.222 for FP and 0.230 for NFP, indicating that on average, the variability of SP and MF explained 22.2% and 23% of the variability in FP and NFP respectively. SP application in micro-enterprises was proven to have a significant positive relationship with both financial performance, FP ((β=0.386, p<0.05) and non-financial performance, NFP (β=0.481, p<0.05). Therefore, both H_{1a} and H_{1b} were supported. Meanwhile, MF was significantly related with FP (β=0.178, p<0.05) but not significantly related with NFP (β=-0.06, p>0.05). Therefore, H2a was supported while H2b was not supported.

For the indirect effect model, Table 4 presents the findings of the interaction between business location on the relationship between SP, MF,

FP and NFP. Business location played a significant moderating role on the relationship between SP and NFP, and between MF and NFP. However, the results were not significant on the relationship between SP and FP and between MF and FP. Therefore, H_{3a} and H_{4a} were not supported while H3b and H4b are supported. The findings showed that business location had a negative moderating role (β=-0.303, p< 0.05) on the relationship between SP and NFP, and a positive moderating role (β=0.386, p<0.05) on the relationship between MF and NFP.

FINDINGS AND DISCUSSIONS

This study analyzed the business performance of micro-enterprises by examining the effect of sustainability practices (SP) and microfinance (MF) on financial performance (FP) and non-financial performance (NFP) of micro-enterprises. In addition, this study examined the impact of business location as a moderating variable on those relationships. The findings showed that SP had a significant positive relationship with both FP and NFP. The adoption of sustainability practices by micro-entrerprises in their daily business operations enhanced their financial and non-financial performance.

Meanwhile, for the second dependent variable, microfinance, it was found to be positively and significantly related with FP but not significant with NFP. The findings of this study are aligned with the findings in Hameed et al. (2019), Mahmood and Rosli (2013), Omondi and Jagongo (2018), Wen et al. (2016), and Zahari et al. (2021), who revealed that the performance of a business is positively and significantly influenced by microfinance programme. However, in this study MF was found to be insignificantly related to NFP. Microfinance is normally small in size and this may limit the ability of micro-enterprises to expand their operations, invest in the infrastructure or extend product range. When micro-enterprises are unable to secure sufficient amount of microfinance, it may adversely affect their non-financial performance such as customer satisfaction. In adddition, insufficient training or monitoring by microfinance institutions that lead to poor marketing strategies or low operational efficiency may contribute to the insignificant improvement in non-financial performance.

Interestingly, this study discovered that business location was a significant moderating variable in the models developed. The R^2 value

increased from 0.222 to 0.283 for FP and from 0.230 to 0.281 for NFP after business location was added into the model as a moderator. The result found that business location only moderated the relationship between SP and NFP and MF and NFP but not on the relationship between SP, MF and FP. From the findings, it was shown that micro-enterprises in urban areas had lower sustainability practices in generating NFP compared to the micro-enterprises in rural areas. Meanwhile, in terms of microfinance, the results showed that micro-enterprises in urban area were better in utilising microfinance to enhance their NFP. Additionally, the spread of COVID-19 pandemic had a significant adverse impact on micro-enterprises environmental practises. Many Malaysian MSMEs have seen a significant decrease in business activities and revenue as a result of the pandemic regardless of location, forcing them to reduce their operational costs and prioritize on short-term profitability over long-term sustainability goals. As a result, environmental practises such as carbon footprint reduction, energy conservation, and waste management, have taken a back seat as MSMEs struggle to survive in the current economic climate. Likewise, microfinance was not a good option during the pandemic as many enterprises are struggling to survive in the market, both in urban and rural areas.

The findings of this study contribute to the current literature in two ways. Firstly, in the previous study, each independent variable was tested separately; however, for this study, all the independent variables were tested together, and the findings show that all the variables tested are significant factors towards FP and only MF does not have a significant effect on NFP. This study also contributes to the body of knowledge because it is a pioneer in empirically analyzing the moderating effect of business location on the relationship between SP, MF, FP and NFP of micro-enterprises. Secondly, this study utilized a soft theory in organisational performance which is the RBV theory, which does not have any fixed variable. This study has added new variables in terms of business practices as tangible resources (SP and MF), thus contribute to the theory.

Besides contributing to the field of business performance, the findings can also contribute to government agencies or microfinance institutions in designing more effective plans to help micro-enterprises enhance their overall business performance. The Malaysian government and microfinance

institutions need to work together and be more proactive in providing a good microfinance program to the public or to those who need assistance especially the entreprenuers who could not get financing from the financial institutions. They need to revise their programs to suit the needs of the micro-enterprises, especially the ones that are severely affected by the pandemic. The pandemic has changed the ways businesses operate, therefore, it is imperative that the government and microfinance institutions revise their policies and mechanisms in order to facilitate the micro-enterprises in running their businesses.

As for micro-entrepreneurs, they can also benefit from the findings of this study by identifying the essential and relevant skills in order to stay competitive in the current complex business world. They can also implement the best strategies to remain profitable and sustainable in the competitive industry.

CONCLUSION

Micro-enterprises are the backbone of the Malaysian economy and the government aspires to increase the SMEs' contribution to the National GDP to 45 per cent in 2025 and 50 per cent in 2030 (MECD, 2019). By having the largest number in terms of business establishments, and the highest contribution to the GDP, micro-enterprises must examine the critical factors that can enhance their business performance. Hence, understanding the factor influencing the business performance of micro-enterprises is crucial.

Nevertheless, this study has its own limitation. This study was limited to micro-enterprises in the service sector (provision stores) in the state of Kedah. Some of the findings may be applicable to specific factors that are unique to Kedah and may not apply to other states. Therefore, future research may want to extend the sample to include micro-enterprises in different sectors and to widen the scope of locations by including several states. In addition, the study was based on the self-report data which depends on the cooperation and honesty of the respondents. Future research may want to consider incorporating qualitative methods. Furthermore, future researchers may want to include other factors in the current model such as technology, owner characteristics, or other relevant factors as additional independent variables.

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APPENDIX

Table 1: List of Items to Measure the Constructs of the Study

Construct	Dimension	Item Code	Item
Sustainability Practices	Procurement	SP1	We select suppliers who have a clear environmental policy.
		SP2	We sell environmentally friendly products.
		SP3	We buy in suitable quantities to reduce waste.
		SP4	We further investigate the product even suppliers claim the product is not environmentally harmful.
	Service Delivery	SP5	We use ecological (related to the human and environment) arguments in marketing campaigns.
		SP6	We search for more environmentally friendly product, services or production method.
		SP7	We reward customers for sustainability practices.
		SP8	We provide "go green" information to the customer.
	Energy Saving	SP9	We actively adopting new energy-saving technologies (such as low energy uses light)
		SP10	We minimize our consumption of water.
		SP11	We minimize our consumption of electricity.
		SP12	We maximize the use of natural light indoors. Don't' switch on the lighting when there is enough daylight.
	Reuse-Recycle	SP13	We recycle selective solid waste (e.g., boxes, aluminum can, boxes)
		SP14	We give priority to reusable, used or recycle materials.
		SP15	We encourage customer to recycle the product (e.g.: reused plastic bag)
		SP16	We minimize wastage through appropriate management.
	Pollution Control	SP17	We reduce air pollution by reducing waste burning.
		SP18	We adequately prevent noise pollution.
		SP19	We adequately prevent the liquid waste to water to avoid water pollution.
		SP20	We ensure the product sold is not harmful.

Microfinance	Training & Advice	MF1	Microfinance Institution provides advice to us.
		MF2	Advice provided by Microfinance Institution is helpful in running our business.
		MF3	The managerial skills training provided by Microfinance Institution to us are helpful in running our business.
		MF4	Number of trainings provided by Microfinance Institution is sufficient.
	Loan/ Financing	MF5	The amount of loans received from Microfinance Institution is reasonable for the operation of our business.
		MF6	Service charges charged by Microfinance Institution is relatively affordable for timely repayment
		MF7	The grace period offered by Microfinance Institution is adequate for loan repayment.
		MF8	Accessibility to the loan led to improve our business performance.
	Monitoring	MF9	Microfinance Institution (officer) comes to our premise to monitor our business.
		MF10	We feel comfortable when Microfinance Institution (officer) comes to monitor our business.
		MF11	Monitoring by Microfinance Institution (officer) makes we feel motivated in doing business
		MF12	Microfinance Institution usually makes follow up on managerial training skills implementation.
	Financial Performance	BP1	The number of customers of my business has increased compared to last year.
		BP2	The size of my business has been expanded compared to last year.
		BP3	Overall costs of my business have been reduced compared to last year
		BP4	My business innovation and value creation have increased compared to last year
		BP5	The profitability of my business has increased compared to last year
	Non-Financial Performance	BP6	Service quality of my business is relatively higher than what my competitor offers.
		BP7	Customer satisfaction of my business is relatively higher than that of my competitor
		BP8	My business has achieved a higher level of customer loyalty compared to my competitor
		BP9	My business is able to acquire new customer compared to my competitor
		BP10	Competency and competitiveness of my business are better than my competitor

Table 2: Demographic Profiles Of The Respondents

Items	Frequency	Percentage
Gender		
Male	161	57.1
Female	121	42.9
Age		
18-29	27	9.6
30-39	87	30.9
40-49	105	37.2
50 and above	63	22.3
Education		
Basic	176	62.4
Higher	106	37.6
Marital Status		
Married	251	89.0
Single	22	7.8
Divorced	5	1.8
Widowed	4	1.4
Race/Ethnicity		
Malays	257	91.1
Chinese	8	2.8
Indian	12	4.3
Others	5	1.8
Religion		
Islam	257	91.1
Buddha	8	2.8
Hindu	12	4.3
Others	5	1.8
Business Location		
Urban	112	39.7
Rural	170	60.3
Years of Business		
2-5 years	96	34.0
6-15 years	158	56.0
15 years and above	28	9.9
Workers		
0	168	59.6
1	45	16.0
2	47	16.7
3	16	5.7
4	6	2.1