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FACULTY OF ADMINISTRATIVE SCIENCE AND POLICY STUDIES**

**BACHELOR OF ADMINISTRATIVE SCIENCE AND POLICY STUDIES  
(HONOURS)**

**AM228**

**THE EFFECTIVENESS OF TEKUN PROJECT TOWARDS THE  
ENTREPRENEURS IN KOTA SAMARAHAN, SARAWAK**

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**JUNE 2015**

## ACKNOWLEDGEMENT

Alhamdulillah. All praises to Allah SWT for the strength and His blessings in completing this research. This was a challenging project for us. But, this is a wonderful experiences we ever had. Thank you so much to peoples that helps us for completing this research. First is for our supervisor, Mr. Lt. Col. Saiful Anwar Md. Ali (R) for his guidance and advices. He keep motivates us in our research eventhough there is more challenges in our research.

We would like to express our deepest thanks Madam Noorfadhleen Mahmud for her guidance to us start our research. Without her advice and guidance, we are sure that we gonna faced so many troubles because both of us has no experience conducting research before. Thanks a lot to Dr. Kuldip Singh also for helping us in the findings part. Helps us on SPSS session.

Special thanks to our parents. They has gives their support to us both in emotional and financial support. They always gives us motivaton and encouragement eventhough they are far from us. Also to our friends. They gives us support and continuous encouragement to finish this research. They helps us to finds the respondents eventhough the respondents are not in the same place, but they keep accompanied us to meet the respondent. Thanks a lot to them.

We hope that our topics could gives the ideas to other researcher to conducting this topic again. This is not often topic conducted by the researcher and still many peoples have no ideas about TEKUN and its roles. So, we hope we gives some great output to other researcher and to those who read about our research.

Sincerely,

Fadzrina Anizan binti Misli

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**The Effectiveness of Project TEKUN towards the Entrepreneurs in Kota Samarahan,  
Kuching, Sarawak**

**CHAPTER 1: INTRODUCTION**

**1.0 Introduction**

This chapter focused the background of the study which is on the TEKUN projects towards the entrepreneurs. It also emphasized on how can TEKUN helps those entrepreneurs in their business. Section 1.1 discusses the background of the study. Section 1.2, explains the problem statemen and section 1.3 states the research objectives. Section 1.4 states the research questions and section 1.5 is on the research hypothesis. In addition, section 1.6 is on the scope of the study, section 1.7 about the significance of the study and the last one in this chapter is about the terms and concepts.

**1.1 Background of the study**

Micro-credit is the process of lending capital to poor people in order for them to invest in self-employment. Professor Muhammad Yunus experiments in Bangladesh with the poor through the simple act of trust in lending without collateral and minimal conditions have demonstrated that the poor are thrustworthy and reliable. Yunus is regarded as the father of micro-credit and there are currently many efficiently run Grameen replications around the world.

There has been much expansion in the past 20 years in Asia in this respect. In Malaysia too the number of non-governmental organizations (NGOs) provide financial services to the poor and low income earners. It has six micro-finance programs are identified, namely Amanah Ikhtiar Malaysia (AIM), Yayasan Usaha Maju (YUM), Koperasi Kredit Rakyat (KKP), Partners in Enterprise Malaysia (PIE) and Project TEKUN (PT).

Tabung Ekonomi Kumpulan Usaha Niaga (TEKUN) is an organizations that gives micro loans to entrepreneur that has interest to run their business. On 1994, Pulau Pinang's Native Economy Convention have decided to creating loan to native's entrepreneur. On 1995, the Centre for Policy Research, University Sains Malaysia has form a team to conduct Project TEKUN (PT). This project has been expanded to Jeli, Kelantan and Besut, Terengganu next two years after that. The government has decided to decide that project TEKUN must be enlarge for the benefit to entrepreneur in Malaysia dated on Mei 1998.<sup>1</sup>

Then, on 16 September 1998 the government agree to place TEKUN under Kementerian Pembangunan Usahawan dan Koperasi (MECD).

Yayasan TEKUN Nasional begin to operate on 2 February 1999. 12 February 2008, TEKUN Nasional take place the name of Yayasan TEKUN Nasional. The reformation of government administration has site that TEKUN Nasional under responsible of Ministry of Agriculture and Industri Asas Tani.

Vision of TEKUN is to brought TEKUN as the strategic institution that gives loan and the development of success entrepreneur. Meanwhile, their mission is to provide micro loan and support services to their receiver. Some of their functions are provide loan services to entrepreneur in easy and fastest way, providing convenience of gives entrepreneurship's counseling and opportunity to run the business, generating of community of entrepreneur's TEKUN and to manure entrepreneurship's culture for citizen in Malaysia.

Although it's function gives a lot of benefit to society but there still had the issues that gives bad impact to TEKUN. There are durations of the loans too long and bias to approve the loan that will be discuss in the problem statement.

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<sup>1</sup>Rosman Mahmood M. MohdRosli, (2013). Microcredit position in micro and small enterprise performance : the Malaysian case. Management Research Review, 436-453.

## **1.2 PROBLEM STATEMENT**

### **1.2.1 Durations of the loans too long**

- The problem occurred when there is the people especially among the poor and low income who non-bankable their money and having a credit risk. These group of people are unable to meet security requirements as well as cost of borrowing. On the supply side, delay in approving the loans and lack field staff inhibits further the loans reaching the target groups. So, they choose to borrow from moneylenders and loan sharks within informal economy.

### **1.2.2 Bias to approve the loans**

- There were some differences in the objectives and approach of the two microcredit programs. Microcredit under AIM is genuinely to help the poor and small business owners to gain access to financial credit. Under such mechanism, the participants are required to attend weekly meetings with AIM's official and it's similar to the concept of the group-based loans of the Grameen Bank (Estape-Dubreuil and Torreguitart-Mirada, 2010), the group meetings turned out to be a very effective approach for ensuring the participants use the loans for business and pay back the loans on time. It is quite the opposite under TEKUN, the microcredit is tend to politic, especially to win the hearts of rural voters. Some argue that the presence of any political agenda in capital provision may defeat the purpose of the credit support itself which in turn may dilute the impact of microcredit programs on small enterprise performance.<sup>2</sup>

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<sup>2</sup>Rosman Mahmood M. MohdRosli, (2013). Microcredit position in micro and small enterprise performance, the Malaysian case. *Management Research Review*, 436-453

### **1.2.3 Efficacy to overcome poverty**

- The poor constitute a market of substantial size in most developing countries it has not been exploited as an engine of growth based on the market for wage-goods. One of reasons for this may be the lack of funds. Consequently, this limits the outreach of Micro-Finance to the poor. This is reflective of the Malaysian case.

### **1.2.4 Economic Crisis**

- It is evident that the crisis has resulted in rising unemployment and inflation, falling income and hence increasing the poverty incidence. For instance, the unemployment rate in Malaysia is expected to increase from 2.8 per cent in 1997 to 6 per cent this year. The inflation rate is likely to increase to 7 per cent in 1998 from below 4 per cent last year.<sup>3</sup> The corresponding figures for the bordering countries, particularly Indonesia is even worse. The question is, does the rampant financial crisis affect micro credit as well as programmes?

### **1.2.5 Lack of Conducive Policy Environment**

- The National Economic Recovery Plan, Agenda for Action recognises that the incidence of poverty is expected to increase. The recommended measures are retaining the allocation for Program Pembangunan Rakyat Termiskin (PPRT) or Hard-core Poverty Eradication Programme and the provision of micro-credit assistance to petty traders and hawkers in urban area.

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<sup>3</sup>Jayasooria M.Y. (2001). Informal Economy, Micro-finance and Non-governmental Organisation in Malaysia, Humanomics, 134-140

### **1.3 RESEARCH OBJECTIVE**

**1.3.1** To discuss the role of Project TEKUN in promoting informal sector in Malaysia

**1.3.2** To identify issues of TEKUN in order to approve the loans

**1.3.3** To determine the effectiveness of TEKUN Project towards the entrepreneurs

### **1.4 RESEARCH QUESTIONS**

**1.4.1** What is the role of Project TEKUN in promoting informal sector in Malaysia?

**1.4.2** What is the issues can be highlighted on Project TEKUN?

**1.4.3** How is the effectiveness of Project TEKUN towards the receiver?

**1.4.4** Does the receiver make use of the money on the right way?

### **1.5 RESEARCH HYPOTHESIS**

**1.5.1** Management practices are positively related to the performance of TEKUN

**1.5.2** Entrepreneur's experience is positively related to the performance of TEKUN

**1.5.3** Entrepreneur's education is positively related to the performance of TEKUN

**1.5.4** Religious values are positively related to the performance of TEKUN

**1.5.5** Entrepreneur training is positively related to the performance of TEKUN

## **1.6 SCOPE OF STUDY**

The scope of this study are done with TEKUN respondent in Kota Samarahan area. The respondents of this study is the receivers of TEKUN in Kota Samarahan area. The sample size are made of 102 respondents which are 100 of entrepreneurs and 2 TEKUN officers.

## **1.7 SIGNIFICANCE OF THE RESEARCH**

**1.7.1** Encourage those who wants to be entrepreneurs to apply TEKUN

**1.7.2** Give the awareness to the new entrepreneurs about TEKUN

**1.7.3** Give awareness about the purpose of TEKUN towards the new entrepreneurs

## **1.8 DEFINITION OF TERM**

**TEKUN** – Tabung Ekonomi Kumpulan Usaha Niaga

**SME** – Small Medium Enterprise

**MSE** – Micro Small Enterprise

**AIM** – Amanah Ikhtiar Malaysia

**PIE** – Partners in Enterprise Malaysia

**APDC** – Asia-Pacific Development Council

**MFI**s – Micro-Finance Institutions

## **CHAPTER 2: LITERATURE REVIEW**

### **2.0 Introduction**

This chapter provides a review of the literature on some related links on the effectiveness of TEKUN Project. Literature review is a process of analyzing and summarizing the related materials regarding this topics. Section 2.1 explains on the microfinance. While 2.2 discusses on Small and Medium Enterprises (SMEs) and section 2.3 explains about entrepreneurs. While section 2.4 and 2.5 was about subsidies and microcredit.

### **2.1. Microfinance**

“The basic principle of microfinance as succinctly expounded by Muhamad Yunus which is the founder of Grameen Bank Bangladesh and the recipient of the Nobel Peace Prize in 2006 that credit is a fundamental human right. The primary mission of microfinance is therefore, to help poor people is assisting themselves to become economically independent. Credit or loan is given for self-employment and for financing additional income generating activities. The assumption of the Grameen model is that expertise of the poor are under utilized. In addition, it is also believed that charity will not be effective in eradicating poverty as it will lead to dependency and lack of initiative among the poor. In the case of Grameen Bank of Bangladesh, women comprised of 95% of the borrowers and they are more reliable than men in terms of repayments”<sup>4</sup>

In order to make the loan process become easier, especially for the poor, loan will be given without collateral or guarantor and it is normally is based on trust to them. Microfinance is an alternative for loan because the conventional banking system recognized

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<sup>4</sup>Gibbons, D and Kassim, S. (1990), Banking on the Rural Poor in Peninsular Malaysia, Center for Policy Research USM, Penang.

the poor as not-credit worthy. Loan facility is provided based in the relief that 'people should not to go to the bank but bank should go to the people'. In order to obtain the loan, the prospect borrower needs to join the recipient group of microfinance. The group members are given small loans and the new loans will be given after the previous loans are repaid. The repayment scheme is on short term basis on a scale of a week or every two weeks. The loans are also given together compulsory saving package. For example, compulsory saving social capital through group joint projects established among the loan recipients.<sup>5</sup>

Based on De Aghion and Morduch 2005, the loan contract of a Grameen model has a twist and this is what has most interested academic economists. The twist is that should a borrower be unable to repay her loan, she will have to quit her membership of the bank as will her fellow group members. While the others are clearly not forced to repay for the potential defaulter, they have clear incentives to do so if they wish to continue obtaining future loans. This helps micro-lenders overcome "adverse selection" problem. The problem is that a traditional bank has a difficult time distinguishing between inherently "risky" and "safe" borrowers in its pool of loan applicants. If it could, the bank would charge the same high rates to all potential borrowers. The outcome of traditional lending activities is inefficient since in an ideal world projects undertaken by both risky and safe borrowers should be financed. Therefore, the advantage of the group lending methodology is that it can put local information to work for the outside lender. Adverse selection is mitigated as villagers know each other's types. From the standpoint of the micro-lender, bringing the safe borrowers back into the market lowers the average incidence of default and thus lowers costs. With lower costs, the micro-lenders can in turn reduce interest rates even further.

Stiglitz explain that under group lending methodology, group members agree to shoulder a monetary penalty in the case of default by a peer, the group members have

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<sup>5</sup>Islamic microfinance : an ethical alternative to poverty alleviation

incentives to monitor each other and can potentially threaten to impose social sanctions when risky projects are chosen. Because neighbours can monitor each other more efficiently than a bank and thus the effective delegation takes place for ex ante monitoring from micro-lender to borrowers.<sup>6</sup>

There is no clear evidence exists in order to support the positive impact of microfinance on the global economy in terms of eradication of poverty<sup>7</sup>, but there are many analysts agree that loan provision to women from the poor households improves their quality of life.<sup>8</sup>

In Pakistan, there are found that majority of working women are middle-aged mainly because they have older children and can manage paid-work and domestic responsibilities better compared to younger women.<sup>9</sup> Plus, they are found to be predominantly involved in home-based occupations due to the lack of skills and because home-based work may be easily abandoned or stalled in case of child-care or household emergencies. Local analysts have concluded that a void exists in support for paid employment of young women between the ages of 15-19 due to lack of opportunities, education and training.<sup>10</sup> Furthermore, it has been documented that 38% of the time microfinance in Pakistan is used for non-business purposes<sup>11</sup> and women receivers are utilizing loan themselves only 36% of the time<sup>12</sup>. The

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<sup>6</sup>Stiglitz, J.E. (1990), "Peer monitoring and credit markets", World Bank Economic Review, Vol. 4

<sup>7</sup>Maren Duvendack, Richard Palmer-Jones, James G. Copestake, Lee Hooper, Yoon Loke and Nitya Rao, "What is the evidence of the impact of microfinance on the well-being of poor people?", Systematic review (August, 2011) London.

<sup>8</sup>NasiraJabeen and Muhammad Zafar Iqbal, "Gender and Local Governance in Pakistan : Promoting Participation through Capacity Building", Journal of South Asian Studies, 2010

<sup>9</sup>RanaEjaz Ali Khan, "Labor Force Participation of Married Women in Punjab (Pakistan), with Tasnim Khan, Journal of Economic and Social Research, 2009

<sup>10</sup>Ayesha Khan, "Women and Paid Work in Pakistan : Pathways of Women's Empowerment", South Asia Research Program, Pakistan Scoping, 2007

<sup>11</sup>Samia Mahmood, "Microfinance and Women Entrepreneurs in Pakistan", International Journal of Gender of Entrepreneurship, 2011

<sup>12</sup>SoofiaMumtaz, "Targeting Women in Micro-finance Schemes : Objectives and Outcomes", The Pakistan Development Review, Winter 2000

implication is that the majority of borrowers are not investing in small business or are taking loans for use by male household members.

There are the research about the suggestions on the microfinance women borrowers in developing nations that they do not get spousal help in loan repayments and the main pressure of repayment falls on the shoulder of the borrowers herself and her daughter.<sup>13</sup> Research also indicated that microfinance is an important support system for single mothers, widowed, abused and abandoned women in developing nations.<sup>14</sup> Also of relevance is that although microfinance benefits families from very poor backgrounds, the majority of actual borrowers of microfinance are from moderately poor backgrounds.

The existing research shows that measuring the impact of microfinance in the global economy is still in its infancy and reportage by microfinance providers is inconsistent,<sup>15</sup> thus preventing accurate estimation of social development by microfinance services.<sup>16</sup> It has been recommended that region-specific studies should be undertaken to ascertain microfinance borrower profile in order to better ascertain the gaps in services and estimate extent of impact.<sup>17</sup>

In the article of “The Impact of microloans in vulnerable remote areas : evidence from Malaysia”, there past studies indicated that the microfinance industry has been effective in reaching millions of poor people, in providing them with financial services and in reducing their poverty.<sup>18</sup> One example of microfinance institution is the Grameen Bank of Bangladesh . This bank provides credit to poor households to generate new opportunities through self-

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<sup>13</sup>Linda Mayoux, “Women Empowerment through Sustainable Micro-finance : Rethinking ‘Best Practice’”, Discussion Draft, 2005.

<sup>14</sup>Nathanael Goldberg, “Measuring the Impact of Microfinance : Taking Stock of What We Know”, “Grameen Foundation USA Publication Series, 2005.

<sup>15</sup>Asad K. Ghalib, “The impact of Microfinance and its role in Easing Poverty of Rural household’s : Estimations from Pakistan, with Issam Malki and Katsushi S.Imai. Research Institute for Economics and Business Administration, Kobe University, 2009

<sup>16</sup>Microfinance Rating Market Review, 2011. PricewaterhouseCoopers Sarl, Luxembourg

<sup>17</sup>Linda Mayoux, “Women’s Empowerment through Sustainable Micro-finance : Rethinking ‘Best Practice’.

<sup>18</sup>Simanowitz and Walter, 2002

employment. Under the Grameen Bank Approach (GBA), loans are made to individuals based on group lending. Although loans are given out individually and the borrower is ultimately responsible for the repayment, the group as a whole is held jointly liable should repayment difficulties arise. In addition to repaying their own share of the loan, each group member must accept to repay the obligation if their defaulting peers, otherwise the entire group is denied access to future refinancing.<sup>19</sup>

Besides that, group members also monitor the activities undertaken by their peers. Within this group lending system, peer pressure and peer support plays an important role by ensuring the nearly perfect loan repayment record and loan utilization since each member has a personal stake in the welfare of their group. This system of social collateral (peer pressure and peer support) form a concertive control system.<sup>20</sup> Thus, by using social collateral, the poor has access to scarce resources.

The strong demand for microfinance services particularly among the poor is undeniable. Shakya and Rankins says that, the GBA has been replicated in more than 132 countries including Malaysia.<sup>21</sup> Although the Grameen Bank Approaches created significant income and employment opportunities for the poor in other developing countries, not all lending programmes have been encouraging. For example, district authorities in Andhra Pradesh closed down about 50 branches of two major microfinance institution in the Krishna district following allegations that they were charging the usurious interest rate and indulging in force loan recovery practices,<sup>22</sup> while unscrupulous intermediaries were hired to process loans in Benin.<sup>23</sup>

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<sup>19</sup>De Aghion, B.A and Gollier, C. 2000. Peer Group formation in an adverse selection model

<sup>20</sup>Chan, S.H.1997. Organizational identification and commitment of members of a human development organization : a study of organizational members of AmanahIkhtiar Malaysia (AIM).

<sup>21</sup>Syakya and Rankins, 2008

<sup>22</sup>Shylendra, 2006

<sup>23</sup>IRIN, 2009, Benin : Corrupt microfinance institutions profit from poorest

Based on Chowdhury, critics claimed that microfinance fails to systematically reach the poorest<sup>24</sup> and argued that microfinance can aggravate existing socioeconomic inequalities.<sup>25</sup> Even there are 19 million from the poorest households around the world have access to microfinance services, but there are still have 81 million from the poorest families are without such access.<sup>26</sup>

There are also have empirical evidence suggests microfinance does serve the very poor clients, the extent to which the very poor are actually being served remains ambiguous. McGuire and Conroy also saying that there is very little empirical evidence on the effectiveness of microfinance in different settings.<sup>27</sup> This study set out to determine if the poorest are getting access to microfinance services in vulnerable remote areas.

## **2.2. Small and Medium Enterprises (SMEs)**

Based on Falloon and Moran, they are found the significant links between the size of the small business in term of the number of employees and the level of internet adoption.<sup>28</sup> While Matlay saying that the business sector was significantly associated with e-commerce adoption.<sup>29</sup> Both of the studies showed that the same results were achievable despite varying geographic spread of market focus. It has showed that the smaller SMEs which less than 10 employees were less likely to adopt e-commerce technology than larger SMEs. They are also found that service organizations were more likely adopt e-commerce than manufacturing or retail based SMEs.

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<sup>24</sup>Chowdhury A. 2000. Macro story on micro-credit, Himal South Asia

<sup>25</sup>Rahman A. 1999. Women and microcredit in rural Bangladesh : an anthropological study of the rhetoric and realities of Grameen Bank lending. Boulder, CO : Westview Press

<sup>26</sup>Gibbons, D.S. and Meehan J.W.2000b. The microcredit Summit's challenge : Working towards institutional financial self-sufficiency while maintaining a commitment to serving the poorest families

<sup>27</sup>McGuire P.B and Conroy J.D 2000. The microfinance phenomenon, Asia – Pacific Review

<sup>28</sup>Falloon M. and Moran P. (2000). Information Communications Technology (ICT) and Manufacturing SMEs 2000 Small Business and Enterprise Development Conference University of Manchester.

<sup>29</sup>Matlay H. (2000) Training in the Small Business Sector of the British Economy in Carter S. and Jones D.Enterprise and Small Business : Principles, Policy and Practice Addison Wesley Longman, London

Based on Riquelme, in a study of 75 private Chinese SMEs found that those involved in service tended to adopt electronic commerce far more than their manufacturing counterparts.<sup>30</sup> Blackburn and Athayde identified not only size and sector but also the level of international marketing as a factor associated with adoption of e-commerce technology.<sup>31</sup>

There are not only do SMEs differ from their larger counterparts in both day-to-day activity as well management style, but their perceptions of advantages and disadvantages of e-commerce adoption have been found to differ as well as like their larger counterparts SMEs look to e-commerce as a means of improving sales,<sup>32</sup> improving marketing,<sup>33</sup> reaching new customers and markets<sup>34</sup> and improving overall efficiency.<sup>35</sup>

A several number of authors<sup>36</sup> suggest that as small business managers are confronted with the decisions concerning global market presence through e-commerce adoption, many are turning to strategic alliances. It is appropriate that we now briefly examine the role of strategic alliances in SMEs.

A management practice can be defined as the way a manager executes his managerial functions in order to achieve his goals through people. In the context of SMEs, the owner as a manager in the company. He will be the one who has direct responsibility for the development strategy of the enterprise. Management practices are the most significant factor in explaining

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<sup>30</sup>Riquelme H. (2002) Commercial Internet Adoption in China : Comparing the Experience of Small, Medium and Large Business Internet Research : Electronic Networking Applications and Policy.

<sup>31</sup>Blackburn R. and Athayde R (2000) Making the Connection : The effectiveness of Internet Training in Small Businesses Education and Training vol. 42

<sup>32</sup>Abell W. and Limm L. (1996) Business Use of the Internet in New Zealand : An Exploratory Study, Proceedings of AUSWeb.

<sup>33</sup>Poon S. and Swatman P. (1999) An Exploratory Study of Small Business Internet Commerce Issue Information and Management

<sup>34</sup>Ritchie R and Brindley C. (2000) Disintermediation, Disintegration and Risk in the SME Global Supply Chain Management Decision, Vescovi T. (2000) Internet Communication : The Italian SME Case Corporate Communications

<sup>35</sup>Tetteh E. and Burn J. (2001) Global Strategies for SME business : Applying the SMALL Framework Logistic Information Management.

<sup>36</sup>Miles G. Preece S. and Baetz M.C (1999) Dangers of Dependence : The impacts of Strategic Alliance Use by Small Technology Based Firms Journal of Small Business Management

firm performance.<sup>37</sup> The positive association between management practices and the performance of an enterprise is evident in many studies.<sup>38</sup> Four business management aspects commonly associated with business performance are marketing, finance, human resource and operational management.<sup>39</sup> Eventhough the influence of each management aspect may be different, past evidence shows that small enterprises which emphasized all the four management aspects exhibited better performance than those focusing on one or two aspects only.<sup>40</sup>

A positive relationship between firm size and performance can be found in many studies. For example, the studies by Ozgulbas in the year 2006.<sup>41</sup> Many problems facing smaller enterprises hinder their growth, whereas larger firms with better financial positions and access to capital are able to absorb technology. While, for the some studies, found the negative relationship between firm size and performance.<sup>42</sup>

Support by the government towards the small enterprises can be seen through the world, regardless of the economic status of a country. This support were in term of any types of services (financial and non-financial services) provided by the government for small business development.<sup>43</sup> In fact, any kind of support is critical for improving the performance of small enterprises.<sup>44</sup> For Petrof, government has three functions. The functions includes to improves efficiency of small business such as to determine the types of economic activities to be developed. Other functions is to reduce barriers facing small business development and

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<sup>37</sup>Yusuf,A (1995) "Critical success factors for small business : Perceptions of South Pacific entrepreneurs", Journal of Small Business Management

<sup>38</sup>Zinger et.al, 2001, Gadenne,1998, Acar, 1993, Khan and Rocha, 1982

<sup>39</sup>Kotey B. and Meredith G.G (1997), "Relationship among owner/manager values, business strategic and enterprise performance"

<sup>40</sup>MohdAsri, Abdullah (1997), Small Industry in Malaysia : Development and Future, DBP, Kuala Lumpur.

<sup>41</sup>Ozgulbas, N. Koyuncugil, A.S and Yilmaz, F. (2006). "Identifying the effects of firm size on financial management of SMEs", The Business Review, Cambridge.

<sup>42</sup>Moreno and Casillas, 2007, Shanmugam and Bhaduri, 2002, Wijewardena and Tibbits, 1999

<sup>43</sup>SarderJ.H.Ghosh D. and Rosa, P. (1997),"The importance of support services to small enterprise in Bangladesh", Journal of Small Business Management

<sup>44</sup>Christ and Green, 2004, Sarder et al, 1997

also to provide financial support and infrastructure. Good infrastructure will be a complementary input for growth and economic of scale<sup>45</sup> of the small sector.

In other case study, there are stated that, the Small and Medium Enterprises (SMEs) play an important role in the social and economic development of most of the countries which is by creating employment opportunities and improving income. Based on Mitulla and Atieno, the development of SMEs in Kenya is a priority strategy for the country's industrialization, employment creation and poverty reduction<sup>46</sup>. In this point, SMEs create employment for about 75% of the national workforce and contribute up to 22% of the national Gross Domestic Product <sup>47</sup> SMEs located in rural areas, the sector is poised to support the development of rural economies.

Based on Atieno, the government of Kenya has recognizes the contribution of SMEs to the national economy and has since formulated policies to facilitate their establishment and survival. For example, in the year 1996, the government of Kenya developed the Sessional Paper Number 2 on Industrial Transformation to the Year 2020. It is emphasized the need to improve the availability of credit facilities to SMEs in all parts of the country.<sup>48</sup> The Economic Recovery Strategy Paper for Wealth and Employment Creation (ERSWEC), 2003 – 2007 identifies SMEs and in particular expansion of the informal sector as one of the activities to facilitate economic recovery and growth.

Among the challenges faced by SMEs, inadequate access to formal credit stands out as a key impediment to their survival and performance. In Kenya, SMEs have limited access to credit services provided by formal financial institutions. As such, most SMEs rely on retained

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<sup>45</sup>Chan, H.C (1999), "Government intervention and small scale industries : theoretical implication"

<sup>46</sup>Mitulla.W, (2003) Street Trade in Kenya the Procedures and Regulations, Opportunities and also Atieno.R, (2001) Formal and Informal Institutions' Lending Policies and Access to Credit by Small-Scale Enterprise in Kenya : An Empirical Assessment

<sup>47</sup>Mbithi M. &Mainga. J. (2006) Doing Business in Kenya Procedures and Regulations, Opportunities and also Atieno.R, (2009) Linkages, Access to Finance and the Performance of Small-Scale Enterprises in Kenya

<sup>48</sup>Atieno (2001)

earnings and loans from informal associations, which are often unpredictable, unsecure and have a limited scope for risk sharing. Besides, as SMEs grow, their credit requirements become too complicated for informal credit sources to address.<sup>49</sup>

The development of SMEs requires sustained investments. However, at low levels of income, capital accumulation may be difficult. Formal credit families may help small-scale entrepreneurs to improve their incomes and accumulate own capital.<sup>50</sup> Hence, access to well-developed microcredit systems may be a crucial catalyst for economic development<sup>51</sup>. As stated by Atieno, formal microcredit services are important for the expansion of SMEs and for their subsequent role in the national economy.

The more contact a SME has internationally, the more it will become aware of international opportunities through its association with the managers involved in international business who know of such opportunities. The more contact the SME has with others doing business abroad, the more acquainted its managers will become with the process of doing business internationally. Typically, what is familiar to an individual is perceived by that individual to be less risky<sup>52</sup> and therefore this greater contact should result in increased international diversification. Kraatz's saying that finding with strong ties mitigate risk provides support for this argument.<sup>53</sup>

In addition, networks can increase firm legitimacy<sup>54</sup> and legitimacy leads to a greater access to customers, suppliers and other resources needed to be successful internationally. Just as relationships with other domestic firms that possess greater prestige or economic

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<sup>49</sup>Aryeetey, 1996

<sup>50</sup>Hossain, M (1988) Credit for the Alleviation of Rural Poverty : The Grameen Bank in Bangladesh and also Atieno, R. (2001) Formal and Informal Institutions Lending Policies and Access to Credit by Small-Scale Entrepreneurs in Kenya.

<sup>51</sup>Mitulla, W (2003) Street Trade in Kenya the Contribution of Research in Policy Dialogue and Response

<sup>52</sup>Collins, C.J and Clark.2003. Strategic human resource practices, top management team social networks and firm performance : The role of human resource practices in creating organizational competitive advantage

<sup>53</sup>Kraatz, M. 1998. Learning by association? Interorganizational network ties : A qualitative analysis

<sup>54</sup>Hoang, H. and B. Antonic, 2003. Network-based research in entrepreneurship

power can enhance the legitimacy of a firm<sup>55</sup> ties with firms abroad (or those active internationally) should function in a similar manner, helping the SME successfully expand abroad.

The size of a SMEs international network also may influence other factors that research has shown restrict internationally diversification. The first of these is perceptions of risk. Previous scholarship showed that because SMEs includes their managers tends to lack international experience, they lack knowledge about international business, so it is have higher perceptions of risk than do firms or maangers with international experience.<sup>56</sup>

The size of SMEs international network also can play a role in its international diversification behavior. Networks are the source of social capital and social capital represents the resources actors can draw on in order to help achieving their objectives. In general, the larger the network, the more resources will be available to the actor.<sup>57</sup> A line of thinking called as social resources theory. It links the number of ties to the concept of resources. This theory suggests that the greater the number of ties and actor has, the more the likely the actor will be able to access needed resources<sup>58</sup>. A larger international network thus may alleviate one of the factors that prior research has demonstrated stands in the way of SME international deversification, lack of sufficient resources of diversify.<sup>59</sup>

Furthermore, by increasing the international network size may reduce the problem of lack of knowledge of international opportunities. Based on Ellis, research tends to indicate that networks are the main source of awareness of foreign market opportunities for firms

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<sup>55</sup>Zimmerman, M.A and G.J.Zeitz, 2002. Beyond survival : Achieving new venture growth by building legitimacy. Academy of Management Review

<sup>56</sup>Javalgi, R.D.White and O.Lee.2000. Firm characteristics influencing export propensity : An empirical investigation by industry type, Leonidou, L.C.Katsikeas and N.Piercy, 1998. Identifying managerial influences on exporting : Past research and future directions and also Samiee, S.P.Walters and F.DuBois, 1993. Exporting as an innovative behavior

<sup>57</sup>Collins C.J and K.D.Clark.2003. Strategic human resource practices, top management team social networks and firm performance : The role of human resource practices in creating organizational competition advantage

<sup>58</sup>Seibert S.M.Kraimer and R.Liden.2001.A social capital theory of career success.

<sup>59</sup>Javalgi et al,2000, Leonidou et al, 1998, Samiee et al 1993

considering foreign market entry.<sup>60</sup> It is logical to assume that a SME with an international network is more likely to know about international opportunities that may encourage expansion abroad. Plus, the larger the international network, the more such opportunities the SME will hear about and the more likely it will be to diversify internationally.

There are the suggestion about SMEs with larger international networks will benefit from these networks through knowledge creation, risk reduction, opportunity identification and resource access, all of which will move the firm toward international diversification.

In other case studies, to a great extent in SMEs could be accredited to their owner-managers.<sup>61</sup> Their abilities, motivations and goals greatly affect the decision to enlarge or maintain the firm size they are comfortable with.<sup>62</sup> Attitudes reflect the assessment of the outcome of the certain behaviour and they affect the goal setting of small business owner-managers. Empirical studies have shown that owner-manager have a diverse set of business goals, many of which do not relate to firm growth, a great part of them actually seem to have a “no-growth” objective.<sup>63</sup>

### **2.3. Entrepreneurs**

Campos and Hormiga says that entrepreneurial values are related to any positive trait that motivates an entrepreneur to transform his personal idea into practice.<sup>64</sup> They drive an owner-manager to initiate proactive strategies in competing in a hostile business environment. Many empirical studies have proven that various positive values possessed by entrepreneurs

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<sup>60</sup>Ellis P.2000. Social ties and foreign market entry. *Journal of international Business Studies*

<sup>61</sup>Delmar, F and Wiklund. J (2008), “The effect of small business managers growth motivation on firm growth : a longitudinal study”, *Entrepreneurship Theory and Practice*

<sup>62</sup>Walker E. and Brow

<sup>63</sup>Greenbank, 2011

<sup>64</sup>Campos, A. and Hormiga, E. (2011), “Entrepreneur’s values and knowledge : how can influence new technology ventures’ growth?”, *International Journal of Industrial Engineering and Management*

are crucial for firm performance.<sup>65</sup> In fact, a number of small firm performance models regard entrepreneurial values as the primary element affecting small business performance.

The higher level of education among the entrepreneur, the more likely the person is engaged in a business and are able to generate higher business performance.<sup>66</sup> Many studies also found that the education of operators has a positive correlation with business performance.<sup>67</sup> These findings are consistent with the human capital theory, which sees education as a key element affecting business performance.<sup>68</sup>

Lack of entrepreneurship and management skills among the SMEs can be mitigated by providing the entrepreneur a training programme. The training process is the formal process by which relevant information is transferred in order to enhance the human and social capital value of the participants. The involving of the entrepreneurs in the training courses provides a great opportunity for them to understand the outside world and to build networks with support agencies financial institutions, customers and suppliers. Therefore, entrepreneur training provides a good prospect for business growth.<sup>69</sup>

There is an evident from the past case studies that the involvement of the entrepreneurs in training programs led to a positive effect on their business performance.<sup>70</sup> The knowledge that the entrepreneurs get through the training programmes can reduce the

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<sup>65</sup>Freese et al, 2002, Kotey and Meredith, 1997, Lumpkin and Dess, 1996, Chaganti and Chaganti, 1983, Gadenne, 1998, Keats and Bracker, 1988, Cunningman and Lischeron, 1991

<sup>66</sup>Cooper, A.C. Gimeno-Gascon, F.J and Woo C. (1994), "Initial human and financial capital as predictors of new venture performance", and also Mengisatae, T. (2006). "Competition and entrepreneurs' human capital in small business longevity and growth"

<sup>67</sup>Nichter and Goldmark, 2009, Fairlie and Robb, 2007, Swinnet et al, 2006, Mengitae, 2006, MohaAsri, 1997, Fischer et al, 1993, Brush and Hisrich, 1991, Birley and Westhead, 1990

<sup>68</sup>Van, L.J.B and Rocco, T.S.(2004), "Counting professional education and human capital theory", Hewlett, R. (2002), "Integrating human capital concepts in productivity and growth topics", Bruwer, J.D.W. and Haydam, N.E.(1996), "Human capital investment : higher educational and on-the-job training of the marketing practitioner", South African Journal of Business Management.

<sup>69</sup>Mescon, T.S (1987), "The entrepreneurial institute : education and training for minority small business owners", Journal of Small Business Management

<sup>70</sup>Garcia, 2005, Aragon-sanchez et al, 2003, Zinger et al 2001

business failure, increases their productivity,<sup>71</sup> enhances business competitiveness and hence gives positive impact on business performance.<sup>72</sup>

A high level of formal education given to the entrepreneurs makes them having a greater capacity to be an innovator. This is because, he will be able to meet the need of a changing business environment. With a better education, apply specialized technical knowledge and adopt flexible operations<sup>73</sup>. Plus, they are more likely to perceive and exploit business opportunities,<sup>74</sup> have a higher ability to develop strategies, make good decisions and gain higher credit worthiness form financial institutions.<sup>75</sup>

#### **2.4. Subsidies**

From the perspectives of demanders, the general subsidies are public goods, which is once it is provided, the benefit of general subsidies is non-excludable. According to Olson's theory of collective action, the incentives to contribute to the lobby for general subsidies should be weak when the individual's portion of the benefits is small. Based on the logic, it has long been argued that peak confederations of labor and capital can internalize the collective cost of their actions, producing an incentives to adjust their actions, producing an incentives to adjust their actions in the direction of policies that benefit their members. There are one example of quotes that has been used often, which is wage moderation by well-organized labor unions for low inflation and low unemployment.<sup>76</sup> Same with the trade policy,

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<sup>71</sup>Garcia, 2005, Bruwer and Haydam, 1996

<sup>72</sup>WesterB.Walker, E and Brown, A. (2005), "Australia small business participation training activities", Education and Training, vol.47.

<sup>73</sup>Nichter,S. and Goldmark, L (2009), "Small firm growth in developing countries", World Development

<sup>74</sup>Cooper,A.c,Gimeno-Gascon, F.J and Woo.C (1994), " Initial human and financial capital as predictors of new venture performance"

<sup>75</sup>Bates,T. (1990), " Entrepreneur human capital inputs,T and small business longevity", The review of economics and static, vol.72

<sup>76</sup>Esping-Andersen, 1990,Iversen 1999, Estevez-Abe, Iversen and Soskice 2001, Hall and Soskice, 2001b, Huber and Stephen 2001.

<sup>77</sup> shows that an individual profit-maximizing firm should find it suboptimal to lobby for a trade policy with a public – good nature such as tariffs.

There are the studies about this subsidies, which stated that the specific subsidies are private goods. In the case of specific studies, the link between the incentives and capacity of the lobby for specific subsidies is not linear. To clarify the relationship between the incentive to lobby for specific subsidies and the capacity to aggregate these individual efforts into collective pressure, I will divide the discussion into three cases which are cross-industry centralization, industry-level centralization and also decentralization.

According to Rogowski, he is argues that countries with large electoral districts tend to maintain a higher level of trade openness because large and heterogenous constituencies insulate politicians from particularistic interests. Similarly, Bailey and Brady (1998) show that large to constituencies afford representatives greater autonomy in policy making. However, there is one important condition for larger districts to encourage public good provision is the lack of intra-party competition in the ballot.<sup>78</sup>

## **2.5 Microcredit**

According to Morduch, in the developing countries, women played a pivotal role as risk managers and drivers of development, particularly in poor communities. Microcredit programs in such countries enabled thousands of women to use small sums of money in creative ways to develop livelihoods improve family well-being and accumulate savings. However, the study noted that available microcredit resources were too limited to spur long-term economic growth. Thus, suggesting the need for more investments in microfinance

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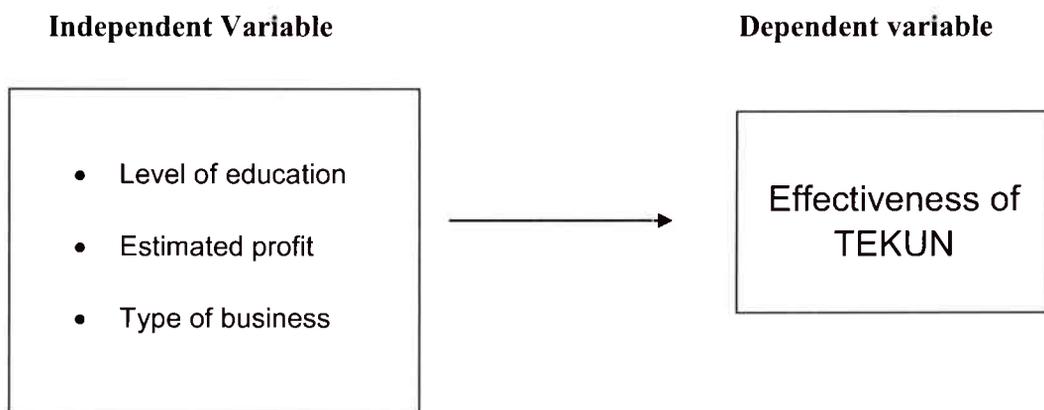
<sup>77</sup>Rodrik, DANI (1986), Tariffs, subsidies and welfare with endogenous policy

<sup>78</sup>Rogowski, Ronald (1987), Trade and the Variety of Democratic Institutions

programs.<sup>79</sup> The overriding message in the reviewed studies is that access to microcredit is a crucial factor for the survival and performance of SMEs. Eventhough a number of studies have their setting in developing countries, in Kenya, the relationship between microcredit and performance of women-owned SMEs has not attracted as much empirical investigation, not with standing tha fact that microfinance institutions such as KWFT hace been operational in the country for close to three decades.<sup>80</sup>

The study by Khandker, focused on the tracking of microcredit and poverty indicators in Bangladesh. From the study, he is found that access to microcredit reduced poverty rates more than 20% among borrowers. It is with more that half of such improvement resulting from microcredit.<sup>81</sup>Due to spillover effect on non-participants in microfinance schemes, the study attributed up to 40% of poverty reduction in rural Bangladesh to microcredit. In a review of the same studies, two years later, Khandker demonstrated that the substantial impact of microcredit on poverty was entirely the result of borrowing by women rather than men.

## 2.6 Conceptual Framework



<sup>79</sup>Morduch J. (1999), "The Microfinance Promise" Journal of Economic Literature, vol.37

<sup>80</sup>The Studies of "The impact of Microcredit on Women-owned small and medium enterprises : evidence from Kenya

<sup>81</sup>Khandker, S (2003) "Microfinance and Poverty : Evidence Using Panel Data from Bangladesh".World Bank Review

## **CHAPTER 3: RESEARCH METHODOLOGY**

### **3.0 Introduction**

Research method section of a report explains or outlines the procedures followed in gathering the data necessary for the analysis to meet the research objectives. It consists research design, unit of analysis, sampling sizes, sampling technique, data collection and data analysis

### **3.1 Research Design**

Research design will be conducted to achieve the objectives of the research, which is to investigate the effectiveness of TEKUN Project towards the entrepreneurs. The research design will be cross-sectional and inferential which are through distributing the questionnaires and also through interview sessions.

### **3.2 Unit of Analysis**

The sampling units used is in populations. The sample units is 100 TEKUN's entrepreneurs and also TEKUN Officers.

### **3.3 Sampling Sizes**

It is important to select the most appropriate respondents in order to get better result for the study. The sampling sizes is 2 TEKUN officers and also 100 of TEKUN entrepreneurs. All the respondents is among the entrepreneurs in Kota Samarahan area while the TEKUN officers is one from Satok branch and the other one is from Kota Samarahan branches.

### **3.4 Sampling Technique**

This will be done by contact them and discuss about the process, which is about distributing the questionnaire of the research. Then will get the permission from them to do the research.

The respondent will be categorized as the receivers of TEKUN and also the employees of TEKUN.

### **3.5 Data Collections**

The survey was carried out to discuss the role of TEKUN Project in promoting informal sector in Malaysia. It is also to identify issues of TEKUN Project in order to approve the loans. This is to determine the effectiveness of TEKUN Project towards the entrepreneurs.

### **3.6 Data Analysis**

The study carried out uses SPSS version 2.0 descriptive statistic. We are using One Way ANOVA test for our findings. This is because in order to get exact output we must used the suitable test based on our data.

## Chapter 4 : FINDINGS

### 4.0 Introduction

This chapter was explained about the findings of our research. It includes the analysis of the findings and proves whether our objectives has been achieved or not.

This findings is divided into two part which are the findings based on SPSS and the other one the findings based on the interview session with two TEKUN officers. For SPSS part, the findings consists of the demographic of the respondents and the three factors leads to the effectiveness of TEKUN Project. While for second part was both of TEKUN officer will answer the questions that we asks them.

### 4.1 Part A (Background of respondents)

*Table 4.1.1 Gender of the respondents*

		Frequency	Percent	Valid Percent	Cumulative Percent
<b>Valid</b>	Male	48	48.0	48.0	48.0
	Female	52	52.0	52.0	100.0
	Total	100	100.0	100.0	

The table 4.1.1 shows that the gender of respondents. There was 48 males and 52 females. Percentage respondent's among female is higher than male which are female 52% while male 48%. The result show that more of TEKUN entrepreneurs in Kota Samarahan area was female.

**Table 4.1.2 Marital Status of the respondents**

		Frequency	Percent	Valid Percent	Cumulative Percent
<b>Valid</b>	Single	8	8.0	8.0	8.0
	Married	83	83.0	83.0	91.0
	Single mother/ Single father	8	8.0	8.0	99.0
	Divorced	1	1.0	1.0	100.0
	Total	100	100.0	100.0	

This table 4.1.2 shows the marital status of the respondents. Most of the them were married with total 83 respondents (83%) and total of single respondents was the same with single mother/single father respondents with total 8% respectively. While divorced respondent only 1 person.

**Table 4.1.3 Ages of the respondents**

		Frequency	Percent	Valid Percent	Cumulative Percent
<b>Valid</b>	21 - 30	18	18.0	18.0	18.0
	31 - 40	33	33.0	33.0	51.0
	41 - 50	34	34.0	34.0	85.0
	51 - 60	13	13.0	13.0	98.0
	61 and above	2	2.0	2.0	100.0
	Total	100	100.0	100.0	

Table 4.1.3 shows the ages of the respondents. Majority of our respondents among 41-50 years old with 34 respondents (34%), followed by the ages between 31-40 with total 33 respondents (33%). While the respondent in the ages 21-30 was 18 respondents (18%). And for the age 51-60 and 61 and above was 13 and 2 respondents respectively.

**Table 4.1.4 Races of the respondents**

		Frequency	Percent	Valid Percent	Cumulative Percent
<b>Valid</b>	Malay	98	98.0	98.0	98.0
	Bidayuh	1	1.0	1.0	99.0
	Others	1	1.0	1.0	100.0
	Total	100	100.0	100.0	

Table 4.1.4 presented races of the respondents. Most of them were Malay which are 98 respondents (98%). While for Bidayuh and other race both one respondents respectively (1%).

**Table 4.1.5 Level of education of the respondents**

		Frequency	Percent	Valid Percent	Cumulative Percent
<b>Valid</b>	Below SPM	39	39.0	39.0	39.0
	SPM	52	52.0	52.0	91.0
	STPM/ Diploma	5	5.0	5.0	96.0
	Degree	4	4.0	4.0	100.0
	Total	100	100.0	100.0	

As stated in table 4.1.5, the total of respondents has a highest level of education below SPM was 39 respondents. Some of them only studied until primary school and some of them already reached secondary level but does not finished their school. While for SPM holder was 52 respondents. This is the most of our respondents with percentages 52%. And for diploma/STPM and degree holder were 5 and 4 respondents respectively (5% and 4%).

**Table 4.1.6 Place of residents**

		Frequency	Percent	Valid Percent	Cumulative Percent
<b>Valid</b>	Urban	4	4.0	4.0	4.0
	Sub-urban	94	94.0	94.0	98.0
	Rural	2	2.0	2.0	100.0
	Total	100	100.0	100.0	

The above table shows the place of residents of the respondents. Most of them were living in sub-urban with total 94 respondents (94%). While for the other respondents was living in urban and rural area which are 4 respondents in urban and 2 respondents in rural areas.

#### **4.2 PART A (conceptual frameworks)**

##### **1. To determine the relationship between level of education with the effectiveness of TEKUN (One Way ANOVA)**

<b>Effectiveness_of_TEKUN</b>						
	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean	
					Lower Bound	Upper Bound
<b>Below SPM</b>	39	4.7436	2.44646	.39175	3.9505	5.5366
<b>SPM</b>	52	4.4038	1.89177	.26234	3.8772	4.9305
<b>STPM/ Diploma</b>	5	5.2000	1.64317	.73485	3.1597	7.2403
<b>Degree</b>	4	5.2500	1.70783	.85391	2.5325	7.9675
<b>Total</b>	100	4.6100	2.09808	.20981	4.1937	5.0263

**Table 4.2.1 Relationship between level of education and the effectiveness of TEKUN**

	Sum of Squares	df	Mean Square	F	Sig.
<b>Between Groups</b>	6.285	3	2.095	.468	.705
<b>Within Groups</b>	429.505	96	4.474		
<b>Total</b>	435.790	99			

Table 4.2.1 presented the relationship between level of education with the effectiveness of TEKUN Projects. Based on the table, it shows that there was no significant between these variable and the effectiveness of TEKUN. It shows the significant was 0.705 and has frequency of 0.468.

**2. To identify the relationship between estimated profit towards the effectiveness of TEKUN (One Way ANOVA)**

<b>Effectiveness of TEKUN</b>						
	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean	
					Lower Bound	Upper Bound
<b>Below RM100</b>	11	2.0000	.00000	.00000	2.0000	2.0000
<b>RM200 - RM500</b>	35	3.4857	.95090	.16073	3.1591	3.8124
<b>RM600 - RM900</b>	13	4.6923	1.65250	.45832	3.6937	5.6909
<b>Above RM1000</b>	41	6.2439	1.89447	.29587	5.6459	6.8419
<b>Total</b>	100	4.6100	2.09808	.20981	4.1937	5.0263

*Table 4.2.2 Relationship between estimated profit towards the effectiveness of TEKUN*

	Sum of Squares	df	Mean Square	F	Sig.
<b>Between Groups</b>	228.717	3	76.239	35.345	.000
<b>Within Groups</b>	207.073	96	2.157		
<b>Total</b>	435.790	99			

Table above shows the result by using One Way ANOVA test. It is the result to identify the relationship between estimated profit towards the effectiveness of TEKUN Projects. Based on the result, there was significant and positive relationship between the variable with the effectiveness of TEKUN. The significant was 0.000 and the frequency was 35.345.

**3. To identify the influence of type of business towards the effectiveness of TEKUN (One Way ANOVA)**

<b>Effectiveness_of_TEKUN</b>					
	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>	<b>Std. Error</b>	<b>95% Confidence Interval for Mean</b>
					<b>Lower Bound</b>
<b>Sew</b>	7	4.7143	1.70434	.64418	3.1380
<b>Cosmetic and health product</b>	5	4.8000	1.09545	.48990	3.4398
<b>Food/ Fruit/ Vegetable</b>	48	4.4375	2.15274	.31072	3.8124
<b>Retail shop</b>	10	4.4000	2.36643	.74833	2.7072
<b>Others</b>	30	4.9000	2.20266	.40215	4.0775
<b>Total</b>	100	4.6100	2.09808	.20981	4.1937

*Table 4.2.3 The influences of type of business towards the effectiveness of TEKUN*

	<b>Sum of Squares</b>	<b>Df</b>	<b>Mean Square</b>	<b>F</b>	<b>Sig.</b>
<b>Between Groups</b>	4.649	4	1.162	.256	.905
<b>Within Groups</b>	431.141	95	4.538		
<b>Total</b>	435.790	99			

The table above indicates that there was no significant and negative relationship between type of business and the effectiveness of TEKUN. The significance was 0.905 and the frequency was 0.256.

### **4.3 PART B (Interview sessions)**

#### **4.3.1 : What is the role of TEKUN in promoting informal sector in Malaysia?**

**Officer 1 : *En. Roslan (TEKUN Nasional cawangan Satok)***

“Actually, the main role of TEKUN is to help the entrepreneurs in their business. Loans that we provide to them is just as a extra fund for them. Besides, in order to encourage society to be involves in business, we also provide loans to those that still don’t have license. But, their loan will not exceed RM5000. “

#### **Analysis 1 :**

Based on the answer by the officer 1, TEKUN has provide loans for those who does not has business licence. This is in order to encourage them in business. They has interests towards business, so TEKUN gives their supports towards the entrepreneurs by giving them a support through this way. Eventhough the loans that they provides does not exceed RM5000, but it could helps the entrepreneurs to starts the business.

**Officer 2 : *En. Iskandar (TEKUN cawangan Kota Samarahan)***

“ We will provides the information about the business opportunity and income generating activities. Besides, to become a reference, service and support centre to existing and prospective entrepreneur and also encourage Saving Culture among the TEKUN’s entrepreneurs. For this one, every time the receivers pay back the loans, We will asks them to pay 5% in a year. This amount will be given back to them when they finish paying back the loans.”

## **Analysis 2 :**

Based on answer provided by En. Iskandar, in order to promoting business sector in Malaysia, they has provides the information about the business opportunity and income generating activities to the receivers especially. Besides that, they become a reference, service and support centre for the entrepreneurs and they encourages the receivers to has saving culture. This is when everytime the receivers pay the loans, they has been charges by TEKUN 5% as a savings. But at the ends, when they finished paying back their loan, that amount of savings would be returned to them. This is one of their roles in order to attract the interest from the societies especially among the adults.

### **4.2.2 : What do you think about the issue of TEKUN regarding biases to approve the loans ?**

**Officer 1 : *En. Roslan (TEKUN Nasional cawangan Satok)***

“There is no such things as what you asks. We will approve the loans when entrepreneurs apply for it. But, we don’t have full authority to approve the loans since the full authority is by the main branches in Kuala Lumpur”

## **Analysis 1 :**

Based on the answer provided by En. Roslan, there were no biases problems in approving the loans. But they does not have the authority to approve the loans. It is full authority by their main branches in Kuala Lumpur. And this is means that, how ever applied for TEKUN loans would be approves but based on their main branches and still the officers in branches need to get the information about the business conducted by the applicants in order to approved their loans.

**Officer 2 : *En. Iskandar (TEKUN cawangan Kota Samarahan)***

“We try to approve all the loans by the applicants. Plus, everyone can go applying TEKUN. We not bias approve the loans. We just refuse to approve the loans if the purpose does not meet the requirement. Because the main purpose of TEKUN loans is for business.”

**Analysis 2 :**

Based on the answers by En. Iskandar, they would approve all the applications by the entrepreneurs. But they would rejected the applications by those who not meet our requirements. This includes their purposes and their types of business. But for types of business only non halal business would be rejected.

## **CHAPTER 5: CONCLUSION AND RECOMMENDATION**

### **5.0 Introduction**

This chapter discussed on the key findings of this study regarding on the research objectives and how the findings answered the research questions. This chapter also contains the limitation of the study and the recommendations enhance future research.

### **5.1 Discussion**

From the result, TEKUN is really effective in order to help the entrepreneurs. The result of this study found that there is significant and positive relationship between estimated profit and the effectiveness of TEKUN. Means that, TEKUN can help entrepreneurs to raise their income that was getting from the business profit.

Although, there is no significant between level of education and type of business towards the effectiveness of TEKUN but it shows that the effectiveness of TEKUN does not influenced by that factors. It is because even the entrepreneurs had different level of education and different type of business, but TEKUN will approve their loan without care about those factors.

### **5.2 Implication of the study**

Based on the discussion in 5.1, the result to know how far the effectiveness of TEKUN towards the entrepreneur was evaluated through estimated profit, level of education and type of business. Although it's showed the result of effectiveness of TEKUN but, still role of TEKUN need to be improve regarding the duration to approve the loans that will be discussed in 5.4, recommendation.

### **5.3 Limitation of the study**

The result of the study clearly stated that TEKUN was really effective to the entrepreneurs. However, there are some limitation must be acknowledged by the reseachers. The following limitations were identified in the current study:

#### **5.3.1 Type of location**

The survey is limited to the type of location which the respondent only focused on the Kota Samarahan are used to because the difficulty in accessibility for the sample. Moreover, only a selected groups' beneficial to apply the result of this study because it's represented for certain groups and cannot be applied to general public. E.g: Tekun's Entrepreneur

#### **5.3.2 Honesty among the respondent**

The result of the study become limited when there is respondent who does not answered honestly especially the information about their business profit per month. It might because of the respondent were not comfortable to share about their personal information. So, they just answered randomly. This lead to limitation of the study.

#### **5.3.3 Limitation of data**

There is lack of other researchers do the study regarding of this topic. It has difficulties to refer some of the data to finish this study.

## **5.4 Recommendation**

### **5.4.1 Effort by TEKUN Officers**

TEKUN Officers need to improve their taking care of their entrepreneurs with going to the field, so they will know about the entrepreneurs problems such as giving up to continue their business. Some entrepreneurs were giving up their business because of they did not committed while doing their business or they want more profit but less effort. So, in this situation, TEKUN needs to encourage them to continue their business like giving them the right ways to conduct the business.

### **5.4.2 Shorten the time to approve loan**

TEKUN should shorten the time to approve loans with giving authority to the TEKUN's branches so that they also can approve the loans at least below RM10000. Currently, only main TEKUN at Kuala Lumpur can approve loan RM6000 and above. So, its take too much time to approve loan regarding all branches are waiting the approval from TEKUN at Kuala Lumpur.



**UNIVERSITI TEKNOLOGI MARA**

**Faculty of Administrative Science and Policy Studies**

**AM228**

*Fakulti Sains Pentadbiran dan Pengajian Polisi  
AM228*

**The Effectiveness of TEKUN Project towards the Entrepreneurs in Kuching, Sarawak**  
*Keberkesanan Projek TEKUN terhadap Usahawan di Kuching, Sarawak*

Dear Respondent,

The questionnaire survey aims to measure the effectiveness of TEKUN project towards the entrepreneurs in Kuching, Sarawak. You are invited to answer this questionnaire and your participation is totally voluntary. This is an anonymous survey where your responses will not be individually identified. This feedback will help us to identify the effectiveness of TEKUN project. Please do your best to complete this survey in an honest and open manner with as much detail and explanation as possible. Your responses will be kept confidential.

Your kind co-operation is very much appreciated. Thank you.

*Kepada Responden,*

*Soal selidik kajian ini bertujuan untuk mengukur Keberkesanan Projek TEKUN terhadap Usahawan di Kuching, Sarawak. Anda diminta untuk menjawab soal selidik ini dan penglibatan anda adalah sukarela. Kajian ini tidak memerlukan nama anda dan identiti anda tidak diketahui. Maklum balas ini akan menolong kami untuk mengenal pasti keberkesanan projek TEKUN. Mohon jasa baik anda untuk menyiapkan kajian ini secara jujur dan terbuka dengan ketelitian dan penerangan jika boleh. Maklum balas anda akan dirahsiakan. Kerjasama daripada anda amatlah dihargai. Terima kasih.*

**Fadzrina Anizan binti Misli ( 016 – 5792359 )**

**Nor Fazreen binti Mohamad Eddie ( 016 – 5772920 )**

**Part A/ Bahagian A**

**Demographic Variable**

(Please tick  at the appropriate box or fill in the relevant information about yourself in Part A and Part B/ Sila tandakan  pada ruangan yang disediakan atau isikan maklumat yang berkaitan dengan diri anda pada Bahagian A dan Bahagian B)

<p><b>1. Gender / Jantina :</b></p> <p>Male / <i>Lelaki</i> <input type="checkbox"/></p> <p>Female / <i>Perempuan</i> <input type="checkbox"/></p> <p><b>2. Marital status / Status Perkahwinan</b></p> <p>Single / <i>Bujang</i> <input type="checkbox"/></p> <p>Married / <i>Berkahwin</i> <input type="checkbox"/></p> <p>Single mothers/father / <i>Duda/Janda</i> <input type="checkbox"/></p> <p>Divorced / <i>Bercerai</i> <input type="checkbox"/></p>	<p><b>4. Race/ Bangsa :</b></p> <p>Malay / <i>Melayu</i> <input type="checkbox"/></p> <p>Ibanese / <i>Iban</i> <input type="checkbox"/></p> <p>Chinese / <i>Cina</i> <input type="checkbox"/></p> <p>Bidayuh <input type="checkbox"/></p> <p>Others / <i>Lain-lain</i> <input type="checkbox"/></p>	<p><b>6. Place of residence/ Tempat tinggal :</b></p> <p>Urban / <i>Bandar</i> <input type="checkbox"/></p> <p>Sub-urban/ <i>Daerah</i> <input type="checkbox"/></p> <p>Rural / <i>Pedalaman</i> <input type="checkbox"/></p>
<p><b>3. Age (year) / Umur :</b></p> <p>20 and below/ <i>20 dan ke bawah</i> <input type="checkbox"/></p> <p>21 - 30 <input type="checkbox"/></p> <p>31 - 40 <input type="checkbox"/></p> <p>41 - 50 <input type="checkbox"/></p> <p>51 - 60 <input type="checkbox"/></p> <p>61 and above/ <i>61 dan ke atas</i> <input type="checkbox"/></p>	<p><b>5. Level of education/ Tahap Akademik :</b></p> <p>Below SPM/ <i>Bawah SPM</i> <input type="checkbox"/></p> <p>SPM <input type="checkbox"/></p> <p>STPM/Diploma <input type="checkbox"/></p> <p>Degree/ <i>Ijazah</i> <input type="checkbox"/></p> <p>Postgraduate/ <i>Lepasan Ijazah</i> <input type="checkbox"/></p> <p>Professional / <i>Profesional</i> <input type="checkbox"/></p>	

**Part B/ Bahagian B**

**A) Independent Variable**

<p><b>a) Living Standard/ <i>Taraf Hidup</i></b></p> <p><b>1. Household size/ <i>Bilangan isi rumah :</i></b></p> <p>2 and below/ <i>2 dan ke bawah</i> <input type="checkbox"/></p> <p>3 – 5 <input type="checkbox"/></p> <p>6 – 8 <input type="checkbox"/></p> <p>9 and above/ <i>9 dan ke atas</i> <input type="checkbox"/></p> <p><b>2. Starting year of your business / <i>Tahun bermulanya bisnes anda:</i></b></p> <p>1981 – 1987 <input type="checkbox"/></p> <p>1988 – 1994 <input type="checkbox"/></p> <p>1995 – 2001 <input type="checkbox"/></p> <p>2002 – 2008 <input type="checkbox"/></p> <p>2009 - 2015 <input type="checkbox"/></p> <p><b>3. Did your business premise are on your current address?/ <i>Adakah premis perniagaan anda terletak di kawasan tempat tinggal anda ?</i></b></p> <p>Yes / Ya <input type="checkbox"/></p> <p>No / Tidak <input type="checkbox"/></p>	<p><b>b) Work Opportunities/ <i>Peluang Pekerjaan</i></b></p> <p><b>4. What are your purposes involving in business?/ <i>Apakah tujuan anda menceburi diri dalam bisnes?</i></b></p> <p>Interest / <i>Minat</i> <input type="checkbox"/></p> <p>Family heritage / <i>Warisan keluarga</i> <input type="checkbox"/></p> <p>Profit / <i>Keuntungan</i> <input type="checkbox"/></p> <p>Others / <i>Lain-lain</i> <input type="checkbox"/></p> <p><b>5. Do you will hire permanent / temporary worker?/ <i>Adakah anda mengambil pekerja tetap/ pekerja sambilan?</i></b></p> <p>Permanent worker/ <i>Pekerja tetap</i> <input type="checkbox"/></p> <p>Temporary worker/ <i>Pekerja sambilan</i> <input type="checkbox"/></p> <p><b>6. Based on the question 5, who are your employee?/ <i>Berdasarkan soalan 5, siapakah pekerja anda?</i></b></p> <p>Family members/Relatives <i>Ahli keluarga/Saudara mara</i> <input type="checkbox"/></p> <p>Others/Business partner <i>Lain-lain/Rakan Bisnes</i> <input type="checkbox"/></p> <p>Not hiring any employee/ <i>Tidak mengambil pekerja</i> <input type="checkbox"/></p>	<p><b>7. Did you have attended any course or skills of business? / <i>Adakah anda pernah menghadiri sebarang kursus atau kemahiran perniagaan?</i></b></p> <p>Yes / Ya <input type="checkbox"/></p> <p>No / Tidak <input type="checkbox"/></p> <p><b>8. Based on question 7, if No, did you need any course or training that can improve your skills? / <i>Berdasarkan soalan 7, jika Tidak, adakah anda memerlukan sebarang kursus atau latihan yang boleh meningkatkan kemahiran anda?</i></b></p> <p>Yes / Ya <input type="checkbox"/></p> <p>No / Tidak <input type="checkbox"/></p> <p><b>c) Increase Income/ <i>Pendapatan meningkat</i></b></p> <p><b>9. The place of your business/ <i>Lokasi perniagaan anda.</i></b></p> <p>House/ <i>Rumah</i> <input type="checkbox"/></p> <p>Franchise/ <i>Francais</i> <input type="checkbox"/></p> <p>Stall/ <i>Gerai</i> <input type="checkbox"/></p> <p>Shop lot/ <i>Lot Kedai</i> <input type="checkbox"/></p>
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<p><b>10. Are you permanently doing your business?</b> / Adakah anda menjalankan bisnes secara tetap?</p> <p>Yes/ Ya <input type="checkbox"/></p> <p>No/ Tidak <input type="checkbox"/></p>	<p><b>13. Do you also getting loan with others alternative or from other agencies?!</b> / Adakah anda mendapat pinjaman dengan cara lain atau dari agensi lain?</p> <p>No/ Tidak <input type="checkbox"/></p> <p>Personal saving/ Simpanan sendiri <input type="checkbox"/></p> <p>Loan from bank/ Pinjaman dari bank <input type="checkbox"/></p> <p>Loan from relatives/ Pinjaman dari saudara- mara <input type="checkbox"/></p> <p>Others/ Lain-lain <input type="checkbox"/></p>	<p><b>16. Why do you choose TEKUN rather than other borrowers?</b> / Mengapakah anda memilih TEKUN berbanding pinjaman yang lain?</p> <p>Does not getting approval from other agencies. / Tidak mendapat kelulusan daripada agensi lain. <input type="checkbox"/></p> <p>Other agencies does not gave the enough money./ Agensi lain tidak memberikan wang yang mencukupi. <input type="checkbox"/></p> <p>Knows about the effectiveness of TEKUN./ Mengetahui tentang keberkesanan TEKUN. <input type="checkbox"/></p> <p>Easy to pay back. / Bayaran balik yang mudah. <input type="checkbox"/></p>
<p><b>11. Did you use your loan totally for business?</b> / Adakah anda menggunakan duit pinjaman yang sepenuhnya untuk perniagaan?</p> <p>Yes / Ya <input type="checkbox"/></p> <p>No / Tidak <input type="checkbox"/></p>	<p><b>e) Trustworthy from Society/ Kepercayaan daripada masyarakat</b></p> <p><b>14. How do you know about TEKUN?</b> / Bagaimana anda mengetahui tentang TEKUN?</p> <p>Family/ Keluarga <input type="checkbox"/></p> <p>Friends/ Rakan-rakan <input type="checkbox"/></p> <p>Mass Media/ Media masa <input type="checkbox"/></p> <p>Government agencies/ Agensi Kerajaan <input type="checkbox"/></p> <p>Others/ Lain-lain <input type="checkbox"/></p>	
<p><b>d) Increase in Nation Economic Growth/ Peningkatan dalam Tumbesaran Ekonomi.</b></p> <p><b>12. The type of your business/ Jenis bisnes anda:</b></p> <p>Sew/ Jahitan <input type="checkbox"/></p> <p>Cosmetic and health Product/ Barangan kecantikan dan kesihatan <input type="checkbox"/></p> <p>Food / Fruit/ Vegetable Makanan/ Buah-buahan/ Sayur-sayuran <input type="checkbox"/></p> <p>Retail Shop/ Kedai runcit <input type="checkbox"/></p> <p>Others/ Lain-lain <input type="checkbox"/></p>	<p><b>15. Did you only depend on TEKUN?!</b> / Adakah anda hanya bergantung pada TEKUN?</p> <p>Yes/ Ya <input type="checkbox"/></p> <p>No/ Tidak <input type="checkbox"/></p>	

**Part B/ Bahagian B**

**B) Dependent Variable**

<b>17. The estimated profit that are collected per month/ Keuntungan ramalan yang diperolehi pada setiap bulan.</b>	
Below RM100/ <i>Bawah RM100</i>	<input type="checkbox"/>
RM200-RM500	<input type="checkbox"/>
RM600-RM900	<input type="checkbox"/>
Above RM1000 <i>Atas RM1000</i>	<input type="checkbox"/>
<b>18. The total of loan/ Jumlah pinjaman</b>	
RM1000 – RM5000	<input type="checkbox"/>
RM6000 – RM10000	<input type="checkbox"/>
RM11000 – RM15000	<input type="checkbox"/>
RM16000 – RM20000	<input type="checkbox"/>
RM21000 – RM25000	<input type="checkbox"/>
RM26000 – RM30000	<input type="checkbox"/>
RM31000 – RM35000	<input type="checkbox"/>
RM36000 – RM40000	<input type="checkbox"/>
RM41000 – RM45000	<input type="checkbox"/>
RM46000 – RM50000	<input type="checkbox"/>

**Part C/ Bahagian C**  
**Open-ended question**

Instruction: Please tick  in one box only.

*Arahan : Sila tandakan  pada satu ruangan kotak sahaja.*

**19. Since you had loaned from TEKUN, did you had faced some problem?**

*/ Sepanjang anda meminjam pinjaman dari TEKUN, adakah anda ada menghadapi sebarang masalah?*

Problem/ Masalah :

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Suggestion / Problem solving *Cadangan / Penyelesaian masalah:*

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Surat Kami : 100-UiTMKS2 (HEA. 30/7)(107)  
Tarikh : 20 April 2015

TEKUN NATIONAL SARAWAK

Tuan/Puan,

**PENGESAHAN SEBAGAI PELAJAR UNIVERSITI TEKNOLOGI MARA**

Dengan segala hormatnya perkara di atas adalah dirujuk.

2. Adalah ini disahkan bahawa pelajar di bawah merupakan pelajar Program **Sarjana Muda Sains Pentadbiran (K)** dan sedang menyiapkan kerja kursus **ADS555 (Applied Research Project)**.

NAMA PELAJAR	NO. PELAJAR	NO. KAD PENGENALAN	TAJUK PROJEK	PENSYARAH PENYELIA
Fadzrina Anizan Binti Mislil	2012455036	920612-13-5486	The Effectiveness Of TEKUN Projects Towards The Entrepreneurs	Left Kol Saiful Anwar Mohd Ali / 014-8624007
Nor Fazreen Binti Mohd Eddie	2012267572	920602-13-5466		

Sekian, terima kasih.

**"BERSATU BERUSAHA BERBAKTI"**

Yang benar



**BAIZURA BINTI IBRAHIM**  
Pegawai Eksekutif  
Bahagian Hal Ehwal Akademik  
bp Rektor

/nm



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