



# **Entrepreneurial Competencies and Performance of Informal Micro-Enterprises in Malaysia**

Abdullah Al- Mamun, Senior Lecturer, Faculty of Entrepreneurship and Business,  
Universiti Malaysia Kelantan, Malaysia

Noorshella Binti Che Nawawi, Senior Lecturer, Faculty of Entrepreneurship and Business,  
Universiti Malaysia Kelantan, Malaysia

Perasna A/P Subramaniam, Student, Faculty of Entrepreneurship and Business,  
Universiti Malaysia Kelantan, Malaysia

Noor Raihani Binti Zainol, Lecturer, Faculty of Entrepreneurship and Business,  
Universiti Malaysia Kelantan, Malaysia

# Introduction

- An informal economy consists of economic activities that occur outside of the formal institutional boundaries.
- informal economy is characterized by low entrance requirements in terms of capital and qualified workers, small scale operations, and labor intensive methods of production and technology.
- Often, informal businesses are small and family-run or run by a single entrepreneur.

# Informal Micro-Enterprise

- In Malaysia, informal traders are not registered with Companies Commission of Malaysia (*Suruhanjaya Syarikat Malaysia*), as they do not have any permanent business premises.
- Informal traders registered with the local municipal council (i.e., *Majlis Perbandaran, Kota Bharu*), where they pay RM20-RM36 per year depends on where they located their business.
- Informal traders in Malaysia also have to pay RM3-RM5 daily to local municipal council for cleaning the business premises.

# Informal Micro-Enterprise

- In developing countries, a significant proportion of workers from low-income households being involved in informal economic activities (Naik, 2009; Sibal, 2007)
- In Malaysia, the total workforce in 2013 was 13.2 million; among them, 1.3 million (9.7%) were involved in the informal sector (Department of Statistics Malaysia, 2013)
- Among them, 0.8 million (814,700 people) are from urban areas.

# Characteristics of Informal Micro-Entrepreneurs

- In terms of the age groups, the 40-44 age group (180,000 person) and the 45-49 age group (178.400 person) were the main group in the informal economy.
- 817, 200 persons with secondary education represented the highest group of those involved in this sector
- Selangor recorded the highest percentage of employment in the informal sector (15.2%), followed by Johor (11.8%)

# Characteristics of Informal Micro-Entrepreneurs

**Characteristics:** Low income, underprivileged group, economically vulnerable, unskilled labors, lack of access to formal financial resources

To Improve the Socio-Economic Condition of the low-income informal micro-entrepreneurs, Policies should focus of providing access to **Specialized Financial Resources** and **Entrepreneurial Training Programs**

Examining the effect of entrepreneurial traits and competencies on performance is crucial for designing an effective Entrepreneurial Training Programs for low-income informal micro-entrepreneurs

# Entrepreneurial Traits & Competencies

- *Risk Taking Propensity* - risk-taking refers to someone who is involved in a certain situation that is either good or harmful, hoping that at the end of it, she/he can get a positive result.
- *Need for Achievement* – represents need for survival, which was found to be higher among small business owners while assessing their entrepreneurial orientation (Sagie and Elizur, 1999)

# Entrepreneurial Traits & Competencies

- *Experiences* – involved in entrepreneurial activities
- *Self-Efficacy* - refers to the strength of a person's belief that she/he is capable of successfully performing the various roles and tasks of entrepreneurship in either the formal or informal economy sector.



# Research Methodology

- This study uses a cross-sectional design to examine the effect of entrepreneurial competencies on the performance of micro-enterprises operating in an informal economy in Kelantan, Malaysia.
- Used convenience sampling method and collected data from the 'night markets' (*pasar malam*) where most of the informal micro-entrepreneurs operate. Data was collected from 197 selected micro-entrepreneurs.

# Respondents' Demographic Characteristics

<i>Gender</i>	n	%
Male	99	50.3%
Female	98	49.7%
Total	197	100%

<i>Race</i>	n	%
Malay	120	60.9%
Chinese	60	30.5%
Indian	4	2.0%
Others	13	6.6%
Total	197	100%

<i>Work Experience</i>	n	%
Yes	122	61.9%
No	75	38.1
Total	197	100%

<i>Financial Support</i>	n	%
Yes	92	46.7
No	104	52.8
Total	197	100%

<i>Age</i>	n	%
Below 25 years	66	22.3%
25 to 29 years	62	31.5%
30 – 34 years	44	22.3%
35 years and above	47	23.9%
Total	197	100%

<i>Marital Status</i>	n	%
Single	69	35.0%
Married	98	49.74%
Divorce	15	7.6%
Widow	15	7.6%
Total	197	100%

<i>Educational Level</i>	n	%
UPSR	13	6.6%
PMR	35	17.3%
SPM	103	52.2%
STPM and above	46	23.4%
Total	197	100%

# Descriptive and reliability measures

	Number of Items	Descriptive		Reliability		
		Mean	S. Deviation	CA	CI	AVE
RTP	3	3.8680	0.78069	0.673	0.812	0.594
NFA	3	3.7733	0.76222	0.700	0.832	0.623
SEF	5	3.5635	0.67573	0.781	0.850	0.531
EXP	6	4.3477	0.71404	0.895	0.917	0.650
MEP	3	3.7936	0.75234	0.649	0.802	0.578

RTP: Risk-Taking Propensity; NFA: Need for Achievement; SEF: Self-Efficacy; EXP: Experience; MEP: Micro-Enterprise Performance; CA: Cronbach's Alpha, CI: Composite Reliability; AVE: Average Variance Extracted

**Cronbach's Alpha for all items are more than 0.6; therefore, considered reliable**

**Composite reliability for all items is higher than 0.7; therefore, considered reliable.**

**Average Variance Extracted value for all items is more than 0.5, which indicates sufficient convergent validity**

	RTP	NFA	SEF	EXP	MEP
RTP – Q1	0.895	0.118	0.206	0.130	0.298
RTP – Q2	0.693	0.061	0.065	0.176	0.137
RTP – Q3	0.707	0.011	0.094	0.147	0.170
NFA – Q1	0.107	0.788	0.126	0.160	0.117
NFA – Q2	-0.008	0.757	0.043	0.089	0.129
NFA – Q3	0.118	0.822	0.212	0.275	0.156
SEF – Q1	0.085	0.100	0.740	0.129	0.245
SEF – Q2	0.147	0.128	0.729	0.024	0.263
SEF – Q3	0.163	0.102	0.711	0.188	0.196
SEF – Q4	0.140	0.206	0.728	0.045	0.247
SEF – Q5	0.122	0.060	0.736	0.017	0.207
EXP – Q1	0.097	0.135	0.150	0.633	0.044
EXP – Q2	0.164	0.274	0.062	0.872	0.091
EXP – Q3	0.139	0.113	0.008	0.785	0.071
EXP – Q4	0.116	0.148	0.100	0.773	0.048
EXP – Q5	0.154	0.236	0.098	0.870	0.109
EXP – Q6	0.177	0.174	0.113	0.876	0.141
MEP – Q1	0.303	0.202	0.266	0.181	0.834
MEP – Q2	0.178	0.144	0.242	0.002	0.781
MEP – Q3	0.116	-0.015	0.226	0.044	0.653
<i>Fornell-Larcker Criterion</i>					
RTP	0.771				
NFA	0.009	0.789			
SEF	0.179	0.168	0.729		
EXP	0.182	0.230	0.106	0.806	
MEP	0.283	0.172	0.321	0.118	0.760
<i>Heterotrait-Monotrait Ratio (HTMT)</i>					
RTP					
NFA	0.114				
SEF	0.218	0.211			
EXP	0.238	0.138	0.138		
MEP	0.352	0.212	0.444	0.112	

Outer model loading and cross loading

The cross-loading values are below the outer loadings, which suggest good discriminant validity.

The Fornell–Larcker criterion in Table 2 is largely unable to detect a lack of discriminant validity.

Using a value of 0.9 as the threshold, this study concluded that there is no evidence of a lack of discriminant validity.

# Path Coefficients



	Path Coefficient	t	p	r <sup>2</sup>	f <sup>2</sup>	Q <sup>2</sup>	q <sup>2</sup>
RTP → MEP	0.222	3.218	0.001		0.055		0.025
NFA → MEP	0.101	1.335	0.091		0.011		0.004
SEF → MEP	0.262	3.619	0.000	0.167	0.078	0.078	0.048
EXP → MEP	0.027	0.354	0.362		0.001		0.001

The path coefficient between micro-entrepreneurs' 'self-efficacy' and 'risk-taking propensity' has a significant (at 5% level of significance) positive effect on their informal micro-enterprise performance in Malaysia.

The informal micro-entrepreneurs' self-efficacy and ability to take risks in order to take advantage of short-term income-generating opportunities can therefore be considered as one of the key determinants of their success.

# Conclusion

- Findings of this study revealed that risk-taking propensity, need for achievement, self-efficacy, and experience have a positive effect on informal micro-enterprise performance.
- Development programs and policies should, therefore, focus on increasing low-income informal micro-entrepreneurs' self-efficacy and ability to take risks to take advantage of all the income-generating opportunities available to them, which would ultimately lead to an improvement in the socio-economic conditions of low-income households in Malaysia.



**Thank You**

