FACILITIES AND BUREAUCRATIC PROCESS OF MALAYSIAN LOCAL AUTHORITIES INFLUENCED ON MICRO ENTERPRISES BUSINESS PERFORMANCE

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ABSTRACT

In this paper, the researcher will determine how the local authorities influence on Micro Enterprises (MEs) business performance in term of providing facilities and bureaucratic process which plays an important role for the enhancement and development of Malaysian MEs. In addition, the integration of the existing business support by government through its agencies in Malaysia could create a cohesive environment for supporting MEs business growth. This study had used 457 completed and returned questionnaires by MEs from northern region of Malaysia. The findings have indicated that bureaucratic process has no significant relationship on MEs business performance. However, facilities do had a significant influence on MEs business performance. This might be because MEs, they themselves do not really concern about bureaucratic process of local authority. On the other hands, what more matters for MEs is to what extend the facilities as well as infrastructure provided by local authority for customers accessing to the business area, customer's comfortability and attractive environment that could enhance their business operations.

Keywords: Local Authority, MEs, Bureaucratic Process and Facilities.

Introduction

Malaysian MEs have been at the forefront of local economic development, even before the country achieved independence in 1957. What is different now is the development of a serious and concerted Master-plan to ensure the success of the sector (Kannan, 2013). A large body of literature has acknowledged that MEs play significant roles in Malaysian economic development (Abd Razak, Wan Fauziah, Noor & Ahmad Kaseri, 2012; Abebe, 2014; Bennet, 2007; Heimonen, 2012; Jamak, et al., 2014). In Malaysia, SMEs represent 97.3% or 645,136 of the total establishments in five key economic sectors, namely manufacturing, services, agriculture, construction and mining & quarrying. Overall micro enterprises provide (36.5%) 1,366,838 employement. Malaysian micro enterprises represent 77%, small represents 20% and medium represents just 3 %. In addition,

Kedah represent 5.8 % among the total distribution of SMEs by State (Department of Statistics, Malaysia (DOSM) Economic Census, 2011; SME Corp. Malaysia, 2016). In terms of location, the majority of MEs located on the west coast of Peninsular Malaysia are concentrated in the Central Region (Federal Territory Kuala Lumpur and Selangor), which accounts for 32.6 %, followed by the states of Johor (10.7 %), Perak (7.3%), Perlis (9.3%) and etc.

Considering the significant roles of MEs in economic growth, the Government of Malaysia has provided numerous business support services through various agencies to support MEs' activities (National SME Development Council, 2013). Up until now, billions of Ringgits have been spent under various programmes with the aim of supporting the business growth of MEs. Thaker and Mohammed, (2015), informed that Malaysian government launched several programs and schemes to boost SMEs activities at federal, state and local level and their contributions to the development of the country, but, the influence of these programs, initiatives and schemes are yet to be felt. The government is helping MEs through various institutions at national, state and local level. These institutions are providing various facilities such as financial services, training, marketing, business management and administration etc.

Despite of so many initiatives MEs are still facing critical challenges and difficulties to start-up their business and grow their micro businesses locally. MEs survival is an important element for economy. MEs in Malaysia face critical challenges becase of limited access to financie, risk, limited skills, knowledge and experience in business (Selamat, Razak, Gapor, & Sanusi, 2011). Together with many other problems local authority roles is deeply missed in delivering adequate facilities to MEs. The local authority in Malaysia is the lowest level of government in Malaysia administered under the states and federal territories which in turn are beneath the federal tier. The local authority collects tax and revenue by assessment rates (licences & rentals), government grants (inclusive of road grants), car parking charges, planning fees, compounds (fines & interests) and loan from higher level of government or financial institutions (Shah, 2007). In return according to Local government Act (171), they provide services such as housing and town planning, transport, environment and public sanitation, culture leisure and sports (theatres & concerts, parks, religious facilities etc), and utilities (gas services). Local authority should play an important role in providing facilities to boost the MEs business operations through providing facilities (car parking, street lights, foot-paths, toilet, severage and etc). This will add value to MEs business by helping customers to be more convenient. This paper is focus on the role of local authority's initiatives in supporting the performance of MEs. This paper will examining the influence of local authority's facilities and bureaucy on MEs performance and hurdles and problems faced by MEs in Kedah in performing their businesses.

Problem Statement

Globally the opportunities for MEs are becoming tight and other economic attributes are also not as that much favorable. In the due course, it is very significant to note that the difficulties, challenges and problems faced specifically by MEs today required to be seriously considered. It is also needed to clear their objective towards recognition of success, business growth and help them to effectively avail their business opportunities (Teoh & Chong, 2007). On the other hand, the state and federal government are too remote for operating at local level as geographically, psychologically and socially they are distant. However, local authority plays an important role and it is operative in a centralized political system that does very limited in term of appreciating autonomy or public participation at the local level (Nooi, 2008). Local Authorities (LAs) are solely answerable for the supplying of services and goods for at local status. The productivity of the LAs is a big concern as to make sure that these administrative bodies are able to meet the ever changing demands from communities and higher level of urban services. In the context of Malaysia, there is a rapid change of business environment, demographics and events. In this situation the role of LAs becomes crucial and important, as they are a significant component of developing economies and it contributes importantly to enable above average lifestyle of MEs owners in local communities. The LA helps to meet interest and needs of MEs are necessary not just gives consultation. There is a need to address the local authority's effectiveness and its impact on MEs because social problems required inter-agency and community partnership. In addition, social problems cut across disciplines and increase of globalization need the LAs to think globally and act locally (GLOCAL concept) in order to tackle local social problems (Chesterman & Horne, 2002).

Currently there is a need to address effectiveness of LAs in term of providing efficient and sufficient services to make sure it fit with current policies, bureaucracy, and at the same time empowering are completely neglected in previous research (Ayal & Karras, 1996; Brackertz, 2006; Chesterman & Horne, 2002; Innocent, Charles, & Government, 2010). This paper will try to identify the importance of LAs services towards enhancing MEs in performing their business activities locally. Nooi (2008) have revealed that there are criticisms over delays, weak enforcement, poor attitudes and arrogance of LAs in facilitating the MEs needs and requirements. Now the question is:

Does the LAs is providing better facilities to rural and urban areas and focus on effective management? Is the bureaucratic process is easy and comfortable for the micro enterprises?

Currently the most urgent challenge for LAs is to help the less and incapable owners of MEs to face the economic and social challenges nowadays. More importantly there is a need to look at how LAs could provide better services towards MEs owners. In order to promote local economic development and social development for Malaysian economic growth, how and what are the important roles of LAs to facilitate the MEs owners? Thus, MEs can also be benefited from these developments (Noya, Padoan, Arzeni, Potter, & Lunati, 2010).

The gap has been identified between supply and demand in service delivery of local authorities' towards MEs owners. As Nooi (2008) have indicated that there is need for more effective and efficient provision of services by local government to MEs, whereby sometimes they having are difficulties to compete on a daily basis. MEs have their own operational difficulties at local level. However, lacking of LAs facilities and planning disable them to be more opportunistic, creative, incubate better ideas, and have higher survival chances (Coplin, 2002).

In addition, physical infrastructure and location is another very important issue. Most MEs are operating in small premises by the road sides, and some in the city centers without proper facilities such as parking spaces, street lights, drainage and etc. It is observed that these MEs are being neglected without proper basic facilities and planning by local authority representatives (Brackertz, 2006; Havenga, 2002; Nooi, 2008; Yilmaz, Beris, & Serrano-berthet, 2008).

To fill the above gaps, this paper therefore aims to provide a holistic view of factors influencing the performance of MEs through a comprehensive review of literature available on roles of LAs in assisting the local MEs. Therefore, this paper has identified two factors, namely, bureaucracy and facilities. From the practical point of view, it serves as self-check to current MEs and a better understanding of the business performance's determinants in today's competitive environment.

Research Objectives

The main objective of this paper is to determine the relationship between bureaucracy and ficilities provided by LAs with Malaysian MEs business performance.

Literature Review

MEs are a vibrant and rising sector in most economies globally (Levy et al, 2005; Asghar et al., 2011). In Malaysia, the role of MEs in the economic and social development is in the developing stages. Particularly, in the local context they are limited and government is deviating from its complicated bureaucracy and facilities for economic growth.

LOCAL AUTHORITIES (LAs): Local authority is an authority body or organization which is acting on behalf of government at local community or council to provide effective planning, facilities, infrastructure, and assistance to the needy, in this case, MEs. Of course, the LAs have so many tasks and resonsiblilities but in this case it refers to facilitate the local MEs.

PERFORMANCE OF ME's: Performance of MEs is basically based on their efficient performance demonstration of performing or doing something in the most effective ways by utilizing information as well as available resources within the organization. Nevertheless, performance looks to be operationalized, conceptualized and measured in distinctive ways (Srinivasan et al., 1994). In this case, the operationalized been defined in term of business performance such as sustainability, survivality, profitability, and developing employee's expertise (Lerner, Brush, &Hisrich, 1997). However, Thibault et al. (2002) proposed that individual elements, demographic variable and business elements, measure of financing, utilization of technology, experience of business, working area, business structure and number of full time workers as significant factors in examining business performance. On the other hand, Box et al. (1995) recommended that there are 4 components which have positive association with the business performance, that is, past experience as an individual from an entrepreneurial administration team, number of past begins, age and filtering intensity.

BUREAUCRACY: Gajduschek (2003) defined bureaucracy as "a body of non-elective government officials" and/or "an administrative policy-making group". Extensive and bureaucratic authoritative procedures posture eminent difficulties to the administration of organizations in Malaysia. Blau & Scott (1962) furthered clarify administration as an authoritative assignment which are appropriated among the different positions as official obligations. A formally settled arrangement of guidelines and regulations represent official choices and activities. Authorities are relied upon to accept an unoriginal introduction in their contacts with customers. Through the representatives system in local government, democracy gives opportunities for the citizen to participate in local issues especially in term of development project and socioeconomic. When we talk about government, we talk about bureaucracy and when we talk about bureaucracy we cannot avoid problems like red-tap, delayed in revenue collection, insufficient tax and so on. The aim of this study is to measure bureaucracy and investigate how it is negatively related to MEs business performance.

On the other hand (Onugu, 2005) concluded that problem of SMEs is in diminishing request of force incorporate government policy irregularities and bureaucracy. Bureaucratic bottlenecks and governance inefficiency of incentives as well as bolster facilities given by the government dramatically impact MEs operations.

Bureaucracy is an administrative system or process or documentation that should be completed and returned to LAs or any government agencies that should be complied by the MEs in order for them to operates without fear by having proper documentation as well as approval from the authority bodies, such as LAs in this case. This will enable them to operate their business without any interference from any regulatory bodies. Therefore this paper hypothesized as:

H1 : There is a significant relationship between bureaucracy and performance of MEs.

FACILITIES: The administration of LAs falls under the jurisdiction of the State Governments. In its ability as a local government, LAs, perform an extensive variety of roles. LAs are the supplier of different urban administration services; the

approved parties in the detailing of local and structural plan; stimulus for economic and social advancement; overseer of urban environment assurance and cleanliness; and tax and revenue collecting authorities. A local authority, occasionally also known as a municipal authority, is a term that known to a provincial and urban political subdivision underneath the national level which is constituted by law and has considerable control of local affairs and which incorporates authorities in counties, rural, urban, towns and others communities. The term excludes region or provincial subdivisions of the national government that are situated up exclusively for national regulatory purposes (Havenga, 2002). LAs are made to render services in characterized geographical ares, essentially in view of the powerlessness of central government to attend in depth to all interest of society that must be fulfilled by an administration foundation or local governances.

The scope of urban administrations given by local authorities in developing and growing countries, more especially in Malaysia, are, parks, road cleaning, sanitation, street construction, maintenance and development and housing, water and sewerage, basic education, medical facilities, industrial and residential estates, zoning and planning, fire, rescue and ambulance vehicle services, sites for camping and recreational services (Meyer, 1978; Havenga, 2002). In performing their multi-faceted capacities, the LAs get their revenues from different sources, including taxation, licensing charges, leases, revenue from trade, income from property, undertakings, assessment and revenue generated from state and federal governments (Ahmad Kamaruddin, 1999).

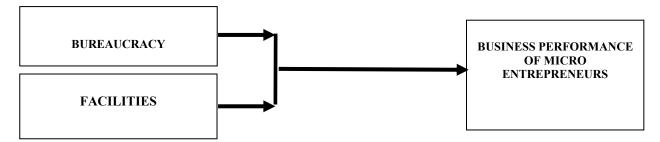
As local authority plays an important role to fulfill those prospects, in line with Malaysian government's bureaucracy and policy to bring quality to the lower levels of the governance and empowering small and medium enterprises towards their successful operations. There is a rapid need to creating a strong and excellent local authority, which will indirectly benefit MEs. Thus, how LAs providing facilities could enhance the MEs business performance? In order to get the answer, therefore, this paper hypothesized as:

H2 : There is a significant relationship between of facilities provided by local authorities and performance of MEs.

Conceptual Framework

The above discussion leads to creating of the conceptual framework shown below (Figure 1.1)

Figure 1 Conceptual Framework



Methodology

The data was collected from the MEs owners of Kedah whom are willing or intending to grow their business locally as our unit of analysis. The total population frame was 72,736 MEs owners with licensed from local authority. Mendenhall et al. (1993) estimation formula, therefore, the required sample was 382. However, a total of 457 questionnaires were completed and returned for data analysis purposes using SPSS version 20.0 and Smart PLS 2 software. In order to ensure an equal distribution of local MEs in the Malaysian northern region, a purposive stratified sampling technique was used.

Analysis And Findings

MEASUREMENT MODEL: The acceptable value of Average Variance Extracted (AVE) is greater than 0.5 since value of AVE measures the amount of variance that each construct captures from its indicators due to measurement errors. Results show that each AVE value was accepted since it ranges from 0.493 to 0.582. Figure 2 and 3 is showing measurement model with actual items and deleted items with AVE below 0.5.

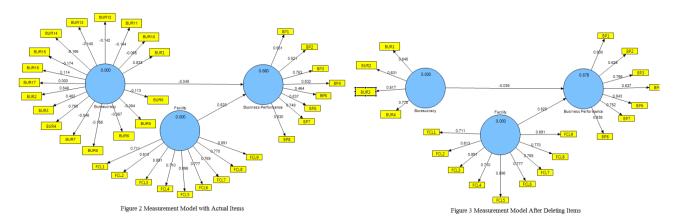


Table 1 indicating the Composite reliability (CR) of all constructs are above 0.7, which is an acceptable benchmark. The value of Cronbach alpha for all constructs is 0.7. Meanwhile, R² value is 67.7% variance for business performance. This shows that bureaucracy and facilities factors provided by Malaysian local authority northern region are relevant.

Table 1: Finding of Measurement Model

	Bureaucracy	Business Performance	AVE	Cronbach's Alpha	Composite Reliability	\mathbb{R}^2
Business Performance	BP1	0.929891	0.584932	0.874974	0.905621	0.67767
	BP2	0.525611				
	BP3	0.755802				
	BP4	0.636636				
	BP6	0.843467				
	BP7	0.752267				
	BP8	0.836465				
Bureaucracy	BUR1	0.845348	0.493142	0.716121	0.790171	
	BUR2	0.631355				
	BUR3	0.516917				
	BUR4	0.769509				
Facility	FCL1	0.710557	0.58292	0.908829	0.925469	
	FCL2	0.613036				
	FCL3	0.890603				
	FCL4	0.710423				
	FCL5	0.895714				
	FCL6	0.777071				
	FCL7	0.769039				
	FCL8	0.770244				
	FCL9	0.69055				

STRUCTURAL MODEL: Table 2 shows the results of the hypotheses testing for direct relationships between bureaucracy and facilities with the business performance. It shows that only facility have significant influence on ME's business performance (T: 2.86). Meanwhile Figure 4 shows the structural model in more details and precise.

Table 2: Finding of Structural Model

Hypothesis	Relationship	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	Standard Error (STERR)	T Statistics (O/STERR)	Findings
Hypothesis #1	Bureaucracy -> Business Performance	-0.038539	-0.282399	0.171734	0.171734	0.224412	Rejected
Hypothesis #2	Facility -> Business Performance	0.819531	0.463354	0.285692	0.285692	2.86858**	Accepted

^{**}Two Tail (T> 1.96).

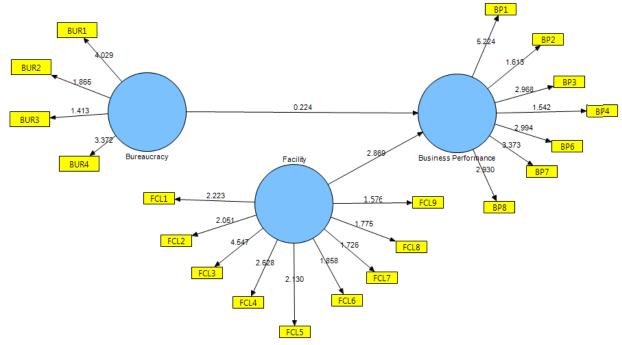


Figure 4 Structural Model

Discussion And Implication

This paper has noteworthy implications for government agencies and MEs in that scenario of limited facilities provided by local authority, which is an important factor when seeking to improve enterprise performance. This paper is further pondering on other avenues which could help the local authorities to improve their bureaucratic role and delivering relevant facilities. Local authority is the grass root in the government hierarchy of Malaysia and certainly government is aware on the needs to address the grass root level problems of especially in the rural areas. This could be settled by establishing "Rural Transformation Center, RTC" which stationed few related government agencies that opened for longer time hours and during weekend in order to facilitate the customers who have more free time during weekend or after office hour. The LAs also could derived several guideline or "lean" their services. Therefore, both parties, LAs and MEs, should always have discussion, dialog and meeting to resolve any problems that could arise due to misunderstanding of certain problems. In addition to that, if both parties could not comprise on certain issues, this might jeopardize the economic growth of local community. It is recommended that more critical research is required to investigate the bureaucratic process of local authority and facilities which can really make the difference and make ease the business operations of MEs. On the other hand, it is required to conduct this research in other local authorities of Malaysia in different settings and then a comparison can be made among the local authorities. However bigger sample will be useful in generalizing the results.

Conclusion

Basically MEs could enhance their business performance by doing something successfully in term of revenue generation, high turnover, and growth with expansion. In the due course, the MEs are required to utilise their skills, experience, knowledge and learning attitude to meet their business objectives successfully. On the other hand, the local authority should play an important role in providing facilities to boost the MEs business operations through beautification of landscaping, creating activities to attract customers to familiarise the location and business area, and giving incentives to the MEs. In order to understand the function and structure of local authority, it is important to redefine local authority's tasks and functions inline with the contemporary environment. Otherwise, lengthy and tedious bureaucratic administrative processes pose distinguished challenges to the management of businesses in Malaysia. There is a critical need for the federal and state government to facilitate these local authorities which deliver their social, economic, cultural and political role to expedite the lifestyle and economic growth of MEs owners.

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