

Does Government Support Enhance the Sustainable Competitive Performance Among SMEs? Emperical Study Among Small Medium Enterprises (SMEs) Perlis

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ABSTRACT

In recent decades, economic growth in countries around the world has become increasingly dependent on the dynamism of small and medium-sized enterprises (SMEs). The success of SMEs depends on the support provided by their state. Government plays a crucial role in small- and medium-sized enterprises to boost performance and economic growth because it creates employment opportunities, poverty reduction, and economic development. The underlining study's main objective is to examine how government support affects the sustainable competitive performance of SMEs at Perlis. Hence, small enterprises are a significant source of economic development, employment, and value creation. Therefore, based on previous literature, we developed hypotheses related to government financial support and network structure, and data collected through structured questionnaires from top management of SMEs at Perlis. The results indicate that density has a positive and significant effect on sustainable competitive performance, while centrality has an insignificant impact on sustainable competitive performance. Furthermore, government financial support strongly and significantly supports the sustainable competitive performance of SMEs.

Keywords: Government support, sustainable competitive performance, employment opportunities, poverty reduction, and economic development.

1.0 INTRODUCTION

SMEs are the backbone of the Malaysian economy, accounting for 97.2% of total business establishments, generating 38.2% of GDP and providing employment for 7.3 million people. In the last few decades, a comprehensive financing ecosystem has been put in place to provide diversified funding options for SMEs from both public and private institutions. This has enabled Malaysian SMEs to continue to have access to diversified sources of financing to address their needs at various stages of development. However, SMEs in transitioning economies face numerous challenges due to the changes in economic, political, and social systems during the transition period. These challenges include limited access to finance, technology, and markets, inadequate infrastructure, and weak institutions (Welter & Smallbone, 2022).

To overcome these challenges and enhance their competitiveness and sustainability, SMEs rely on various types of support from governments, such as financial assistance, training and consulting services, and regulatory reforms. Government support programs have become increasingly common in transitioning economies, where SMEs have a significant role in economic development. However, the effectiveness of government support programs in promoting SMEs' sustainable competitive performance remains unclear.

Recent studies have highlighted the importance of government support programs in promoting SMEs' growth and competitiveness in transitioning economies. According to Karpak and Topcu (2010) and Paul, Whittam, and Wyper (2007), SMEs have become an increasingly important element of economic growth, representing a large part of most economies around the world. Furthermore, governments and economists see the SMEs as a mechanism to create national growth (Pollard & Hayne, 1998). The flexibility and responsiveness of SMEs to adapt to changes in demand is a key component of a country's economic growth strategy (Hunter & Long, 2003).

Despite these studies' contributions, there is still a lack of empirical evidence on the relationship between government support and SMEs' sustainable competitive performance in transitioning economies. To fill this gap, this paper aims to investigate the extent to which government support enhances SMEs' sustainable competitive performance during the transition period. By identifying the most effective types of support and contextual factors that moderate the relationship between government support and performance, this paper will help policymakers and managers design and implement effective government support programs for SMEs in transitioning economies.

Kadiri (2012) suggested that in the business world small and medium enterprises development has continued to be a well-accepted phrase because this sector acts as a mechanism for the generation of employment, countrywide development, and poverty decline and economic development. The SMEs have more employment opportunities as compared to the major firm as well as multinationals firms.

2.0 LITERATURE REVIEW

2.1 Government Support towards SMEs Performance

Government support has been recognized as an important factor in promoting the growth and competitiveness of small and medium-sized enterprises (SMEs) worldwide. In transition economies, where SMEs face numerous challenges due to the changes in economic, political, and social systems during the transition period, government support programs have become increasingly common. However, the effectiveness of government support programs in promoting SMEs' sustainable competitive performance remains unclear. The impact of government support on small and medium-sized enterprises (SMEs) in transition economies is a topic of significant interest to scholars, policymakers, and business practitioners. In recent years, researchers have investigated the relationship between government support and sustainable competitive performance in SMEs, with a focus on transition economies.

Several studies have examined the impact of government support on SME performance in Malaysia. A study by Kamilah and Kassim (2021) found that government support positively affects SMEs' financial performance. The study found that government support in the form of grants, subsidies, and tax incentives had a significant positive impact on SMEs' profitability and growth. A study by Olugbola and Adenuga (2021) found that financial assistance positively affects SME performance by providing much-needed capital to fund growth and development. However, the study also found that the impact of financial assistance on SME performance is dependent on the level of entrepreneurial orientation of the firm.

In addition to financial assistance, many governments provide non-financial support to SMEs, such as training and advisory services. Li, Li, and Li (2019) conducted a comparative study of the effects of digitalization on SME performance in developed and developing countries and found that non-financial support provided by governments, such as training on how to use digital technologies, positively impacts SME performance. Here are some of the key findings and contributions to the field, along with some recent citations:

- i. Government support positively affects SMEs' sustainable competitive performance. Several studies have found that government support can enhance SMEs' sustainable competitive performance by providing resources and information that enable firms to become more efficient, innovative, and competitive (e.g., Li, Li, & Li, 2019; Yang & Li, 2020).
- ii. The type and quality of government support matter. Studies have highlighted the importance of the type and quality of government support for SMEs' sustainable competitive performance. For example, financial support, such as grants or loans, can be helpful, but non-financial support, such as training and advisory services, can be equally or more beneficial (e.g., Chen & Chen, 2019; Tran, Nguyen, & Vu, 2020).
- iii. Institutional factors, such as government policies and regulations, also influence SMEs' sustainable competitive performance. Studies have suggested that institutional factors, such as government policies and regulations, can affect SMEs' sustainable competitive performance by creating an enabling environment for entrepreneurship and innovation (e.g., Olugbola & Adenuga, 2021).
- iv. The impact of government support on SMEs' sustainable competitive performance is mediated by factors such as firm size, industry, and ownership structure. Researchers have shown that the impact of government support on SMEs' sustainable competitive performance can vary depending on factors such as firm size, industry, and ownership structure (e.g., Hiebl, Fink, & Grünwald, 2019; Vu & Nguyen, 2021)

2.2 SMEs Contribution to Malaysia Economy

Small and medium-sized enterprises (SMEs) are an essential component of most economies, playing a crucial role in creating employment opportunities, promoting economic growth, and enhancing innovation and competitiveness. Although there is no universal definition of SMEs, different countries and organizations use various criteria to classify them. Small and Medium Enterprises (SMEs) are a vital component of the economy in Malaysia. They contribute significantly to economic growth, employment, and social welfare. The government of Malaysia has implemented several initiatives to support the

growth and development of SMEs in the country. This literature review explores the impact of government support on the performance of SMEs in Malaysia.

(Small Business Administration, 2021).

Despite their significant contributions to the economy, SMEs in transition economies face several challenges that limit their growth and competitiveness. These include inadequate access to finance, weak institutional frameworks, limited managerial and technical skills, and insufficient market information (Gogokhia et al., 2021; Mohammadi & Mehrizi-Sani, 2021). To overcome these challenges, various government initiatives and donor-funded programs have been implemented to support SMEs' development, including the provision of financial assistance, business incubators, and training programs.

In conclusion, SMEs play a crucial role in promoting economic growth, employment, and innovation in transition economies. However, they face numerous challenges that limit their growth and competitiveness, and concerted efforts are needed to support their development. Governments and other stakeholders should implement policies and programs that facilitate access to finance, build institutional capacity, and enhance managerial and technical skills to promote SMEs' growth and competitiveness in transition economies.

2.3 Sustainable competitive performance

Sustainable competitive performance (SCP) refers to a firm's ability to achieve and maintain a competitive advantage over its rivals for an extended period while simultaneously taking into consideration environmental and social concerns. SCP is an important construct for firms as it can enhance their long-term profitability and sustainability. Several dimensions contribute to SCP, and this review highlights the latest research in this area.

One critical dimension that impacts SCP is innovation. Chen and Li (2021) found that firms that actively invest in innovation can develop unique products and services that differentiate them from competitors, leading to improved SCP. Similarly, Feng et al. (2021) noted that firms that adopt a proactive approach to environmental innovation can reduce their production costs and enhance SCP.

Another dimension that has received attention is the importance of supply chain management (SCM) in SCP. Hsiao et al. (2021) found that firms that establish a sustainable SCM framework can reduce environmental impact, decrease costs, and enhance SCP. Furthermore, Cai et al. (2020) noted that firms that adopt a collaborative approach to SCM can improve SCP by enhancing communication, trust, and knowledge sharing with suppliers.

Social responsibility and corporate governance are also significant dimensions of SCP. Huang et al. (2021) found that firms that adopt a socially responsible approach, including engaging in philanthropic activities, can enhance SCP. Similarly, Shiu et al. (2021) noted that firms that implement effective corporate governance mechanisms, such as board diversity and CEO turnover, can improve SCP by promoting ethical and sustainable practices.

Finally, the role of information technology (IT) in SCP has been explored by several researchers. Yang et al. (2021) found that firms that leverage IT to enhance operational efficiency can improve SCP by reducing costs and enhancing customer satisfaction. Additionally, Chiu et al. (2021) noted that firms that adopt a customer-centric IT strategy can improve SCP by developing personalized services and enhancing customer loyalty.

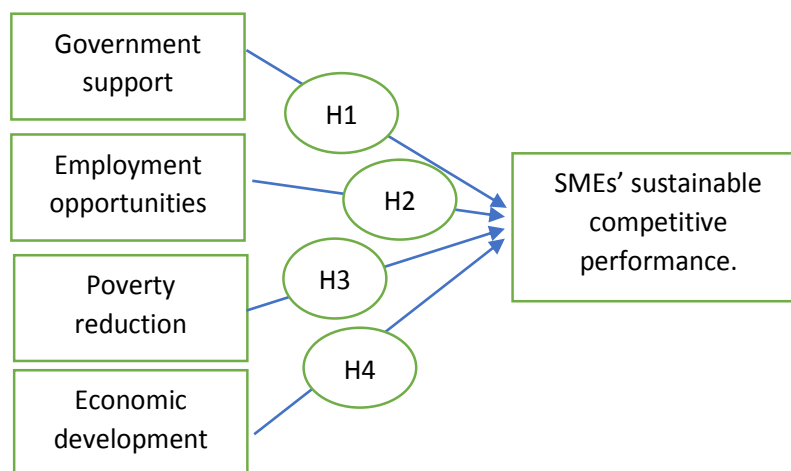
In conclusion, SCP is a multifaceted construct that requires firms to consider several dimensions to achieve and maintain a competitive advantage sustainably. Innovation, supply chain management, social responsibility, corporate governance, and IT are critical dimensions that firms must consider to enhance SCP. Firms that effectively incorporate these dimensions into their strategy can improve their SCP and achieve long-term profitability and sustainability.

3.0 PROBLEM STATEMENT

Furthermore, the government’s financial supports promote the SME sector to expand its operation to the international level; it can increase the SME’s performance and significantly contribute to economic growth (Clement & Hansen, 2003). Lee (2007) suggested that firm performance is significantly dependent on the political and government ties in emerging economies and a firm can gain sustainable production. Moreover, top management, which has strong political and government relationships, can quickly gain a sustainable competitive advantage in the turbulent market (Li, Meng, Wang, & Zhou, 2008).

Nevertheless, due to some government policies, SMEs face a lot of challenges that became a barrier such as lack of government subsidies, incentives, and taxes in emerging economies. To bridge the above challenges of SMEs, the current study is conducted because before this there was no such literature that underlines the current challenges in emerging economies.

3.0 FRAMEWORK & HYPOTHESIS DEVELOPMENT



H1: Government support has positive influence on SMEs’ sustainable competitive performance.

- H2: Employment opportunities has positive influence on contribution of SMEs to the national economy.
- H3: Poverty reduction opportunities has positive influence on contribution of SMEs to the national economy.
- H4: Economic development opportunities has positive influence on contribution of SMEs to the national economy.

4.0 RESEARCH METHODOLOGY

4.1 Research design

This study relies on small-and-medium-sized enterprises at Perlis were registered under SMECorp. This section will discuss the research design and approach for this study. This study will use a quantitative research design to explore the impact of government support on SMEs' sustainable competitive performance in transitioning economies. The survey questionnaire will comprise three sections: government support, sustainable competitive performance, and firm characteristics.

4.2 Sampling and data collection

A purposive sampling technique will be used to select SMEs operating and the criteria for inclusion in the study are SMEs that have been operating for at least three years and have received some form of government support in the past. The sample size will be determined using the formula developed by Krejcie and Morgan (1970), and a sample size of 180 SMEs will be selected. Data will be collected using an online survey questionnaire. The survey questionnaire will be pre-tested among a sample of 30 SMEs to ensure its reliability and validity. The final survey questionnaire will be administered to the selected SMEs, and data will be collected over a period of four weeks.

4.3 Data Analysis

The data collected will be analyzed using descriptive statistics and inferential statistics. Descriptive statistics such as mean, standard deviation, and frequency distributions will be used to describe the sample characteristics. Inferential statistics such as correlation and regression analysis will be used to test the research hypotheses. The research design and approach for this study will enable us to explore the impact of government support on SMEs' sustainable competitive performance in transitioning economies. The results of this study will provide insights into the role of government support in promoting SME performance to Malaysia economic growth and development.

5.0 FINDING

5.1 Reliability Analysis

Data were first analyzed to ensure instrument quality by convergent and discriminant validity. Applying SPSS, the principal components analysis (PCA) was conducted to measure the underlying dimension associated with 30 items. The constructs validity was measured using Bartlett's test of Sphericity and Kaiser–Mayer–Olkin (KMO) measure of the sampling adequacy of individual variables. KMO overall should be 0.6 or over to perform factor analysis (Ozdamar, 2002).

Table 1: Internal reliability test using Cronbach’s alpha.

Variables	Number of Items	Internal Reliability (Cronbach’s Alpha)
SK	3	0.911
PP	5	0.900
PPK	5	0.927
PE	5	0.832
PS	3	0.903

This data analysis demonstrates on Table 1 that measurements possessed an acceptable convergent validity. The composite reliability of the measurements must reach 0.6 or above (Fornell & Larcker, 1981). According to the Cronbach alpha test, the total scales of reliability varies from 0.832 to 0.927 (Table 3), which exceed the threshold point of 0.7 introduced by Nunnally (1978). The value of 0.7 or greater is indicated that good scale of reliability (O’LearyKelly & Vokurka, 1998).

Table 2: Kaiser-Mayor-Olkin (KMO) and Bartlett test

Variables	KMO Value	Sampling Adequacy (KMO>0.60)	Bartlett Test (Sig. Value)	Factor Analysis Suitability (p-value <0.05)
SK	0.750	Yes	0.000	Yes
PP	0.820	Yes	0.000	Yes
PPK	0.747	Yes	0.000	Yes
PE	0.633	Yes	0.000	Yes
PS	0.609	Yes	0.000	Yes

According to the results of Bartlett’s test of Sphericity and KMO revealed on Table 2, that both are significant and suitable for the factor analysis. The cumulative variance explained range between 0.606-0.820 which exceeds the acceptable limit of 60% (Ozdamar, 2002). The value of Bartlett’s test of Sphericity indicate sufficient correlation between the variables, it shows and significant ($p > 0.000$). The factor loading of all items of each scale exceeds 0.5 (Hair, Black, Babin, Anderson, & Tatham, 1998).

5.3. Correlation Analysis

Table 3: Linear relationship between independent variables and dependent variables

Dependent Variable	Parameter	SK	PP	PPK	PE
PS	Pearson Correlation	.834**	.438**	.678**	.512**
	Sig. (2-tailed)	0.000	0.004	0.000	0.001
	N	41	41	41	41

**Correlation is significant at the 0.01 level (2-tailed).
 *Correlation is significant at the 0.05 level (2-tailed).

Table 4: Hypotheses Results

Hypothesis	Hypothesis Statement	Result	
H1	Government support -SMEs’ sustainable competitive performance.	.000	Accepted
H2	Employment -SMEs’ sustainable competitive performance.	.474	Rejected
H3	Poverty reduction -SMEs’ sustainable competitive performance.	.049	Accepted
H4	Economic development -SMEs’ sustainable competitive performance.	.024	Accepted

Table 4 show the hypotheis result for this study. The entire paths were significant at $p < 0.000$. Government support has positively influences on SMEs’ sustainable competitive performance. Therefore this hypothesis (H1) accepted at $p < 0.000$. Thestudy showed that Employment no positively influences on SMEs’ sustainable competitive performance. H2 hypothesis is not accepted at $p > 0.474$. Results also indicated that for H3;poverty reduction positive influence SMEs’ sustainable competitive performance. Hence H3 hypothesis is accepted at $p < 0.049$ Furthermore, findings exposed economic development has a significant and direct impacton SMEs’ sustainable competitive performance. The result shows that $p < 0.024$) and supported hypothesis H4.

6.0 DISCUSSION & IMPLICATION

6.1 Discussion

The study on the impact of government support on SMEs in transitioning economies has practical and policy implications for different stakeholders. Practically, the findings of this study suggest that SMEs in transitioning economies can achieve sustainable competitive performance by receiving appropriate government support. This support can be in the form of financial assistance, capacity building, market access, and technology transfer. Therefore, SMEs can leverage government support to improve their competitiveness and contribute to the economic growth of their countries.

The results indicated that the government support, poverty reduction and economic development has positively influences on SMEs’ sustainable competitive performance. This is in line with previous studies bLi, Li, & Li, 2019; Yang & Li, 2020. Therefore, the SMEs at Perlis is suggested to provide more job opportunities to the community to improve the national economy through the business that is conducted.

6.2 Practical implications

The key objective of this study is to show how government support can enhance the sustainable of competitive advantage on SMEs in transitioning economies has practical implications for different stakeholders. Practically, the findings of this study suggest that SMEs at Perlis can achieve sustainable competitive performance by receiving appropriate government support. This support can be in the form of financial assistance, capacity building, market access, and technology transfer. Therefore, SMEs can leverage government support to improve their competitiveness and contribute to the Perlis economic growth.

Moreover, SMEs can use the results of this study to identify areas where government support can be most effective. For instance, the study highlights the importance of financial support in enhancing SMEs' performance. SMEs can use this insight to identify appropriate funding sources and seek government assistance in accessing these resources.

7.0 CONCLUSION

This study examines the effect of government support on sustainable competitive performance among SMEs at Perlis. In emerging economies, mostly organizational top managers and owners are trying to connect networking his roots at the national and international levels, but still, the organization faces a lack of government support. This study also finds out about the employment opportunities, poverty reduction, and economic development that exist as a result of the contribution of SMEs to the national economy.

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