

Business Performance of Micro and Small Entrepreneurs Due to Government Support, Training, Passion, and Infrastructure: A Comparative Study Between Malaysia and Indonesia

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ABSTRACT

Micro and small entrepreneurs in Malaysia and Indonesia play a crucial role in the economies of both countries. These entrepreneurs typically operate with limited resources and aim to generate income and contribute to their local economies. In this study, a few factors, i.e., government support, training, passion, and infrastructure, were studied to identify their impacts on the business performance among a hundred micro and small entrepreneurs in Malaysia and Indonesia. The results showed that passion was the most significant predictor of business performance, followed by infrastructure. While government support and training do not have any significant effects. Few independent sample t-tests were also conducted, and Malaysian entrepreneurs were found to have significantly more government support, training, and passion than their Indonesian counterparts. While family businesses or those who were funded by the government were discovered to have significantly better business performance, government support, training, passion, and infrastructure in comparison with non-family or non-funded businesses. Discussion, suggestions for future research, as well as limitations, have also been discussed.

Keywords: Business Performance, Government Support, Training, Passion, Infrastructure, Malaysia, Indonesia, Comparative Study

INTRODUCTION

In Malaysia, micro-enterprises are defined as businesses with an annual sales turnover of less than RM300,000 (approximately USD 70,000) or fewer than five full-time employees. On the other hand, small enterprises in Malaysia are classified based on their annual sales turnover or the number of full-time employees. Small enterprises typically have an annual sales turnover between RM300,000 and RM3 million (approximately USD 70,000 to USD 700,000) or employ between 5 and 75 full-time employees. Micro and small entrepreneurs in Malaysia operate in diverse sectors, including retail, food and beverage, services (such as hospitality, beauty, and healthcare), manufacturing, and e-commerce. They face challenges such as limited access to capital, market competition, regulatory compliance, and talent acquisition. Therefore, the Malaysian government provides various support programs and initiatives to assist micro and small entrepreneurs, including access to financing, business development training, and advisory services. These efforts aim to enhance competitiveness and foster growth.

In Indonesia, micro-enterprises are defined based on their assets and annual sales. Micro enterprises typically have assets of less than IDR 50 million (approximately USD 3,500) and annual sales of less than IDR 300 million (approximately USD 21,000). While small enterprises in Indonesia are typically categorised based on their assets and annual sales. Small enterprises generally have assets between IDR 50 million and IDR 500

million (approximately USD 3,500 to USD 35,000) and annual sales between IDR 300 million and IDR 2.5 billion (approximately USD 21,000 to USD 175,000). Micro and small entrepreneurs in Indonesia are involved in various sectors, including agriculture, food and beverages, micro and small s, textiles and garments, tourism, and digital startups. In terms of challenges, Indonesian entrepreneurs face challenges such as limited access to capital, lack of business skills and knowledge, marketing and distribution barriers, and infrastructure limitations in certain regions. Hence, the Indonesian government provides various support programs and policies to promote the development of micro and small enterprises. This includes financial assistance, training programs, simplified regulations, and market access facilitation.

Conclusively, micro and small entrepreneurs in both Malaysia and Indonesia recognise the significance of micro and small enterprises in creating employment opportunities, driving economic growth, and reducing poverty. Efforts are continually made by governments, organisations, and financial institutions to provide support, resources, and an enabling environment for these entrepreneurs to thrive. However, studies that focus on the factors that affect business performance for the micro and small industries are still lacking, especially in developing countries such as Malaysia and Indonesia. Studies involving comparisons between two countries have also received very little attention. Therefore, this article discusses the three main factors that affect business performance in the micro and small industries. Research related to influencing factors is very important so that entrepreneurs in the micro and small industries can see each of these factors as one of the strategies to strengthen business performance. This article also involves a comparative analysis of scores between two regional countries, namely Malaysia and Indonesia.

LITERATURE REVIEW

Business Performance

At the beginning of research on business performance, researchers have studied the behaviour of a business to obtain a resource through the Resource Dependence theory (Pfeffer & Salancik, 1978). Resource Dependency Theory shows that the success of a business depends on resources obtained from other parties (Wang et al., 2021). For example, raw material resources need to be obtained due to the inability of a business to provide raw material resources itself. The types of resources are also not limited to raw materials alone but instead include intangible resources such as advisory services and motivation (Fabeil, 2013). Next, the resources obtained will be used by entrepreneurs to formulate strategies.

Business performance is very important not only at the start of a business but also includes businesses that have been stabilised (Pettersen et al., 2016; Surin & Wahab, 2013). At the beginning of the business, business relationships are more indirect, i.e., relationships are more about the involvement of family members, relatives, friends and acquaintances who are involved in the business. As the business develops, this business relationship is more of a direct relationship involving government agencies and parties related to business development, such as private funders (Birley, 1985). One aspect that is often discussed in this business relationship is a person's position in a group (centrality). Entrepreneurs who are in a business group and become a link to other entrepreneurs in the business group will get benefits such as new information (Surin, 2014). In this micro and small industry, a business needs to maintain and improve its business performance. This article assumes that business dependence on this business relationship is equally important between the micro and small industries in Malaysia and Indonesia.

Aid services are formed from two sources, the first from donations from the government and the second from the private sector. The government distributes assistance services from appointed agencies, such as those appointed by a ministry. While the private sector aids and is profit-seeking. Five aspects of help given to help entrepreneurs are financial assistance and credit, technical assistance and training, development and advisory services, marketing and market research, along with infrastructure assistance (Abdullah, 1999). In this article, support services are defined as physical and non-physical assistance from the government and the private sector to support the growth of a business.

However, the study found that the aid channelled by the government has not yet achieved its objective. It was found that the factors that contributed to the non-delivery of government assistance consisted of bureaucratic

red tape, no collateral by entrepreneurs and no regular records to ensure that a business successfully obtained assistance services (Abu Bakar, 2008). The old procedure used by banks that give priority to existing customers makes it difficult for new entrepreneurs to get help. This is because, for new applicants, this method will take a long time to process.

However, on behalf of small and medium enterprises, criticism was also raised after the assistance service was provided by the assistance provider. Found a negative relationship between support services and business performance. The inability of entrepreneurs to manage the aid received is said to be one of the causes of the negative relationship between these two variables (Lewis et al., 2007). Chow (2004) in his study showed that among the weaknesses of entrepreneurs is the absence of a good system, especially in the aspect of financial management. In the end, the business is exposed to performance requirements because it does not have a perfect record system to evaluate business performance.

The majority of businesses in this micro and small industry operate in rural areas and face various obstacles to development (Fabeil, 2013). Kader et al. (2009) said, entrepreneurs in rural areas need support services such as training and education from the government and see these two factors as critical for business development. Because this assistance service is very important for business development in the micro and small industries, this article assumes that assistance services from the government and the private sector are very significant for business development in Malaysia and Indonesia.

Government Support

The rules and policies introduced by the government in the micro and small industries aim to help, preserve, conserve and protect them. For example, the development of micro and small entrepreneurs in Malaysia at an early stage should begin with the formation of entrepreneurial-oriented thinking, in addition to being supported by an entrepreneurial ecosystem. In continuation of entrepreneurship-oriented formation, the government's policy to see a higher-quality micro and small product needs to be carried out with design and product development. This program is also supported by the Skills Apprenticeship Program and the Community Development Program (National Entrepreneurship Policy, 2019). The micro and small entrepreneur development program was also created to increase the competitiveness of micro and small products and to preserve the continuity of the business so that it remains established. In addition, the One District One Industry Program (SDSI) was established in the Sixth Malaysia Plan (RMK6), aimed at eradicating poverty and also focusing on the full use of the workforce (Malaysia, 1991).

The importance of entrepreneurship as an agent for poverty alleviation is also carried out in Indonesia, with efforts carried out by the regional Ministry of Settlement and Infrastructure and then handed over to state regions throughout Indonesia (Astawi, 2011). Other efforts that raise the dignity of micro and small enterprises can also be seen in Vietnam, where a special village was created for micro and small enterprises. The existence of this micro and small village is seen to reduce poverty in rural areas and boost tourism (BERNAMA, 2022). Based on the importance of regulations and government policies are very important for the sustainability of this micro and small industry, this writer assumes that micro and small entrepreneurs in Malaysia and Indonesia agree that the existence of regulations and policies for the micro and small industry can help them to be competitive

Training

Training equips entrepreneurs and their employees with the necessary knowledge and skills to effectively operate and manage their businesses. This includes training in areas such as financial management, marketing strategies, customer service, and operational efficiency. Ongoing training helps entrepreneurs stay updated with industry trends, emerging technologies, and changing consumer preferences. This enables them to adapt their business strategies and processes accordingly, improving their competitiveness and performance. Training programs for employees enhance their skills, productivity, and job satisfaction. Well-trained employees are more likely to deliver high-quality products or services, resulting in improved customer satisfaction and business performance.

Passion

Passion drives entrepreneurs to work tirelessly towards the success of their businesses. It fuels their motivation,

determination, and resilience, allowing them to overcome obstacles and persist in the face of challenges. Passionate entrepreneurs are often driven by a desire to make a positive impact and bring innovative solutions to the market. Their passion fuels creativity, leading to the development of unique products, services, or business models that can differentiate them from competitors. Passionate entrepreneurs tend to genuinely care about their customers' needs and desires. This passion translates into a strong customer focus, allowing entrepreneurs to build meaningful relationships, understand customer preferences, and deliver exceptional experiences.

Infrastructure

Access to reliable and efficient infrastructure, such as transportation networks, utilities, and communication systems, is crucial for business operations. Good infrastructure enables entrepreneurs to source inputs, reach customers, and deliver products or services effectively and in a timely manner. In today's digital age, robust digital infrastructure, including internet connectivity, e-commerce platforms, and digital payment systems, is essential for business success. It facilitates online presence, expands market reach, and enables efficient digital marketing and sales channels. Infrastructure plays a vital role in the smooth functioning of the supply chain. Well-developed infrastructure ensures timely and cost-effective movement of raw materials, finished goods, and supplies, reducing operational bottlenecks and enhancing overall business performance.

It's important to note that while training, passion, and infrastructure have significant impacts on business performance, other factors such as market conditions, competitive landscape, financial management, and strategic planning also influence business success. Entrepreneurs should aim to cultivate a combination of these factors to maximise their business performance and achieve long-term growth.

RESEARCH METHODOLOGY

The survey questions include five sections, namely Section A (respondent background), Section B (business background), Section C (business performance), Section D (government support), Section E (training), Section F (passion), and Section G (infrastructure). Each item in parts C to G is measured through a Likert scale ranging from 1 (never) to 7 (always). All the items were adopted from the HIEE scale by Hussein et al. (2021). Factor analysis using the Varimax rotation technique was performed to identify the discriminant validity of all items, and the final list based on each variable was presented in Table 2. All items have been processed into Malay through two methods of exchange, namely from English to Malay and translated back to English to bring parallel meanings. For the research questions in Indonesia, namely in the Semarang district, the items have been adapted to the local dialect. The reliability value for each variable is presented in Table 3. The reliability value for each item is measured through the Cronbach's alpha value. The Cronbach alpha value for all variables was more than 0.7 means that the items in the survey form have a good internal consistency value (Hulin et al., 2001).

As for the population in Malaysia, according to the Department of Statistics Malaysia, as of 2018, there were approximately 907,065 micro, small, and medium enterprises (MSME) in Malaysia. This figure includes micro, small, and medium-sized enterprises combined. However, the specific breakdown for micro and small enterprises is not readily available. Whereas for Indonesia, as of 2020, there were approximately 64 million micro and small businesses in Indonesia, according to data from the Ministry of Cooperatives and Small and Medium Enterprises. This figure includes both formal and informal micro and small enterprises. No recent list is available to describe the population of micro and small entrepreneurs in the Semarang district. Therefore, researchers had to build their population framework with the help of the head of each type of company. As a result, a list of 100 entrepreneurs was successfully collected.

A convenience sampling technique was used in both countries to obtain data. A total of 50 survey forms were collected from entrepreneurs around the Semarang district using the face-to-face method. Likewise, as many as 50 survey forms have been successfully collected from micro and small entrepreneurs in Malaysia. The face-to-face method used is more effective because the researcher can convince the respondents to get involved in the research and also help to provide further information if there is any doubt about the questions in the research form. A multiple regression analysis was used to determine the impacts of government support, training, passion, and infrastructure towards the business performance of micro and small entrepreneurs in Malaysia and Indonesia.

FINDINGS AND DISCUSSION

Based on Table 1, the full demographic description for all 50 micro and small entrepreneurs from Malaysia and 50 from Indonesia was presented. The majority of the entrepreneurs from both countries were sole proprietors, not funded by the government, having less than 5 workers, and earning less than MYR9,999 or IDR9.99 million per month. On the contrary, most of the surveyed entrepreneurs in Malaysia were among family businesses and operating for between 6 to 10 years already, while most of the surveyed Indonesian entrepreneurs were non-family businesses and operating for less than 5 years. A chi-square test was conducted to identify any significant dependency between the country and demographic profiles. Surprisingly, it was found that the country, either Malaysia or Indonesia, was dependent on whether the business is family-owned or not, whether the business was funded by the government or not, and also dependent on the number of workers.

Table 1. Respondents' demographic profiles

| | | Malaysia | Indonesia | Total |
|---------------------------|---------------------|----------|-----------|-------|
| Form of Business | Sole Proprietorship | 44 | 42 | 86 |
| | Partnership | 1 | 3 | 4 |
| | Private Limited | 5 | 5 | 10 |
| Family Business* | Yes | 33 | 19 | 52 |
| | No | 17 | 31 | 48 |
| Funded by the Government* | Yes | 18 | 3 | 21 |
| | No | 32 | 47 | 79 |
| Age of Business | 1-5 Years | 14 | 23 | 37 |
| | 6-10 Years | 15 | 13 | 28 |
| | 11-15 Years | 8 | 6 | 14 |
| | 16-20 Years | 7 | 6 | 13 |
| | 21-25 Years | 3 | 1 | 4 |
| | 26 - 30 Years | 3 | 0 | 3 |
| | 31-35 Years | 0 | 1 | 1 |
| Number of Workers* | 1-5 Employees | 37 | 28 | 65 |
| | 6-10 Employees | 11 | 11 | 22 |
| | 11-15 Employees | 2 | 8 | 10 |
| | 16-20 Employees | 0 | 3 | 3 |

| | | | | |
|-----------------------|--|----|----|----|
| Monthly Gross Revenue | MYR0 - MYR9,999 / IDR0 - IDR9.99 million | 31 | 28 | 59 |
| | MYR10K - MYR19,999 / IDR10 million - IDR19.99 million | 12 | 16 | 28 |
| | MYR20K - MYR29,999 / IDR20 million - IDR29.99 million | 2 | 5 | 7 |
| | MYR30K - MYR39,999 / IDR30 million - IDR39.99 million | 3 | 1 | 4 |
| | More Than MYR50,000 / More Than IDR50 million | 2 | 0 | 2 |

Note: *Significant Results of Chi-Square Test

Table 2. Factor analysis (Rotated Component Matrix)

| | Component | | | | |
|--|-------------|--------|------|-------|-------|
| | 1 | 2 | 3 | 4 | 5 |
| Government Support | | | | | |
| My business received financial assistance from the government for business expansion. | .746 | .075 | .154 | -.106 | .013 |
| Training and technical assistance from the government help my business development in the market. | .721 | .006 | .387 | .006 | -.189 |
| My business received marketing and market search assistance from the government for my product promotions in the market. | .817 | .029 | .169 | .108 | -.055 |
| The government has prepared infrastructure facilities for my business growth. | .848 | - .060 | .210 | .099 | .060 |
| Government support programmes in the form of advisory services have helped to improve the quality of my products. | .825 | .068 | .334 | .034 | -.018 |
| My business received substantial subsidies from the government to assist with my business operations. | .827 | .107 | .157 | -.121 | .120 |
| My business received substantial tax subsidies from the government to assist with my business expansion. | .767 | .044 | .064 | -.175 | -.010 |
| The concentration given by the government towards my business industry has allowed my business to sustain itself until now. | .807 | .097 | .235 | .114 | -.067 |
| The policy from the government not allowing competitors' products to enter the local market allows my business to increase its sales | .727 | .114 | .008 | .189 | -.075 |
| The Government's initiative to further improve our product quality is a good move. | .698 | .244 | .089 | .127 | -.190 |
| Business Performance | | | | | |

| | | | | | |
|--|-----------|-------------|-------------|-------------|-------------|
| My business's profit has improved. | .056 | .745 | - .021 | .130 | -.012 |
| My business has successfully implemented product innovation. | .118 | .735 | .126 | -.006 | .115 |
| My business has been consistently making a profit. | .061 | .862 | .111 | .179 | .071 |
| My business has been growing fast. | .055 | .842 | .064 | .099 | .167 |
| My business has made more sales. | .098 | .902 | .007 | .097 | .096 |
| My business is successful in increasing employee productivity. | .002 | .828 | .111 | .175 | .030 |
| My business is successful in maintaining the consistency of product quality. | .069 | .715 | - .035 | .027 | -.012 |
| My business is successful in cutting the production time of a product. | .238 | .530 | .183 | .025 | -.036 |
| My business can produce product variety. | .012 | .598 | - .018 | .034 | .136 |
| Training | | | | | |
| It is easy for my employees to have continuous training programs provided by external parties. | .383 | .064 | .517 | .034 | .046 |
| It is easy for my employees to continuously learn from others. | .160 | .103 | .691 | .119 | -.037 |
| The training is very beneficial to my work. | .405 | .085 | .778 | .075 | -.015 |
| The training provider provides enough knowledge. | .353 | .047 | .764 | .010 | -.005 |
| I learned a lot of new things in the training. | .313 | .066 | .836 | -.018 | .001 |
| Passion | | | | | |
| I consider that investing in the business is a desirable career choice. | .221 | .124 | - .006 | .757 | .009 |
| I consider that by setting up the business, I will be free and independent. | - .031 | .207 | .031 | .758 | .270 |
| I consider that setting up the business enables me to improve my financial situation. | - .091 | .349 | .147 | .752 | -.025 |
| Infrastructure | | | | | |
| The road is accessible to my business area. | - .073 | .135 | .021 | .093 | .880 |
| The telecommunication network is available in my business area. | - .069 | .282 | - .082 | .131 | .779 |

Note. Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalisation.

Table 3. Descriptive and reliability analysis

| Variables | Reliability (Cronbach's Alpha) | Mean | Standard Deviation | Skewness | Kurtosis |
|--------------------|--------------------------------|------|--------------------|----------|----------|
| Government Support | 0.83 | 3.10 | 1.69 | .306 | -1.232 |
| Training | 0.88 | 3.95 | 1.58 | -.377 | -.749 |

| | | | | | |
|----------------------|------|------|------|--------|-------|
| Passion | 0.75 | 6.06 | 1.03 | -1.607 | 2.811 |
| Infrastructure | 0.80 | 5.86 | 1.48 | -1.295 | .677 |
| Business Performance | 0.92 | 5.30 | 1.04 | -.790 | .120 |

Based on Table 3, all variables in this study, i.e., 4 independent variables and 1 dependent variable, were found to be reliable as all the Cronbach's Alphas were more than 0.7. All variables also fulfilled the normality condition as all skewness and kurtosis results were less than 1.9 and 3, respectively. In terms of mean, out of a maximum rating of 7, the highest mean belongs to the variable of passion (i.e., 6.06 or 87%), hence indicating that on average, the entrepreneurs in both countries were highly passionate about doing their businesses. Surprisingly, the second-highest mean was infrastructure (i.e., 5.86 or 84%), indicating on average, the entrepreneurs in both countries were highly satisfied with the available infrastructure surrounding their business location. The third highest mean was the dependent variable of business performance (i.e., 5.30 or 76%), thus indicating quite a good level of business performance among the surveyed micro and small entrepreneurs from both countries. The second-lowest mean was training (i.e., 3.95 or 56%), hence showing on average, the entrepreneurs in both countries had undergone only a moderate level of talent development programs. Finally, the lowest mean belongs to the variable of government support (i.e., 3.10 or 44%). This result clearly showed that more than half of the surveyed micro and small entrepreneurs in both countries perceived that their governments were not giving enough support to them.

Table 4. Independent sample t-tests

| Demographic variables | | | Government Support | | Training | | Passion | | Infrastructure | | Business Performance | |
|--------------------------|-----------|---------|--------------------|-------|----------|--------|---------|-------|----------------|-------|----------------------|-------|
| Country | Malaysia | | 4.17 | | 4.48 | | 6.23 | | 5.86 | | 5.37 | |
| | Indonesia | | 2.04 | | 3.43 | | 5.88 | | 5.86 | | 5.24 | |
| | | t-value | | 8.13* | | 3.51** | | 1.73* | | 0.00 | | 0.65 |
| Family Business | Yes | | 3.61 | | 4.43 | | 6.22 | | 6.11 | | 5.52 | |
| | No | | 2.55 | | 3.43 | | 5.88 | | 5.59 | | 5.07 | |
| | | t-value | | 3.33* | | 3.35** | | 1.64* | | 1.73* | | 2.15* |
| Funded by the Government | Yes | | 5.04 | | 5.33 | | 6.35 | | 5.98 | | 5.70 | |
| | No | | 2.59 | | 3.58 | | 5.98 | | 5.83 | | 5.20 | |
| | | t-value | | 3.33* | | 3.35** | | 1.64* | | 1.73* | | 2.15* |

Note. *p < .05. **p < .01.

Additionally, an independent sample t-test analysis was conducted to identify significant differences in government support, training, passion, infrastructure, and business performance between Malaysian and

Indonesian micro and small entrepreneurs, as shown in Table 4. The results established that government support, training, and passion were significantly different between Malaysia and Indonesia, which micro and small Malaysian entrepreneurs found to be higher than in Indonesia. Whilst both countries' entrepreneurs were the same in terms of their business performance and their perceptions towards infrastructure. Further comparisons were made in terms of studied variables between family and non-family businesses, as well as between government and non-government-funded businesses. Astonishingly, micro and small entrepreneurs who were in the category of family business and the category funded by the government were found to have significantly higher government support, training, passion, infrastructure, and business performance. These discoveries elucidated the advantages of family business and the importance of government funding.

Table 5. Regression analysis

| Independent variables: | Dependent variable: Business Performance | |
|-------------------------|--|--------------------------|
| | Unstandardised Coefficient | Standardised Coefficient |
| (constant) | 2.054 | |
| Government Support | .089 | .144 |
| Training | .061 | .092 |
| Passion | .287** | .285** |
| Infrastructure | .169* | .240* |
| F | 7.391** | |
| value | 0.49 | |
| eR ² | 0.21 | |
| Adjusted R ² | | |

Note. *p < .05. **p < .01.

The results of the regression analysis, as shown in Table 5, manifestly prove the significant effects of two factors of passion and infrastructure, towards business performance among micro and small entrepreneurs in both countries of Malaysia and Indonesia. The result of R² specified that 49% of the variations in the dependent variable of business performance are due to all four independent variables of government support, training, passion, and infrastructure. Hence, the remaining 51% of variations in business performance are due to other factors not covered in this study. The strongest factor is passion, followed by infrastructure, whereas the other two factors of government support and training, were not found to be significant. Hence, this study verifies that passion is the most important predictor in ensuring viable business performance. Therefore, all entrepreneurs should ensure to instil high passion before they operate any businesses, and they should enhance their passion from time to time. Similarly, infrastructure should also be taken care of to ensure boosting and not disrupting the performance of micro and small entrepreneurs in both countries.

CONCLUSION

This study involves micro and small entrepreneurs in two countries, namely Malaysia and Indonesia. Further studies are expected to focus on the comparative analysis of micro and small entrepreneurs in regional countries such as Vietnam. The country of Vietnam is currently driving the growth of this micro and small industry because it has many raw materials and a skilled workforce. In addition, further research is recommended to obtain more respondents to provide a better overall picture. This study is unlikely to be carried out regularly, and there are several constraints found. First, the research data collection was one using convenience sampling techniques among micro and small industries in Malaysia. Although there is an effort to get more responses, such as giving a self-administered survey form, however, the number of responses collected is less than satisfactory. Second, data collection for the study in Indonesia is done face-to-face, and the positions of each craft entrepreneur are quite far from each other. And this takes some time for researchers to get more responses. It was found that a few entrepreneurs did not cooperate in answering the questionnaire. Lastly, each item has been content validated using the local language for craft entrepreneurs in the Semarang

District, but there are still a few entrepreneurs who need further explanation. This process takes some time, and finally, only 50 responses can be collected. Nonetheless, the findings of this study will hopefully add to a higher understanding of micro and small entrepreneurs in both Malaysia and Indonesia, so that necessary actions by all relevant authorities and stakeholders will be undertaken successfully.

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