The Influence of Human and Financial Capital on the Performance of Woman Entrepreneurs in Micro and Small Entreprises in State of Perak, Malaysia

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Women entrepreneurs have a vital role in a country’s economic growth and development. This paper examined the impact of human capital and financial capital on the performance of woman entrepreneurs in Micro and Small Enterprises (MSEs). The paper employed quantitative method with usable questionnaires among women entrepreneurs. Pearson Correlation and Multiple Regression model were used to analyze data by using SPSS software and the results indicate that human capital has an impact on the business performance and the relationship is significant. On the other hand, financial capital has a significant impact on the profitability among women entrepreneurs with significant positive value.

Keywords: Human capital, woman entrepreneurs, financial capital, micro and small enterprises

INTRODUCTION

Women represent more than half of the total population in Malaysia, as they not only contribute to their family (Ming-Yen, & Siiong-Choy, 2007), but also significant to the economic development of the country, both in job creation, and revenue generation (Mahajar & Jurnaat, 2012). Women participation in entrepreneurship showed an improvement in business and economic development (Adema et al, 2014). The study by Adema et al. (2014) has given several contributions on different stakeholders such as women entrepreneurs, governments, private organizations and relevant social institutions that can facilitate and enhance the desire achievement in economic development. Previous study found out that women are often more prepared to deal with customers with a relatively more patient and careful approach to managing the business (Jasra et al, 2012). Women are in business for the more reason, to pursue intrinsic goals: flexibility to run a business and domestic lives, and their independence (Namusonge, 2006).

Women entrepreneurs are increasing their share of the business population and business receipts rapidly, but a sizeable gap remains between men and women business owners (Aldrich et al; 1989). However, the number of women’s participation is relatively small as compared to businesses owned by men (Hemalatha et al, 2013), and they are concentrated in a limited array of industries; mostly in retails and services. The issue of unemployment was becoming more complex and serious social crisis that impact negatively on nation’s economic growth (Levine, 2012). Consequently, the situation encourages women to become aggressively involved in becoming entrepreneurs by creating job opportunities in various business cycles. The capability of the women in business should be developed to encourage them to perform better, while the government and other institutions have to take up the responsibility of empowering them to achieve their set targets successfully (Singh & Raina, 2013). This research is prepared to investigate impact of human capital and financial capital on the performance of woman entrepreneurs in businesses. There were several objectives to be achieved; the research is conducted to identify the influence of human and financial capital on the performance of woman entrepreneurs in micro and small enterprises in state of Perak, Malaysia.

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Concept of woman entrepreneurs and business performance

Women are becoming crucial to the growing economic cluster, which ensures a rapid achievement in the economic development. The entrepreneur is the one who has the ability to organize, manage and assume risk in the course of starting a business (Stenross, 2007). Women entrepreneurs in SMEs provide an effective tool for economic growth, contribute significantly to the world economy, and their number has grown over time (Niethammer, 2013). Women entrepreneurs contribute to the modernization of the developing countries and facilitate enterprise development in transition economies (Lerner et al., 1997). A previous study defined women entrepreneurs as a group of women who initiate, organize and operate a business enterprise (Vinesh, 2014). The number of women entrepreneurs in Malaysia increased in the last three decades due to the emphasis on industrialization, and a growing interest in privatization, self-employment and business-oriented employment (Ismail, 1996).

The performance of woman entrepreneurs has become an important agenda in recent policy and academic debates, especially in Malaysia. Business performance is evaluated based on different concepts (Srinivasan & Cooper, 1994). Business performance is measured based on the profit, revenue, the number of employees and personal income of the women entrepreneurs (Lerner et al. 1997). Performance also defined as a complex phenomenon of different dimensions that are difficult to control without using a combination of objective and subjective measures (Dharmaratne, 2013). Previous study had investigated the factor of the level of education, previous occupational experience, and prior business expertise and management skills toward the success of women entrepreneurs (Huang et al., 2012). However, the recent study conducted deeply on the importance of human capital and financial capital towards improving the performance of women entrepreneurs in business.

Human Capital

Human capital is an important asset with a vital role in the economic growth and development, it also a good investment for promoting a better nation (Son, 2010). There is a positive correlation and significant between human capital and performance in SMEs (Fatoki, 2011), also an important factor to exploit the potential business opportunities and an ability expressed in the transformation of work experience to knowledge and skills [Unger et al., (2011); Olabisi & Akinola, (2012)]. Consistent with the findings of Nordin et al. (2011), previous entrepreneurial experience and previous business experience positively affected the potential of businesses. Brush & Hisrich (1991) highlighted that formal education is the best component of human capital and good investment that may aid the growth of specific knowledge and beneficial skills to entrepreneurs (Reynolds et al., 2005). Training is an appropriate approach and significant towards acquiring the relevant education that would enhance an improvement in the business skills, knowledge and communication among women entrepreneurs (Nordin et al., 2011). It shows there is a positive relationship between training and profitability to encourage business performance in developing economies (Birley & Westhead, 1990).

Financial Capital

Capital is a necessary crucial factor which costs as other factors particularly financial capital. Bosma et al., (2004) defined financial capital as one foundation of business establishment and has been an important factor affecting performance. There is a significant relationship or association between individual initiative and financial capital as general assets, which is expected to ensure positive growth in business (Pening et al., 1998). Financial capital is critical factors that affect profitability and encourage women entrepreneurs to expand the business as well as generating more profit and ensuring business growth (Nordin et al., 2011). This is similar to the findings of Gatewood et al., (2004), which indicated that there is a positive relationship between financial capital and profitability.

RESEARCH METHODOLOGY

The study employed quantitative techniques in order to generate the beneficial outcomes by using survey method. This method ever been applied earlier by several researchers [Farr-Wharton & Brunetto (2007); Mahajar & Yunus (2012); Rashid et al. (2015)]. Primary sources were accurately used as an appropriate medium to get the best material which gained directly from the participants without any modification. It has been practically adopted by several researchers [Nordin et al., (2011); Wube (2010); Zhouqiaoqin & Xie (2013)], who have successfully gained the information directly from the roots. Secondary data was used to support the previous and future data for understanding more clearly about the research such as reference books, journals, and encyclopedia. Simple Random Sampling of 373 respondents employed to select the group of population among women entrepreneurs in Perak to answer the objective of this study. It is a basic sampling technique in selecting the sample of the study to generate some degree of generalization of the population during data collections [Onugu (2005); Jibrilla, (2013)]. A self-design questionnaire was used to gather the data (Rashid et al., 2015; Mahajar & Jumaat, 2012; Chittithaworn, 2011; Lerner et al., 1997). Questionnaires have been validated before real survey begins to distribute the questionnaires to respondents (Fatoki, 2011). The data were analyzed by using Statistical Package software.

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for Social Science (SPSS) and the method of Pearson Correlation and Multiple Regression Analysis was used to test the hypothesis and find out the results for the research paper.

RESULTS

Descriptive Analysis

The results show that most women between the ages of 31 and 40 were actively involved in business with an estimated 39.7 per cent, 38.3 per cent of women found to be of intermediate groups between 41 and 50 years, 14.5 per cent for those aged 51 years old and above classified as the senior in business that has more experiences to explore the business and improve the performance. However, 7.5 percent of respondents under 30 years old start to involve in business. These percentages are presented in Figure 1 below.

![Figure 1: Pie chart indicating the category of Age of woman entrepreneurs](image1)

The finding also shows that 69.4 percent of married couples, mostly involved in businesses. 10.2 percent of them are still single, some of them are going to take risks to start a business from doing part time until succeeded as full-time business entrepreneurs. The remaining of 20.4 percent found to be divorced or widowed. The majority of respondents in the study indicated other’s certification of skills from Giatmara, Community College and several other institutions. The results that about 59.2 per cent of woman entrepreneurs have higher education at least Sijil Pelajaran Malaysia (SPM) or Sijil Pelajaran Vokasional Malaysia (SPVM). The pie chart in Figure 2 below explained.

![Figure 2: percentage of woman entrepreneurs that single, married and widowed](image2)

The finding also shows that only 14.5 per cent of them have a degree and very rare holds Master degree, about 0.5 per cent. 25.7 per cent only have Penilaian Menengah Rendah (PMR) and the rest of them have a Certificate of Higher Education Malaysia or Sijil Tinggi Pelajaran Malaysia (STPM) and DIPLOMA the following bar chart reported the level of education of the woman entrepreneurs.

![Figure 3: Level of education of woman entrepreneurs in percentage of Total sampled](image3)

Furthermore, Figure 4 explained that 54.7 per cent of women entrepreneurs in Perak having monthly revenue below RM5,000 and 33.5 per cent have monthly revenue between RM5, 000 to RM10, 999. Meanwhile, 10.2 per cent of them can reach up until RM11, 000 to RM49, 999 and 1.6 per cent of them can get monthly revenue between RM50, 000 and above even it is very rare to achieve but it is not impossible to get with a strong effort. The survey in figure 4.6 represents 57.1 per cent of the respondents have a monthly profit less than RM3, 000, followed by 31.4 per cent of women entrepreneurs who have a profit from between RM3, 000 to RM10,000. Among of them, only 11.5 per cent recorded monthly business profit RM10,000 and above.
The research found that the number of employees does not show gradually affect the performance of the business as 83.8 per cent have less than 5 employees in Micro enterprises. However, 13.7 percent have employee between 6 and 10 persons and 2.7 percent have workers between 11 and 20 persons. The survey also showed that majority of women entrepreneurs starts their business with a capital below RM10, 000 as shown in figure 8. 37.8 per cent of the respondents having a start-up capital between RM10,000 to RM49,999, followed by 7.2 per cent with RM50,000 to RM100,000 and 5 per cent with capital more than RM100,000.

**Findings and discussion**

The results for the analysis are mentioned below.

**Table 1 : The correlation between human capital on revenue and profitability**

<table>
<thead>
<tr>
<th>Revenue Range</th>
<th>Revenue</th>
<th>Profitability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human Capital</td>
<td>-0.100</td>
<td>0.027**</td>
</tr>
<tr>
<td>Financial Capital</td>
<td>0.164</td>
<td>0.003**</td>
</tr>
</tbody>
</table>

**Table 2 : The regression results of the impact of human capital on revenue and profitability**

<table>
<thead>
<tr>
<th>Revenue Range</th>
<th>SE</th>
<th>B</th>
<th>T</th>
<th>Sign.</th>
<th>SE</th>
<th>B</th>
<th>T</th>
<th>Sign.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human Capital</td>
<td>0.115</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.004**</td>
<td>0.108</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Capital</td>
<td>0.149</td>
<td>2.905</td>
<td>0.004**</td>
<td>0.108</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.001***</td>
</tr>
<tr>
<td>Financial Capital</td>
<td>0.089</td>
<td>2.582</td>
<td>0.010**</td>
<td>0.083</td>
<td>0.114</td>
<td>2.189</td>
<td>0.029**</td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Monthly Revenue (RM) & Monthly Profit (RM)
b. ***, ** and * denote Correlation is significant at the 0.01, 0.05 and 0.1 level (1-tailed).

The results found that there is a correlation between human capital and the performance of woman entrepreneurs in business, which is consisting previous entrepreneurial experience, level of education as well as skill and knowledge. Human capital contributes a lot when it comes to performance. However, the findings did not show there starting up is a strong relation between human capital and the performance of women entrepreneurs in business. Level of education did not affect too much on performance as it is not a requirement to be an entrepreneur, but only an advantage to increase the individual capabilities and the potential to diversify the field and knowledge. The important thing in business is the knowledge of the products and the best marketing and services you give to others. The majority respondent will hold internal meeting commonly and build a good strategy to plan and manage the company better to improve the business performance. Zhouqiaoqin and Xie (2013) got similar relationship.
Financial capital plays a vital role in the economy and consistently to be an important factor to encourage the business development in women, whether in the business and expanding it effectively. The finding indicates that financial capital is very significant with the revenue and profitability, also affect positively on the performance of women entrepreneurs in business. The establishment of the various financial assistance through a number of stakeholders such as government agencies, the Malaysia Government Link Company (GLC), commercial Banks, and some others private sectors can provide funding to help women entrepreneurs developing business in order to achieve the mission of government to promote economic growth. Mukulu (2013) has uncovered similar relationship. Therefore, without enough financial capital, it is hard for women to start up and expand the business in order to achieve the objective successfully.

CONCLUSION

This research paper has made its contribution of the impacts of human capital and financial capital on the performance of women entrepreneurs in small and medium enterprises, in Perak, Malaysia. The findings of the study have gained in-depth understanding of the explanations about the impact of human and financial capital on the performance of women entrepreneurs in business. The results indicated the evidence that there is a significant relationship between human capital and financial capital on the performance among women entrepreneurs in business. Therefore, the explanation of respondents can help researchers to know the needs of women entrepreneurs and other institutions need to find various programs and support to improve the performance of women entrepreneurs. This paper is expected to give useful insight and guidance on knowledge of entrepreneurship and the priority factors on women entrepreneurs in improving their business performance. It will also be able to create a good culture and healthy competition. In conclusion, this study contributes to the theoretical and practical aspects of the factors that affect the performance of women entrepreneurs. If we can achieve a better understanding of the key factors that affect the performance of woman entrepreneurs, this will implicate women entrepreneurs and investors to grow their business successfully in this global environment.

The paper studies the effects of human capital and financial capital toward the performance of women entrepreneurs which is a broad topic. This study is limited, which covers the state of Perak only due to financial and time constraint. From the research paper, it is recommended that future research is going to conduct research about several states in Malaysia and increase the numbers of samples that will represent the women entrepreneurs throughout the country. It’s recommended to focus the improvement of women entrepreneurs on the economic growth and development of the nation in the future research. It is also interesting to investigate the innovation in human capital that affect the performance of women entrepreneurs using a comprehensive framework that has been developed.

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iness success of small and medium enterprises.


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