ABSTRACT

The young generation who composed the majority of the world population is publicly accepted as a vital asset in developing and socio-economy of a country. Although there is evidence of vast involvement of young entrepreneurs in economic development activities, especially the Small and Medium Enterprises (SMEs), their infancy amongst all has led to many issues of their poor performance in running the business especially in Sabah that is far behind in terms of infrastructure development compared to Peninsular Malaysia. Hence, aiming at appraising the performance of young entrepreneurs in SMEs in Sabah, this paper is undertaken via systematic literature review to achieve the objectives of (1) determining the attributes of young entrepreneurs in SMEs inclusive of definitions of youth, young entrepreneur and SMEs; and (2) investigating issues that hinder the performance of young entrepreneurs in SMEs. It is hoped that this paper can reveal the issues faced by the young entrepreneurs in SMEs in Sabah so that equality of opportunities and supports by the government could be achieved throughout the country.

INTRODUCTION

Youth is becoming an increasing priority for many developing countries, including Malaysia, where young generation constitutes a large segment of the Malaysian population. Hence, it is apparent that youth is an important
asset that if properly nurtured can stimulate the economic and social development of the nation since their strengths, both mentally and physically would be able to contribute significantly to the development of the country (Paul et al., 2014).

Therefore, it is not questionable if the involvement of young Malaysian aged less than 40 years old in the entrepreneurship sector including the Small and Medium Enterprises (SMEs) is rapidly increasing. The involvement of youth in entrepreneurship has thus become a major discussion among policymakers, educators and researchers throughout most developing countries (Harun et al., 2014), including Malaysia.

However, as there is an increased of participation from the youth, the current situation in the entrepreneurial sector is increasingly more challenging, where the youth nowadays must have the proper job to ensure their success in the future (Othman and Ishak, 2009). Lately, a career as an entrepreneur is a career that often chosen by the younger generation because this career is indeed given a good income (Mavasa, 2014). Hence, this study observes that becoming self-employed among youth is increasingly more relevant. As Malaysia is a small country with a high population of 32.41 million people and high life expectancy of 75 years old (Department of Statistics Malaysia Official Portal, 2019), the youth can no longer rely on job opportunities as they will have to compete with the ageing workers. More jobs will also become irrelevant in the future, thus making it tougher for people, especially the youth to secure jobs (Ling et al., 2017).

On the other hand, the issue of the unemployment rate among the youths in Malaysia has also been enthusiastically spoken. According to Malaysian Industrial Development Finance Berhad (MIDF) (2018), the rate of youth unemployment in Malaysia is 10.8%, which is more than three-fold of the total unemployment rate of 3.42%, the highest ever recorded in 2017. Due to the issues of unemployment, the youth in Malaysia has progressively tried to find opportunities in self-employment especially in the business arena even though their involvement has significantly escalated.

In the business arena generally, it is acceptable that the performance is the key interest of each business owner, where performance can be characterized as the firm's ability to create acceptable outcomes and actions (Eniola & Entebang, 2015). In assisting the business owners especially the young entrepreneurs involved in small and medium enterprises (SMEs), the Malaysian's government kick-started initiatives in the 1990s in long trying to increase the number of successful young entrepreneurs nationwide by providing them with all the necessary supports, namely improvement of new and old products, improved technologies and existence of government authorized agents, such as Majlis Amanah Rakyat (MARA), Malaysian Agricultural Research and Development Institute (MARDI), Forest Research Institute Malaysia (FRIM), etc. (Paul et al., 2014).

Nevertheless, although it is proven that there is a huge potential in the current local market and despite considerable government supports and assistance in terms of grants, funding, provisions of training and consultative services, many SMEs operated by young entrepreneurs are still failed with the failure rate remains high (Ridzwan et al., 2017). The SMEs performance of young entrepreneurs in Malaysia is considered not satisfying because only 20% of young entrepreneurs survive and are successful in the SME markets every year (Haron, 2010).

Hence, this paper reckoned that it is possible that high dependency on government support, especially monetary, may weaken rather than strengthen the young entrepreneur's ability to manage their SMEs.
and reduce the SMEs competitiveness. The young entrepreneur’s ability can be enhanced by locating responsibility for success on external, contextual factors rather than internal, young entrepreneurial competence variables since their preferences, actions, and attitudes are likely to be influenced by their cultural background, which may, in turn, affect their approach to handling their SMEs (Ahmad, 2009). Therefore, via systematic literature review, this paper aims at appraising the performance of young entrepreneurs in SMEs in Sabah via the objectives of (1) determining the attributes of young entrepreneurs in SMEs inclusive of definitions of youth, young entrepreneur and SMEs; and (2) investigating issues that hinder the performance of young entrepreneurs in SMEs.

**LITERATURE REVIEW**

**Definitions of Youth, Young Entrepreneur and Small and Medium Enterprises (SMEs)**

In Malaysia, the young generation is defined as the youth range between the ages of 15 and 40 based on the National Youth Development Policy 1997 (Ministry of Youth and Sports, 1998). According to United Nation Population Division (2017), the youth population is 13.9 million that represents 44.4% of the total Malaysian population and most of them are in the manufacturing sector (Yunus, 2007). It is also stipulated further that the main focus of youth development programs and activities in the country are also involving the youth aged 18 to 30 years (Soo, 2018), of which amongst others include the initiatives of increasing the youth involvement in self-employment as the entrepreneurs in the business arena, including the Small and Medium Enterprises (SMEs).

An entrepreneur is nothing else than the person who starts an enterprise. The entrepreneur is commonly seen as an innovator, a source of new ideas, goods, services, and business/or procedures, who plays a key role in any national economic development. Meanwhile, by combining the definition of entrepreneur and youth, a young entrepreneur is defined by this paper as an individual aged between 18 to 30 years who creates a new business, bearing most of the risks and enjoying most of the rewards. This is based on the definition of youth entrepreneurship by Dzisi (2014), which is demonstrated via the young entrepreneurs’ capability in terms of the practical application of enterprising qualities, such as initiative, innovation, creativity, and risk-taking into the work environment (either self-employment or employment in small start-up firms) by using the appropriate skills necessary for success in that environment and culture. These qualities are crucial for competitiveness because new entrepreneurial initiatives raise the productivity level, increase competitive pressure, and encourage innovation (Khan, 2016). In the Malaysian perspective, since 98.5% of business establishments in Malaysia are SMEs cut across all sizes and sectors involving 907,065 SMEs (SME Corp, 2018), it is apparent that most of the local young entrepreneurs are extensively involved in SMEs by maximizing the total potential qualities in youth entrepreneurship.

SMEs, on the other hand, has two definitions based on different sectors. The first definition is for the manufacturing sector, where SMEs is defined as companies with sales turnover lower than RM50 million or full-time employees not exceeding 200 workers (SME Corp, 2018). The second definition, also, is dedicated to the services sector and other sectors, where SMEs are businesses with turnover not exceeding RM20 million or having full-time employees not more than 75 workers (SME Corp, 2018). However, in general, the Malaysian SMEs are further categorized by Central Bank of Malaysia (2019) as (1) manufacturing SMEs that are the physical or chemical transformation of materials or components into new products; (2) services SMEs consisting of distributive trade, hotel and restaurants, business, professional and
Information and Communication Technology (ICT) services, private education and health, entertainment, financial intermediation, and manufacturing-related services, for example, research and development (R&D), logistics, warehouse, engineering etc; as well as (3) other SMEs which involve three key economic activities of primary agriculture SMEs, construction SMEs as well as mining and quarrying SMEs.

Under the new definition, all SMEs must be entities registered with Syarikat Suruhanjaya Malaysia (SSM) or other equivalent bodies. It, however, based on Bahagian Syarikat Pelaburan Kerajaan (GIC) (2018) excludes entities that are: (1) public-listed on the mainboard; and (2) subsidiaries of publicly-listed companies on the mainboard, multinational corporations (MNCs), government-linked companies (GLCs), Minister of Finance Incorporated (MoF Inc) and state-owned enterprises.

Although there are extensive involvements of young entrepreneurs in Small and Medium Enterprises (SMEs) in Malaysia, it is found that the performance of young entrepreneurs in SMEs Malaysia is considered not satisfying because only 20% of the young entrepreneurs survive and are successful in the SMEs markets every year (Haron, 2010). As for Sabah, it is even more alarming as 90% of business start-ups initiated by young entrepreneurs in Sabah have failed in the first three years (Lim, 2016). Based on the systematic literature review on 23 related previous studies between 2011 and 2018, it is suggested by this paper that the issues that hinder the performance of these Sabahan young entrepreneurs can be divided into internal factor and external factor.

Table 1 shows the analysis of systematic literature review related to the issues hindering the performance of young entrepreneurs in Small and Medium Enterprises (SMEs) worldwide, where this analysis is used by this paper as the guide to achieving the second objective of this paper, namely investigating issues that hinder the performance of young entrepreneurs in SMEs in Sabah. Based on Table 1, it is apparent that internal factors are the most cited issues that hinder the performance of young entrepreneurs in SMEs globally compared to the external factors.
As shown in Table 1, 20 of 23 related studies mention that internal factor is the critical issue that hinders the performance of young entrepreneurs in the global Small and Medium Enterprises (SMEs). Through the systematic literature review, four sub-factors under internal factor have been identified, where it is clear-cut that the management competencies is the most critical factor with ten times mentioned in the related studies that hinder the young entrepreneur’s performance in the SMEs.

In addition, Table 1 also shows that only ten out of 23 related studies exhibited external factor as hindering the performance of young entrepreneurs in SMEs around the globe. From the point of view of this paper, the external factor is perceived as does not play a critical role compared to the internal factors in hindering the young entrepreneur’s business performance in the SMEs.

DATA ANALYSIS AND DISCUSSION

Internal Factors

Looking at the Malaysian Small and Medium Enterprises (SMEs) context in terms of the management competencies, the main issue that hinders the performance of young entrepreneurs was poor planning that later snowballed to other problems leading to the SMEs’ premature demise (Lim, 2016). It is also suggested by Ghazali (2014) that many young entrepreneurs in Malaysia can only survive in a short period because of their immaturity and lack of ability in managing business resources. Zimmerman and Chu (2013) and Sefiani (2013) also claim that young entrepreneurs are not capable of managing and utilizing resources from various sources. Zimmermann and Jabbour (2011), Green (2013), Katekhaye and Magda (2017), and Boateng et al. (2014) also reported that youth start-ups entrepreneurs often lack experience and training in management that is required for successful youth business start-ups. However, based on Tessema (2015), it is stated that managerial skills are not critical challenges for young entrepreneurs. This is further supported by Rahman et al. (2016), who have analyzed that access to credit is amongst the issue that hinders the performance of young entrepreneurs in the Malaysian SMEs on top of lack of management skills. Nevertheless, seeing as most related studies are skewed towards the facts that management competencies are
the main issue that hinders the performance of young entrepreneurs in Malaysia, this study concurs with the majority consensus that management competencies are not only the issue faced by the local young entrepreneurs but also those in SMEs worldwide.

As for the second most critical issue hindering the performance of young entrepreneurs in SMEs, namely experience and knowledge, it is generally proven that many young entrepreneurs usually perceive themselves with a shortage of funds, experiences and proper knowledge in starting or running a business which might cause them to feel insecure in the venture (Staniewski & Awruk, 2015). Jamil et al. (2014) suggested that in the Malaysian market, the older entrepreneurs are more capable of starting and running a business than younger entrepreneurs due to working experience and knowledge accumulated over a lifetime career. Many scholars, namely Ridzwan et al., (2017), Andriole (2016) and Setiawi and Atarita (2018) suggest that young entrepreneurs fail in SMEs in Malaysia mainly because they are lacking knowledge and guidance. Relative to older individuals, younger people are less likely to have sectoral, managerial or prior business experience but are more likely to be unemployed. They may, therefore, lack the skills needed to set up or run their business (Green, 2013). Nyanga (2013) and Dinhucha Gonçalves Fumo and Jose Chiappetta Jabbour (2011) also claimed that majority of young entrepreneurs do not have sufficient knowledge and experience to face the various challenges in entrepreneurial while running the SMEs. Uddin et al. (2015) further highlighted by giving the example of Bangladesh, where adolescents comprise 33% of the aggregate populace and are the absence of experience. However, since this paper observed that there is no other literature stating the contradict statement, the lack of experience and knowledge is therefore reckoned as the second most critical issue hindering the performance of young entrepreneurs in Sabahan SMEs.

In addition, for third most critical issue hindering the performance of young entrepreneurs in SMEs, namely financial, Staniewski and Awruk (2015) and Dzisi (2014) suggested that one of the major barriers to youth entrepreneurship identified in the literature is the lack of sufficient start-up finance. Uddin et al. (2015) further investigated that attracting funds for the business is the most important issue to market the business successfully in Malaysia, where lack of savings, securities and credibility, and experience are the key start-up financing constraints for young entrepreneurs. This trend is also occurring worldwide, where according to Legas (2015), financial problem has long been one of the firm challenges entrepreneurs in Sub-Saharan Africa faced along the years and it makes the opportunity cost of lending the fund much higher for young entrepreneurs. This is also supported by Khan et al. (2016) and Green (2013), who claimed that young entrepreneurs under poor financial conditions will face challenges to set up and successfully run a new SME. Jakubczak (2015) also stated that one of the two most important issues hindering the young entrepreneur's performance in SMEs was the lack of financial credibility to take out a loan along with complications and costs of administrative procedures. Similar to Africa, Katekhaye and Magda (2017) also undertook a different study in India via descriptive statistics and also found that lack of finance was a major issue for young entrepreneurs especially in a rural area that is similar to Sabah geographical characteristic.

Finally, as for the least critical issue of entrepreneurship competencies, this is perceived by this paper as true as Jamil et al. (2014) reported that the younger generations in Malaysia are very eager to work but they do not have the passion and abilities to be an entrepreneur and grasp all the opportunity out there. This is further supported by Nyanga (2013), Katekhaye and Magda (2017), and Boateng et al. (2014), who stated that lack of managerial and entrepreneurial skills,
such as persistence and a strong heart to take in criticisms, and the attitude to facing the various challenges in the Malaysian entrepreneurial. Moreover, Khan et al. (2016) also reported that among the issues faced by young entrepreneurs in the Malaysian SMEs were low levels of Research and Design (R&D) and poor adaptability to changing trade trends. Hence, this paper suggests that young entrepreneurs in the Malaysian SMEs, particularly in Sabah must have the possession of entrepreneurial competencies, knowledge and hard work if they wanted to succeed in transforming challenges into profitable business opportunities.

Nonetheless, this paper observes that although managerial competencies are the major hindrance for the business performance among young entrepreneurs of SMEs in Malaysia, entrepreneurial competencies are also significantly vital for the growth of any start-up SME business. This is because young entrepreneurs with new ventures are considered inexperienced in this field, therefore prone to make mistakes throughout the process. The lack of experience will further cost them in terms of financial means as they will then amend any mistakes they had made. It causes them to have low persistence and grit which may lead them to the failure of a business. Therefore, the need to have a high entrepreneurial competency among young entrepreneurs are necessary for them to have high motivation to go through the business even though they encounter many obstacles along the way. They need to be open to new experiences and high passion to learn throughout the process.

External Factors

From the view of the external factor under the most important issue as observed via systematic literature review as in Table 1, in the Malaysian Small and Medium Enterprises (SMEs) perspective, lack of external supports in terms of business support facilities is also identified as one of the vital issues that hinder the performance of young entrepreneurs in the Malaysian business SMEs. Although it is proven that there is a huge potential in the current local market and despite considerable government supports and assistance in terms of grants, funding, provisions of training and consultative services, many SMEs operated by young entrepreneurs in Malaysia are still failed with the failure rate remains high (Ridzwan et al., 2017). Many scholars namely Fabeil et al. (2017), Andriole (2016), and Setiawi and Atarita (2018) suggest that young entrepreneurs fail in SMEs mainly because they are lacking guidance and support from related institutions. Out of many hurdles reported, many young entrepreneurs claim that they have difficulty in finding the funding and professional experience that are crucially needed to run their SMEs (Staniewski et al., 2016). Khan et al. (2016) also reported that among the issues faced by young entrepreneurs in SMEs were access to technological information and lack of consultancy services.

As for the second most crucial issue that hinders the SMEs performance, namely social capital previous related studies have suggested that older entrepreneurs are more capable of starting and running a business than younger entrepreneurs due to social capital accumulated over a lifetime career (Jamil et al., 2014). Older entrepreneurs are likely already build up a network of people from professional workers to regular people an essential element in building up and doing businesses that younger counterpart is lacking (Staniewski et al., 2016). Studied by Ghazali (2014) in Malaysia found that many of young entrepreneurs can only survive in a short period not only because of their immaturity and lack of ability in managing business resources, but they are also lacking business exposure and substantial network with experienced entrepreneurs. Furthermore, young people are typically lacking human, financial and social capital necessary both to set up and successfully run a new business (Green, 2013).
Other than that, in terms of the third most important issue that hinders the young entrepreneur’s performance in SMEs, Khan et al. (2016) also reported that non-availability of technically trained human resources is a significant issue among young entrepreneurs. Furthermore, lack of capital resources especially the financial, source of labour and lack of support and assistance from related institutions for entrepreneurial development are claimed by Fabeil et al. (2017) as amongst the issues that hinder the performance of young entrepreneurs in Malaysian SMEs. This is logical as management assistance for starting and operating the business and technical assistance for product and services development, especially in SMEs are problems faced by one-third of the young entrepreneurs around the globe although most young entrepreneurs were able to find both low- and high-skilled workers to meet their needs.

Finally, for the least important external factor that hinders the performance of young Sabahan entrepreneurs in SMEs, namely lack of basic infrastructure, for instance, access to electricity and transportation, this is true especially in Sabah since it is much less provided compared to those available in the more developed Peninsular Malaysia. Lack of external supports in terms of unsatisfactory physical infrastructure especially the lifeline facilities for entrepreneurial development is claimed to be existed by Fabeil et al. (2017). This deficiency of infrastructure not only leads to social problems but also demotivation of innovative social entrepreneurship amongst young entrepreneurs in Sabah, which eventually affects the poor performance in SMEs. Although young entrepreneurs in Sabah have limited opportunity to venture and explore other opportunities for the growth of their business development compared to Peninsular Malaysia, this paper suggested that there is rather a crucial need for Sabahan young entrepreneurs to acquire entrepreneurial competencies, such as high willingness to learn and perseverance, which will inevitably provide a strong foundation for Sabahan young entrepreneurs to overcome any obstacles they encountered. Furthermore, with a solid entrepreneurial competency, they will find a way to overcome the challenges. ‘When there is a will, there is a way’.

CONCLUSION

In conclusion, it is notable that young entrepreneurs have been one of the major contributors to the Malaysian economic development. However, the internal and external issues that have been investigated in this paper have emerged as the main hindrance to venture successfully into running a business via Small and Medium Enterprises (SMEs). In fact, from this study, internal factors of management competency are identified as the crucial hindrance for young entrepreneurs to succeed in their SME business. Meanwhile, for the external factors, issues of business support facilities are identified as the main challenges that young entrepreneurs face. Yet, this study observes that external factors stated as above does not play a vital role in determining a successful venture of SMEs. Internal factors stated in this study has more weight than external factors as they give more impact on the growth of young entrepreneurs itself. Therefore, more efforts need to be instilled by all parties in making sure that they have a solid foundation in terms of knowledge and guidance for them to embark on the field further. By knowing the critical variables the respective parties especially the government can use their resources efficiently to target problematic areas to address the high failure rate of SMEs in the country. Further research for this paper includes in data collection questionnaires and face-to-face interview from targeted samples (young entrepreneurs in Sabah) to obtain conclusive evidence towards the study.
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