Eradicating Poverty Through Micro, Small, and Medium Enterprises: An Empirical Exploration

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Abstract- Over and done with empirical reviews, this paper tried to ascertain the contribution of micro, small, & medium enterprises (MSMEs) in their capacities to eradicate poverty. To accumulate empirical literatures on micro, small, and medium enterprises development and poverty alleviation, a thorough search was done using online database sources such as Google Scholars, Springer Link, Wiley, Science Direct, JSTOR, Emerald, Scopus, UniMAP Library WorldCat and EBSCO HOST etc. The survey identified that the development of micro, small, & medium enterprises depends on individuals or a group of peoples that have certain factors such as innovativeness, family background, government support programs, and training or education. Others also include, individual entrepreneurial characteristics, an increase in women participation in entrepreneurship and youth empowerment. A strong collaboration between government-university-industry also plays a major role in developing entrepreneurship, not only can stimulate employment and create job opportunities but also to eventually alleviating poverty.

Keywords: Entrepreneurship Development, Micro, Small & Medium Enterprises Development, Poverty Alleviation.

I. INTRODUCTION

It is widely accepted that, the micro, small, & medium enterprises (MSME) are able to alleviate poverty through their capacities in creating job opportunities and employment. It is also documented that MSMEs are able to stabilize the economic shocks in many of the countries during the recent economic crises. The new startups and the expansion of MSMEs can increase social wealth and income through their ability to create new markets, new industries, new technology, new jobs and net increases in real productivity and thus able to reduce the poverty level in one’s country. Hence, it is logical to state that if the number of entrepreneurs of any given country increases the poverty indicators will eventually decrease. [1] and [2] also bolster on the importance of entrepreneurship knowledge and entrepreneurial activities as pathways to reduce poverty.

Entrepreneurship is viewed as key driver of economic growth. For example, in Malaysia, it is recorded that the growth of MSMEs has surpassed the economic growth since 2004. Hence, Malaysia is very much focusing on the development of entrepreneurship to expedite the economic growth towards reaching high income nation by 2020. A small rapidly growing firms started by entrepreneurially minded individuals able to create wealth and a significant number of jobs in particular economies, thereby impacting greatly on social and economic development [2, 3].
There are numerous numbers of researches on entrepreneurship development in various countries. Some try to relate entrepreneurship with economic development and growth, and poverty alleviation. The findings are inconclusive. Specifically, this study, therefore, aims to find out the linkage between micro, small, & medium enterprise development and poverty eradication.

This paper is divided into five sections. Section one provides a concise overview of the paper. Section two describes the background of the study in order to provide insight into the concepts of eradicating poverty through micro, small, & medium enterprise development. Section three highlights the methods and materials used for the research with justification for its adoption. Section four presents the empirical findings and outcomes of the study. Section five concludes for effective utilization of micro, small, & medium enterprise development as tools for poverty reduction.

II. BACKGROUND OF THE STUDY

Poverty is a state of absolute economic deprivation in which the individual cannot independently have access to the basic human life-sustaining essentials such as food, clothing, protection, and shelter [3, 4]. Poverty is the lack of income or shortage of assets; the lack of competence, confidence, disempowerment, etc.; has also deprivation of national currency; it is also common to speak of an poor understanding, or culture, or spirit [5, 6]. Poverty may arise from low productivity of the households and they face financial constraints and lack of other incentives of entrepreneurship [3, 6]. Alan E. Singer in 2006 said that the best cure for poverty alleviation in any region of the world lies in encouraging more on business activity and startup the new ventures through entrepreneurship development [5]. Moreover, entrepreneurship provides a basis for economic change through new knowledge creation and application [5].

Eradication of Poverty merely emphasizes that addressing the root causes of world poverty still remains an ongoing urgent international concern. All authorities recognize the importance of raising the standard of living in the community by job creation. As the end of the 20th century greater focus was concentrated in the international arena on issues which could impact on eradicating poverty, or at least alleviating it through micro, small and medium enterprise development [7]. Most of the poor in developing countries are not unemployed, but it is estimated that in 2006, 1.4 billion did not earn enough to lift themselves and their families above the poverty threshold [7]. Seventy per cent of these people are women and the feminization of poverty is recognized today as a global phenomenon [7]. Most importantly poverty is the main obstacles and problem of the people are facing particularly in developing countries. As of 2013, there were about 2.47 billion people in the world living in poverty with an income of USD 2 or less a day most of them from developing or under developing countries located in African and Asian continent [1]. The population living under poverty only declined from 2.59 billion to 2.47 billion between 1981 and 2013 [1]. Hence the declines principally are seated mostly in developed countries [1]. However, promotion of Micro, Small and Medium Enterprises (MSME's) could be one step in the direction of eradicating poverty through entrepreneurship development.

Micro, Small & Medium Enterprises (MSMEs) has been played an important role for development of the economic growth of a country as well as alleviating poverty through new jobs creation and provide income for the people [4, 8]. MSMEs not only help during the period of economic growth but also in economic recession [4].
The strong turbulence in the world economy in 1970s had made many large firms in developed countries lay off their employees then MSMEs were regarded as the problem solver to these structural changes [4, 8]. The strategic importance of micro, small and medium-sized enterprises in national economic development is widely recognised by many countries, developed and developing countries alike [9].

Simultaneously, there has been reports and evidence of contributions that MSMEs make in the process of industrial development. It was noted that MSMEs consist of 91–93% of the total industrial establishments in countries such as Singapore, Taiwan, Thailand and South Korea [1]. In these countries, contributions of MSMEs to employment ranged from 35 to nearly 61% with the contribution to value added ranging between 22 and 40% [1]. In Malaysia, MSMEs accounted for about 84% of manufacturing establishments, while their contribution to total value added and employment was about 28 and 38%, respectively [9]. Moreover, there have been evidence that MSMEs link themselves with large and multinational companies as has been the case in Japan, the United States, the United Kingdom, Canada, Germany etc. [6]. MSMEs remain a vital force in the manufacturing sector and their importance has increased rather than diminished in many countries [9]. An ILO study (2003) examined firms with fewer than 10 workers found that they generated 58% of total employment in Paraguay, 54% in Mexico, and 53% in Bolivia, on the other hand, its contribute approximately 31% of overall GDP in the Dominican Republic, 13% in Kenya, and 11% in Pakistan [10].

III. METHODOLOGY OF THE STUDY

This is the review study, which has examined the determinants of micro, small, & medium enterprise development and poverty alleviation from the flow of existing literature. In this study, the authors has been conducted a general search by the name of micro, small, & medium enterprise development and poverty alleviation in different online database sources such as Google Scholars, Springer Link, Wiley, Science Direct, JSTOR, Emerald, Scopus, UniMAP Library WorldCAT, and EBSCO HOST etc. In this search it has been identified that a number of journal articles, conference papers, books and other types of generic works, which have been read to determine which articles are needed to be included in the review of this paper. After reading thoroughly most relevant articles have collected those were found as the best fit within the objectives of the present issues about micro, small, & medium enterprise development as well as their effects into poverty alleviation. The review has been examined on the basis of objectives, methods and findings accordingly of the all collected empirical studies.

IV. EMPIRICAL FINDINGS REGARDING ERADICATION OF POVERTY THROUGH MICRO, SMALL, & MEDIUM ENTERPRISE DEVELOPMENT

Nemours works have been founded regarding entrepreneurship development and poverty alleviation. However, micro, small and medium enterprises are the important part of entrepreneurship development, which play a significant role in not only the poverty alleviation but also national development. P. Agupusi in 2007 examined the role of the small business sector in poverty alleviation by the support from government and private sector initiative in Alexandra, South Africa. He found that with positive interaction between development agencies, and small businesses in Alexandra, predominantly informal and semi-formal SMMEs in Alexandra could not only alleviate poverty but could also contribute to the general transformation process [11].
After that Kobia and Sikalieh in 2010 tried to search the meaning of entrepreneurship through literature review by focusing on the trait, behavioral and opportunity identification approaches. They identified a direct correlation between the small & medium entrepreneur with the economic growth and poverty. They recommended that researchers and educators need to study the entrepreneur before, during and after the entrepreneurial process [12]. However, S. C. Chen and J. A. Elston in 2013 investigated the characteristics of entrepreneurial activity among the small business owners in developing country, specifically in Chinese restaurant industry. They collected primary data by using survey questionnaires in four cities across three provinces in China. They used descriptive statistical analysis and found three main results. First, the small entrepreneurs were characterized by autonomy seekers, family protectors, or profit seekers. Second, the small entrepreneur’s generate funding predominantly from private sources rather than institutional. And third, entrepreneurial business was the main sources of the family’s income [6].

Some works found that the development of micro, small and medium enterprises and income up-liftmen purpose. S. Nichter and L. Goldmark in 2009 conducted a comprehensive survey and try to found factors affecting the growth of micro & small enterprises in perspective of developing countries. From the survey they found four types of factors were associated with small firm growth that is: individual entrepreneur characteristics, firm characteristics, relational factors such as social networks or value chains and contextual factors such as the business environment [10]. On the other hand, P. M. Mshenga and R. B. Richardson in 2012 examined micro and small enterprise (MSE) contribution of tourism and the linkages between tourism businesses and MSEs in the coastal region of Kenya. They collected data by using structured questionnaire from two surveys involving 449 MSEs and 49 hotels. They used Tobit regression model to estimate the determinants of MSE participation in tourism, as well as the proportion of products purchased by hotels from MSEs. They found that older, larger MSEs and those that were members of associations were more likely to participate in tourism [13].

Some works found that factor affecting entrepreneurship development which have major role in employment generation and poverty alleviation. V. Sriram, et al. in 2007 developed a model and set a research questions from the review of literature for their further research regarding urban entrepreneurship development is the solution of poverty on African-American regions. From the review they found that motivation and skills is the important driver of the entrepreneurial behavior and availability of resources has a moderating effect on both entrepreneurial behavior and achievement. The impact of culture is considerable matter for entrepreneurship development [14]. However, S.-A. Mensah and E. Benedict in 2010 conducted desk research and quantitative analysis from the poorest regions of South Africa for found out the impact of government initiative for alleviating poverty through entrepreneurship development. They found out that the training in entrepreneurship and provision of other facilities could give poor owners of micro and small enterprises opportunities to grow their businesses and get themselves and other out of poverty [15].

Moreover, P. J. Robson, H. M. Haugh, et al. in 2009 has been adopts a multi-level theoretical framework to examine data from 496 entrepreneurs in Ghana. They accumulate seven types of innovation activity against three categories of variables these are the characteristics of the entrepreneur, the internal competencies of the firm, and firm location. They identified that the level of innovation was related to the educational level of the entrepreneur; moreover, the firm size and involvement were positively related to innovation.
They also found that entrepreneurs have introduced innovations in a range of products, services, production processes, work practices, and marketing which have brought benefits to their firm [16]. On the other hand, H. N. Nasution, F. T. Mavondo, et al. in 2011 have been examined effects of entrepreneurship with learning orientation, integrated market orientation, human resource practices on innovation and customer value. They collected data from small and medium size hotels in Indonesia and analyzed by using the structural equation model. They identified that interaction of entrepreneurship and integrated market orientation as well as human resource practices has significant impact on customer value and innovation respectively [17].

Some works have been institute that the factor affecting to develop rural entrepreneurship and government played a significant role to develop entrepreneurship. A. Kanitkar in 1994 conducted a case study to understand the emergence of successful micro entrepreneurs in rural areas. He selected 86 village-based micro enterprise owners and most of them were farmers in different regions of rural India. He examined the socio-economic profile of the entrepreneurs, their motivation for shifting from an agriculture-based occupation to a non-farm activity, their approach to raising resources for their enterprises and the factors that facilitated entry of the village-based entrepreneurs into a business activity. He found family background and previous work experiences, government initiative training program, financial support from bank or non-banking institutions were the important factor for the success of the entrepreneurs. He also found that most of the successful entrepreneurs have less education and training; however they have 'self-made' characteristics which were the main reasons for their success [18].

Again, S. S. Kodithuwakku, and P. Rosa in 2002 tried to ascertain the role of the entrepreneurial process in the economic and business success of Sri Lankan villagers. An ethnographic and multiple-embedded case study approach was adopted to examine the nature and role of entrepreneurial processes in the success of the Mahaveli rural entrepreneurs. They found that after 10 years most of the commercially successful farmers had succeeded in adding new ventures to their portfolio of income-generating activities engaging in an average of 3.7 ventures each. They also found that the successful farmers were not only successful as farmers, but had also diversified into other business ventures. Finally, they recommended that entrepreneurial processes were important in the successful entrepreneurs’ emergence from an extremely unpromising and constrained environment [19]. Moreover, T. Beck, A. Demirguc-Kunt, et al. in 2005 tried to ascertain the relationship between the relative size of the Small and Medium Enterprise sector, economic growth, and poverty alleviation. They took a sample of 45 countries and used a new database on the share of SME labor in the total manufacturing labor force. They found a strong, positive relationship between the importance of SMEs and GDP per capita growth [8].

T. Tambunan in 2008 examined the effects of the development of small and medium enterprises (SMEs) in less developed countries (LDCs) on two issues: the survival of SMEs in the course of economic development and the importance of government promotion programs for SME development with Indonesian data. He found that government expenditure for SMEs developments has positive impacts on SME growth. He also found that SMEs in LDCs can survive, and even grow in the long-run, for three main reasons: (a) they create a niche market for themselves, (b) they act as a “last resort” for the poor, and (c) they will grow along with large enterprises (LEs) because of their increasingly important production linkages with LEs in the form of subcontracting [20].
Moreover, M. N. Mohd Shariff, C. Peou, et al. in 2010 examined government policy is a moderating effect on the relationship with entrepreneurial values, firm financing, management, market practices and growth performance of SMEs in Cambodia. They used survey questionnaires from 220 SME owner-managers in the City of Phnom Penh in Cambodia and used hierarchical multiple regression method for analyzing the data. They found that there was a positive relationship between entrepreneurial values, firm financing, management, market practices and SME growth performance as hypothesized. They also found that government policy have an important role as full moderator in such relationships [4]. Nevertheless, M. A. Abdullah in 1999 conducted a survey about 185 small and medium-sized enterprises in Penang, Malaysia for evaluated the accessibility of government sponsored support programmes to SMEs. He conducted this survey by using structured questionnaire. He found that the majority of the SMEs could not receive any government assistance. Clumsy legislative process, entrepreneurs inadequate information about the support programmes, limited amount of credit facilities, insufficient of urban and regional branches were the main reasons for the limited access of the programme. He also found that most of the small & medium size enterprises in Malaysia have demonstrated their ability to go into business and survive without government support [9].

J. O. Okpara in 2011 examined the factors that obstruct the growth and survival of small businesses in Nigeria. He used a survey method to gather data from 211 small business owners and managers located in selected cities in Nigeria. He conducted several statistical analyses to identify the factors constraining the growth and survival of SMEs in Nigeria. He found that the most common constraints obstructing small business growth and survival in Nigeria are lack of financial support, poor management, corruption, lack of training and experience, poor infrastructure, insufficient profits, and low demand for product and services [21]. However, S. B. A. Tende in 2013 has been examined government initiatives toward entrepreneurship development in Nigeria and evaluates the job creation capacity of the entrepreneurship development programs on Nigerians. Random samples of 1,159 beneficiaries of were selected from six geo-political zone and structured questionnaires were used to obtain information from the selected beneficiaries. He found that government credit policies have no significant effect on the development of entrepreneurial activities in the country and mostly the beneficiaries do not derived maximum satisfaction from government programs and policies [22]. On the other hand, D. A. H. Ali and A. Y. S. Ali in 2013 identified the relationship between entrepreneurship Development and poverty reduction at Benadir region in Somalia. They used correlation research design comprised of 80 participants of micro and small enterprises in Benadir region. The study found that Sig. or P-value was less enough, suggesting that the two variables indicated that the computed R-value was -0.195; this indicates that there was weak positive correlation between entrepreneurship development and poverty reduction [23].

Finally, I. Adofu and O. Akoji in 2013 was assessed the impact of entrepreneurship skill acquisition on poverty in Kogi State of Nigeria. They used structured questioners for collecting primary data from six Local Government Area of the state and used descriptive statistics like frequencies and percentages. They found that 65% of the respondents accepted that lack of entrepreneurship skills among youth is responsible for the high rate of poverty in Nigeria. The result also revealed that at least 60% of the people that benefitted from the skill acquisition programme can afford the basic necessity of life [24]. Moreover, D. Agyapong in 2010 reviewed the literature on the importance of MSMEs to economic development and poverty alleviation. He found two divergent views of MSMEs, the pro-MSMEs and the anti-MSMEs have been identified in the literature.
Whereas the pro-MSMEs believe in the significant role played by small business in the economic prosperity of a country, the anti-MSMEs are of the view that larger organizations played relatively significant role than MSMEs. However, from the reviewed literature small businesses play key role in the creating job (especially female employment), contribute to tax, export and import revenues, facilitate the distribution of goods, contribute to human resource development and are the cradle of innovations and entrepreneurship. MSMEs in Ghana are found in the fields of farming, fishing, small scale mining, restaurants, food processing and other services. He recommended to government and policymakers to institute viable credit support and non-financial business support services to help MSMEs grow [25].

V. CONCLUSION

From the review this study acknowledged that promoting small scale enterprises is one means of eradicating poverty and is a joint effort of local, national and international organizations with the collaboration of university, government & industry. It has to be part of a comprehensive plan for raising the standard of living of the population. In a world where poverty alleviation still remains one of the greatest global challenges, the linkage between training and increasing income generating opportunities is generally acknowledged. Sustainable development in a self-employed entrepreneurial capacity and involving the grassroots population remains an ongoing, pertinent and vital part of the international cooperation policy. Entrepreneurial processes were important in the success of micro, small & medium enterprises development from an extremely unpromising and constrained environment. The impact of culture is considerable matter for MSMEs development. On the other hand, the level of innovation was related to the educational level of the entrepreneur; moreover, the firm size and involvement were positively related to innovation. The entrepreneurs have introduced innovations in a range of products, services, production processes, work practices, and marketing which have brought benefits to their firm. Entrepreneurship and human resource management were shown to be the most significant drivers of innovation and customer value. Interaction of entrepreneurship and integrated market orientation as well as human resource practices has significant impact on customer value and innovation respectively.

This study also institutes that the direct collaboration among the government-university-enterprises are needed for developments of the economic growth and reducing poverty. Government policies have no significant effect on the development of entrepreneurial activities in the country and mostly the beneficiaries do not derive maximum satisfaction from government programs and policies. The training in entrepreneurship and the provision of other facilities could give poor owners of micro and small enterprise opportunities to grow their businesses and get themselves and others out of poverty. Most importantly, micro, small & medium enterprise development are a key tool for poverty reduction; stimulating employment as well as fast-tracking realization of universal primary education and women entrepreneurs played a major role in poverty reduction in the Globe. Finally, it has been recommended that the development of micro, small, & medium enterprises is depending on individual or a group of peoples certain factors these are innovativeness, family background, government support program, women’s participation, entrepreneurship training & education, individual entrepreneurial characteristics, youth empowerment. On the other hand, the collaboration of government-university-industry play a major role in developing entrepreneurship, which is stimulating employment is eventually alleviating poverty from the globe.
REFERENCES