

**FIDUCIARY ACCOUNTABILITY AND FACTORS  
CONTRIBUTING TO SUSTAINABILITY  
BUSINESS GROWTH OF MALAYSIAN INDIAN  
SMEs**

**LAKSHMI GANDHAN A/L M SESA SALAM**

**UNIVERSITI SAINS MALAYSIA**

**2022**

**FIDUCIARY ACCOUNTABILITY AND FACTORS  
CONTRIBUTING TO SUSTAINABILITY  
BUSINESS GROWTH OF MALAYSIAN INDIAN  
SMEs**

by

**LAKSHMI GANDHAN A/L M SESA SALAM**

**Thesis submitted in fulfilment of the requirements  
for the degree of  
Doctor of Philosophy**

**August 2022**

## ACKNOWLEDGEMENT

This academic journey, which to me was a life journey, would not have been possible without the support and encouragement of many parties. I take this opportunity to express my sincere appreciation to my main supervisor, Assoc. Prof. Dr. Daisy Kee Mui Hung for her unflinching support, dedication, professionalism, and guidance. She has provided much pragmatic and constructive feedback throughout the three years of my endeavour to attain my PhD. I wish to extend my thanks to the academic staffs of the School of Management of Universiti Sains Malaysia; Dean, Prof. Dr. Noor Hazlina Ahmad; Deputy Dean (Academic and International), Dr. Abdul Hadi Zulkafli; and Deputy Dean (Research and Industry Community Network) Assoc. Prof. Dr. Zamri Ahmad.

I am profoundly indebted and thankful to my examiners, Assoc. Prof. Dr. Anees Jane Ali @ Hamid and Dr. Khairul Anaur Mohammad Shah for their constructive feedbacks, suggestions on my proposal, thoughtful insights and for rekindling my aspirations to improve and polish my final thesis. I have learnt tremendously from their constructive comments, which helped me to sharpen my research framework and literature review.

The Penang Indian Chamber of Commerce, Selangor Indian Chamber of Commerce and Entrepreneurs, Kedah Indian Chamber of Commerce and Industry, Perak Indian Chamber of Commerce, Johore Indian Business Association, and Johor Indian Chambers of Commerce and Industry have all been instrumental for providing valuable information, without which it would have been almost impossible to complete this thesis.

My deepest thanks to the pre-test respondents for their feedback on draft questionnaires. I record my appreciation to some lawyers who assisted me with the portion of questionnaires relating to fiduciary accountability.

I wish to thank the School of Management, Universiti Sains Malaysia, which provided the administrative process to submit the thesis. My heartfelt gratitude to the administrative staffs at the Graduate Office of the School of Management.

I would like to record my special gratitude to my family for giving me the motivation and drive to accomplish the thesis. I dedicate this thesis to my beloved mother who demised in 2020, to my wife, Sarojini Devi and my two sons, Maha Senan and Jaya Senan, and my granddaughter, Dhynashree. Finally, I record my appreciation to Verassree, who assisted me to key in data, sent emails to the respondents and monitor incoming emails.

August 2022

Lakshmi Gandhan a/l M Sessa Salam, PJK.

## TABLE OF CONTENTS

<b>ACKNOWLEDGEMENT</b> .....	<b>ii</b>
<b>TABLE OF CONTENTS</b> .....	<b>iv</b>
<b>LIST OF TABLES</b> .....	<b>xii</b>
<b>LIST OF FIGURES</b> .....	<b>xv</b>
<b>LIST OF ABBREVIATIONS</b> .....	<b>xvi</b>
<b>LIST OF APPENDICES</b> .....	<b>xviii</b>
<b>ABSTRAK</b> .....	<b>xix</b>
<b>ABSTRACT</b> .....	<b>xxi</b>
<b>CHAPTER 1 INTRODUCTION</b> .....	<b>1</b>
1.1 Introduction.....	1
1.2 Background of the Study .....	1
1.3 Fiduciary Accountability in Malaysia SMEs .....	15
1.4 Problem Statement .....	17
1.5 Research Objectives .....	22
1.6 Research Questions .....	23
1.7 Significance of the Study .....	24
1.7.1 Theoretical significance .....	24
1.7.2 Practical significance .....	26
1.8 Scope of the Study .....	27
1.9 Definition of Key Terms .....	27
1.10 Organisation of the Thesis .....	30
1.11 Summary .....	31
<b>CHAPTER 2 LITERATURE REVIEW</b> .....	<b>32</b>
2.1 Introduction.....	32
2.2 Indian Entrepreneurial Activities of Past and Present in Malaysia.....	32

2.2.1	Pre-independence ethnic Indian entrepreneurs in Malaysia .....	33
2.2.2	The current Malaysian Indian businesses .....	35
2.3	Sustainable Business Growth.....	36
2.3.1	Inadequacy study of sustainable business growth .....	44
2.4	Fiduciary Accountability .....	44
2.4.1	Agency theory .....	47
2.4.2	Stewardship theory.....	50
2.4.3	Fiduciary accountability of directors/ managers.....	53
2.4.4	Fiduciary accountability in Malaysia SMEs .....	58
2.4.5	Director/manager's roles on firm performance.....	59
2.5	Entrepreneurial Orientation.....	63
2.5.1	Entrepreneurial orientation drives business growth.....	68
2.5.2	Inadequate study on entrepreneurial orientation in relation with sustainable business growth.....	70
2.5.3	Justification of unidimensional on this study.....	76
2.5.4	Final note on entrepreneurial orientation .....	78
2.6	Marketing Orientation.....	78
2.6.1	Domain of marketing orientation.....	82
2.6.2	Justification of unidimensional on this study.....	88
2.7	Social-Media .....	95
2.7.1	Social-media for business activities .....	99
2.7.2	Challenges of social media in marketing .....	106
2.8	Innovation as a Mediator .....	111
2.8.1	Innovation .....	112
2.8.2	Innovation through technologically .....	125
2.8.3	Innovation in the context of sustainable business growth .....	132
2.8.4	Justification of one-dimensional construct for innovation.....	132
2.9	Direct and Indirect Link .....	133

2.9.1	Fiduciary accountability and innovation link .....	133
2.9.2	Entrepreneurial orientation and innovation link .....	136
2.9.3	Marketing orientation and innovation link.....	139
2.9.4	Social-media and innovation link .....	141
2.9.5	Fiduciary accountability and sustainable business growth link .....	144
2.9.6	Entrepreneurial orientation and sustainable business growth link .....	145
2.9.7	Market orientation and sustainable business growth link .....	147
2.9.8	Social-media and sustainable business growth link.....	148
2.9.9	Innovation and sustainable business growth link.....	149
2.9.10	Fiduciary accountability, innovation, and sustainable business growth link .....	150
2.9.11	Entrepreneurial orientation, innovation, and sustainable business growth.....	151
2.9.12	Marketing orientation, innovation, and sustainable business growth link .....	152
2.9.13	Social-media, innovation, and sustainable business growth link .....	155
2.10	Gap in the Literature .....	156
2.11	Underlying Theories .....	158
2.12	Theoretical Framework .....	163
2.13	Hypotheses Development .....	165
2.13.1	Development of Hypothesis 1 .....	166
2.13.2	Development of Hypothesis 2.....	166
2.13.3	Development of Hypothesis 3.....	167
2.13.4	Development of Hypothesis 4.....	167
2.13.5	Development of Hypothesis 5.....	168
2.13.6	Development of Hypothesis 6.....	168
2.13.7	Development of Hypothesis 7.....	168

2.13.8	Development of Hypothesis 8.....	169
2.13.9	Development of Hypothesis 9.....	169
2.13.10	Development of Hypothesis 10.....	170
2.13.11	Development of Hypothesis 11.....	170
2.13.12	Development of Hypothesis 12.....	171
2.13.13	Development of Hypothesis 13.....	171
2.14	Conclusion .....	172
<b>CHAPTER 3      METHODOLOGY .....</b>		<b>173</b>
3.1	Introduction.....	173
3.2	Research Philosophy .....	173
3.3	Research Design and Procedure.....	176
3.4	Research Site.....	178
3.5	Unit of Analysis .....	181
3.6	Sampling technique.....	181
3.6.1	Purposive sampling.....	182
3.6.2	Justification of Purposive sampling .....	183
3.7	Minimum Sample Size.....	184
3.8	Justification of Self-Report Data .....	187
3.9	Research Instrument.....	190
3.9.1	Fiduciary accountability.....	192
3.9.2	Reliability and validity of the measurement of Fiduciary accountability .....	193
3.9.3	Measurement of EO .....	196
3.9.4	Marketing Orientation.....	198
3.9.5	Social-media .....	199
3.9.6	Innovation .....	201
3.9.7	Sustainable Business Growth.....	202
3.10	Common Method Bias .....	204



3.11	Translation of Questionnaire and Back-Translation .....	205
3.12	Pre-test .....	207
3.13	Pilot Study.....	208
3.14	Data Collection Procedure .....	209
3.15	Statistical Analysis.....	211
3.15.1	Data screening.....	213
3.15.2	Analysis of missing data .....	213
3.15.3	Outliers.....	214
3.15.4	Normality .....	215
3.15.5	Common method variance .....	216
3.15.6	Descriptive statistics .....	216
3.16	Measurement Model .....	217
3.16.1	Reflective measurement model.....	217
3.16.2	Formative measurement model.....	219
3.16.3	Validity and reliability of the measurement model.....	220
3.16.4	Reliability.....	220
3.16.5	Assessment of the structural model .....	221
3.16.6	Structured model path coefficient.....	223
3.16.7	Effect size.....	225
3.16.8	Predictive relevance .....	227
3.16.9	Hypotheses testing .....	229
3.17	Summary .....	229
<b>CHAPTER 4 DATA ANALYSIS AND RESULTS.....</b>		<b>230</b>
4.1	Introduction.....	230
4.2	Data Screening .....	230
4.2.1	Checking for errors .....	230
4.2.2	Investigation of missing data .....	231

4.2.3	Detecting outliers .....	232
4.3	Demographic Profiles .....	232
4.4	Respondents' Profiles .....	234
4.5	Respondents' Company Profile .....	235
4.6	Independent Sample T- Test and Non-Response Bias.....	237
4.6.1	Response bias of early and late responses .....	238
4.6.2	Response bias: Mailing and personal distribution .....	239
4.6.3	Response bias: Chi square test.....	240
4.7	Common Method Variance and Unrotated Factor Analysis.....	242
4.8	Goodness of Measurement Model .....	243
4.8.1	Construct validity and reliability.....	243
4.8.1(a)	Convergent validity .....	243
4.8.1(b)	Discriminant validity.....	248
4.8.1(c)	Composite reliability .....	255
4.9	Descriptive Analysis (After Deletion of Items).....	255
4.10	Control Variables .....	256
4.11	Assessment of the Structural Model .....	257
4.11.1	Multicollinearity .....	258
4.11.2	Path coefficient and hypothesis testing of the direct relationship.....	259
4.11.2(a)	Path coefficient and hypothesis testing of indirect relationship.....	261
4.12	Effect Size.....	263
4.13	Predictive Relevance.....	264
4.13	Summary of Results .....	266
<b>CHAPTER 5</b>	<b>DISCUSSION AND CONCLUSION.....</b>	<b>269</b>
5.1	Introduction.....	269
5.2	Recapitulation of Study and Summary of Findings.....	269

5.3	Review on Direct Relationships.....	271
5.3.1	Fiduciary accountability and sustainable business growth .....	272
5.3.2	Entrepreneurial orientation and sustainable business growth .....	275
5.3.3	Relationship between marketing orientation and sustainable business growth.....	275
5.3.4	Relationship between social-media and sustainable business growth .....	277
5.3.5	Relationship between Innovation and SBG .....	278
5.3.6	Relationship between fiduciary accountability and innovation .....	279
5.3.7	Relationship between entrepreneurial orientation and innovation .....	280
5.3.8	Relationship between marketing orientation and innovation.....	281
5.3.9	Relationship between social-media and innovation.....	282
5.4	Analysis and Discussion of Mediation.....	282
5.4.1	The effect of mediation role of innovation between fiduciary accountability and SBG .....	283
5.4.2	The effect of mediation role innovation on the relationship between entrepreneurial orientation and sustainable business growth.....	284
5.4.3	The effect of meditation role of innovation on the relationship between marketing orientation and sustainable business growth.....	285
5.4.4	The effect of mediation role of innovation on the relationship between social-media and sustainable business growth .....	286
5.5	Implications.....	287
5.5.1	Theoretical implications.....	287
5.5.2	Policy implications.....	293
5.5.2(a)	Human capital development .....	295
5.5.2(b)	Development of capacity and foreign direct investment.....	297

5.5.2(c)	Entrepreneurial and fiduciary accountability for future development.....	298
5.5.3	Managerial implications.....	300
5.5.3(a)	To strengthen fiduciary accountability .....	304
5.5.3(b)	To Strengthen Entrepreneurial Orientation .....	306
5.5.3(c)	To strengthen market orientation.....	308
5.5.3(d)	To strengthen social media.....	310
5.5.3(e)	To strengthen innovation.....	311
5.6	Limitations .....	314
5.7	Direction of Future Studies .....	315
5.8	Summary .....	317
5.9	Conclusion .....	318
	<b>REFERENCES.....</b>	<b>320</b>

## **APPENDICES**

## **LIST OF PUBLICATIONS**

## LIST OF TABLES

	<b>Page</b>
Table 1.1	Malaysian SMEs Gross Domestic Product 2017, 2018, 2019, & Q4 2020 ..... 3
Table 1.2	Population and Corporate Share of Equity (2020) ..... 9
Table 1.3	Registered SMEs With Respective Malaysian Indian Chamber..... 11
Table 1.4	Gross Domestic Product Percentage Change Between 2019 and 2020 ..... 12
Table 2.1	A Summary of Literature Review Related to SBG. .... 41
Table 2.2	A Summary of Literature Review Related to Fiduciary Accountability ..... 61
Table 2.3	Characteristics of Entrepreneurs..... 65
Table 2.4	A Summary of Literature Review Related to EO..... 72
Table 2.5	A Summary of Literature Review Related to Market Orientation ..... 90
Table 2.6	A Summary of Literature Review Related to Social-Media..... 102
Table 2.7	Definitions of Innovations ..... 113
Table 2.8	A Summary of Literature Review Related to Innovation..... 115
Table 2.9	Innovation and Market Insight by Different Corporations..... 127
Table 2.10	A Summary of Literature Review Related to Fiduciary Accountability and Innovation link ..... 134
Table 2.11	A Summary of Literature Review Related to Entrepreneurial Orientation and Innovation Link. .... 138
Table 2.12	A Summary of Literature Review Related to Market Orientation and Innovation Link ..... 140
Table 2.13	A Summary of Literature Review Related to Social-Media and Innovation Link..... 143
Table 2.14	A Summary of Literature Review of Fiduciary Accountability and Sustainable Business Growth Link ..... 145

Table 2.15	A Summary of Literature Review of Entrepreneurial Orientation and Sustainable Business Growth Link.....	146
Table 2.16	A Summary of Literature Review of Market Orientation and Sustainable Business Growth Link.....	147
Table 2.17	A Summary of Literature Review of Social-Media And Sustainable Business Growth Link.....	148
Table 2.18	A Summary of Literature Review of Innovation and Sustainable Business Growth Link.....	149
Table 2.19	A Summary of Literature Review of Fiduciary Accountability, Innovation, and Sustainable Business Link .....	150
Table 2.20	A Summary of Literature Review Related to Entrepreneurial Orientation, Innovation, and Sustainable Business Growth Link.....	152
Table 2.21	A Summary of Literature Review Related to Marketing Orientation, Innovation, and Sustainable Business Growth Link.....	154
Table 2.22	A Literature Review Related to Social-Media, Innovation, and Sustainable Business Growth Link .....	155
Table 3.1	Registered SMEs With Respective State Malaysian Indian Chambers .....	180
Table 3.2	Measurement of Fiduciary Accountability .....	193
Table 3.3	Content Validation of Fiduciary Accountability .....	195
Table 3.4	Measurement of EO.....	197
Table 3.5	Measurement Items for Marketing Orientation .....	199
Table 3.6	Measurement of Social media .....	201
Table 3.7	Measurement for Innovation .....	202
Table 3.8	Measurement of Sustainable Business Growth .....	204
Table 4.1	Descriptive Statistics -Skewness and Kurtosis (After Deletion) .....	231
Table 4.2	Questionnaires Breakdown: Distribution and Return.....	233
Table 4.3	Profile of the Respondents.....	236
Table 4.4	Response Bias for all Variables: Early and Late Response.....	238

Table 4.5	The Result of the Independent Sample T-Tests for Early and Late Groups .....	239
Table 4.6	Results of Chi-Square Test for Non-Response Bias.....	240
Table 4.7	Measurement Model After Adjustment.....	245
Table 4.8	Construct Validity and Reliability.....	247
Table 4.9	Discriminant Validity of Fornell-Lacker Criterion .....	248
Table 4.10	Discriminant Validity Heterotrait-Monotriat (HTMT).....	249
Table 4.11	Discriminant Validity of Construct-Cross Loading for all items.....	251
Table 4.12	Descriptive Analysis (After Deletion of Items).....	256
Table 4.13	Path Coefficients of Control Variable on Sustainable Business Growth.....	257
Table 4.14	Multicollinearity Assessment .....	259
Table 4.15	Path Coefficients of direct relationships and hypothesis.....	260
Table 4.16	Mediating Path Coefficient and Hypothesis Testing of Indirect Relationship.....	262
Table 4.17	Effect size ( $f^2$ ) of Independent Variables.....	264
Table 4.18	Construct Cross Validated Redundancy .....	265
Table 4.19	Summary of Predictive Relevance Based on $Q^2$ and $R^2$ .....	265
Table 4.20	Summary of Hypothesis Testing Results for Direct Effect .....	267
Table 4.21	Summary of Hypothesis Testing Results for Indirect Effect.....	268

## LIST OF FIGURES

	<b>Page</b>
Figure 1.1	Share of Establishment (%) 2019 ..... 2
Figure 1.2	Share of Export 2019 (%)..... 3
Figure 1.3	Dasar Keusahawan Negara: Expected Target of SME..... 5
Figure 1.4	The Ranking of Global Innovation Index, Innovation Input Sub-Index, Innovation Output Sub-Index Among Asia in 2019 ..... 5
Figure 2.1	Knowledge Gap ..... 157
Figure 2.2	Theoretical Framework..... 164
Figure 3.1	Types of SMES in Malaysia..... 178
Figure 3.2	SMEs in Malaysia by State..... 179
Figure 3.3	G*Power Calculation..... 186
Figure 3.4	Data Collection Procedure..... 211
Figure 4.1	Construct Validity and Reliability ..... 247
Figure 4.2	Heterotrait Monotrait Ratio (HTMT) ..... 250
Figure 4.3	Measurement Model After Adjustment..... 254
Figure 4.4	Structural Model Path Results of Q <sup>2</sup> Results of Sustainable Business Growth..... 266



## LIST OF ABBREVIATIONS

APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of Southeast Asian Nations
AVE	Average Variance Extracted
CA2016	Companies Act 2016
CB-SEM	Covariance Based Structural Equation Modelling
CI	Confidence Interval
CR	Composite Reliability
DV	Dependent Variable
EO	EO
FA	Fiduciary Accountability
FDI	Foreign Direct Investment
LL	Lower Limit
LSEs	Large Scale Enterprise
LV	Latent Variable
MTDC	Malaysian Technology Development Corporation
MITI	Ministry of International Trades and Industries
MNCs	Multi-National Corporations
MO	MO
NSDC	National SME Development Council
OECD	Organisation for Economic Cooperation and Development
OANOVA	One-Way Analysis of Variance
PLS-SEM	Partial Least Squares Structural Equation Modelling
RBV	Resource-Based View
SBG	SBG
SM	Social media

SmartPLS	Smart Partial Least Squares
SmartPLS-3	Smart Partial Least Squares Version 3
SME Corp	SME Corporation Malaysia
SME	Small and Medium Enterprise
SMEs	Small and Medium Enterprises
UL	Upper Limit
VIF	Variance Inflation Factor

## LIST OF APPENDICES

Appendix A	Successful Listed SMEs in Malaysia (source: SME Corp Malaysia, 2012)
Appendix B	Survey Questionnaire (Malay Translation)
Appendix C	Self-Administered Questionnaire in English-Tamil-Version
Appendix D	Experts responded to the questionnaire of Values Content Validity Ratio
Appendix E	Pre-testing of Questionnaire
Appendix F	Pre-testing Respondents' Feedback and Recommendation
Appendix G	Descriptive Statistics: Mean, Maximum and Minimum of the Data
Appendix H	Missing Data
Appendix I	Outlier Case-Wise Diagnostics
Appendix J	Response Bias for all Variables (Early and Late Response)
Appendix K	Response Bias for all Variables: Mailing and Personal Distribution Response
Appendix L	Common Method Variance
Appendix M	Path Coefficients for the Control Variables

**AKUANTABILITI FIDUSIARI DAN FAKTOR PENYUMBANG KEPADA  
KELESTARIAN PERTUMBUHAN PERNIAGAAN PKS BANGSA INDIA DI  
MALAYSIA**

**ABSTRAK**

Kajian ini menumpu kepada kesan akuantabiliti fidusiari, orientasi keusahawanan, orientasi pasaran dan media sosial atas pertumbuhan perniagaan yang lestari dalam kalangan PKS India di Malaysia. Berdasarkan pandangan sumber dan perspektif keupayaan dinamik, kajian ini mengembangkan model konseptual untuk menjalin hubungan. Selain itu, kajian ini meneliti kesan mediasi inovasi atas empat pemboleh ubah atau hubungan bebas yang disebutkan di atas. Sebagai sebahagian daripada kajian ini, data dikumpulkan melalui soal selidik berstruktur dari rangkaian pangkalan data perusahaan kecil dan sederhana kaum India di Malaysia yang diperoleh dari Organisasi Perniagaan India. Kaedah persampelan yang digunakan adalah bertujuan yang menghasilkan 194 responden yang merupakan pengurus atau pengarah India. Data yang dikumpul dianalisis dengan SPSS dan Smart-PLS-3.3. Penemuan empirik mengesahkan model penyelidikan dan menyokong duabelas daripada tiga belas hipotesis langsung. Ini termasuk: a) akuantabiliti fidusiari berkaitan positif dengan pertumbuhan perniagaan yang selair; b) orientasi keusahawanan mempunyai kaitan positif dengan pertumbuhan perniagaan yang selair; c) orientasi pelanggan berkaitan positif dengan pertumbuhan perniagaan yang selair; d) orientasi pelanggan berkaitan positif dengan pertumbuhan perniagaan yang selair; e) koordinasi antara fungsi berkaitan positif dengan pertumbuhan perniagaan yang selair; f) akuantabiliti fidusiari berkaitan positif dengan inovasi; g) orientasi keusahawanan berkaitan positif dengan inovasi; i) orientasi pelanggan secara positif berkaitan dengan inovasi; j)

orientasi pesaing secara positif berkaitan dengan inovasi; k) koordinasi antara fungsi secara positif berkaitan dengan inovasi; dan media sosial mempunyai kaitan positif dengan inovasi. Bagi analisis mediasi, hasil empirikal menyokong empat hipotesis. Ini terdiri daripada: a) inovasi memediasi hubungan antara akuntabiliti fidusiari dan pertumbuhan perniagaan yang selair; b) inovasi memediasi hubungan antara orientasi keusahawanan dan inovasi; c) inovasi memediasi hubungan antara orientasi pesaing dan pertumbuhan perniagaan yang selair; d) inovasi memediasi hubungan antara koordinasi antara muka dan pertumbuhan perniagaan yang selair; dan e) inovasi memediasi hubungan antara media sosial dan pertumbuhan perniagaan yang selair. Kajian ini pada tahap besar menyokong kerangka teori dan menyumbang kepada aspek teori dan praktikal dalam mengenal pasti peranan penting akuntabiliti fidusiari, orientasi keusahawanan, orientasi pasaran, media sosial mengenai pertumbuhan perniagaan yang selair yang dimediasi oleh inovasi. Secara keseluruhan, ini sesuai dengan literatur, dan implikasinya terletak pada perusahaan kecil and sederhana yang memanfaatkan empat pemboleh ubah yang penting dalam pengembangan Dasar Ekonomi Baru. Walaupun kajian ini terbatas pada kaum India Malaysia, kajian ini dapat diterapkan pada perusahaan kecil and sederhana di mana keempat-empat pemboleh ubah tersebut adalah aspek utama pertumbuhan perniagaan yang berkelanjutan pada masa pandemik Covid-19 di Malaysia, dan kepraktisan akuntabiliti fidusiari yang terdapat dalam Akta Syarikat 2016.

# **FIDUCIARY ACCOUTABILITY AND FACTORS CONTRIBUTING TO SUSTAINABLE BUSINESS GROWTH OF MALAYSIAN INDIAN SMES**

## **ABSTRACT**

This study addresses the impact of fiduciary accountability of managers, entrepreneurial orientation, market orientation, social-media, and sustainable business growth under the mediating effect of innovation on Malaysian Indian SMEs. Based on the resource-based view and the dynamic capabilities perspective, this study developed a conceptual model to collaborate the relationships. Additionally, this study investigated the mediating effect of innovation on the four aforesaid independent variables or relationships. As part of the study, data was collected through structured questionnaire from sampling of Malaysian Indian SMEs data base obtained from the Indian business organisations. The sampling method used was purposive, which generated 204 respondents who were Indian SMEs data base obtained from Indian business organisations. Data collected was analysed by means of using both IBM SPSS and SmartPLS-3.3. The empirical finding, to a large extent, confirmed the research model, and supported twelve out of thirteen direct hypotheses. These included: a) fiduciary accountability was positively related to sustainable business growth; b) entrepreneurial orientation was positively related to sustainable business growth; c) marketing orientation was positively related to sustainable business growth; d) social-media was positively related to sustainable business growth; e) fiduciary accountability was positively related to innovation; g) entrepreneurial orientation was positively related to innovation; h) marketing orientation was positively related to innovation; and i) social-media was positively related to innovation. Insofar mediation analysis is concerned, the empirical results supported four hypotheses, namely, a)

innovation mediated the relationship between fiduciary accountability and sustainable business growth; b) innovation mediated the relationship between entrepreneurial orientation and innovation; c) innovation mediated the relationship between marketing orientation and sustainable business growth; and d) innovation mediated the relationship between social-media and sustainable business growth. This study to a large degree supported the theoretical framework and contributed both to the theoretical and practical aspects in identifying the significant role of fiduciary accountability, entrepreneurial orientation, marketing orientation, and social-media on sustainable business growth, which was mediated by innovation. All in all, it is congruent to the literature, and the implication lies on the SMEs leveraging on four variables which are essential in the development of the New Economic Policy. Although this study is confined to Malaysian Indian SMEs, it could be applied to SMEs in which the four variables are the main aspect of sustainable business growth during the time of pandemic Covid-19 in Malaysia, and the practical application of the fiduciary accountability contained in the Companies Act 2016.

# **CHAPTER 1**

## **INTRODUCTION**

### **1.1 Introduction**

This chapter comprises of background of the study, problem statement, research objectives, research questions, and significance of the study. It is accompanied by the definition of key terms and organisation of the thesis.

### **1.2 Background of the Study**

Most countries allocate a large sum of money to generate the economic growth rate and create economic activities to stimulate the growth of Small Medium Enterprises (SMEs). Malaysia facilitates the growth of SMEs by setting up conducive business environment, infrastructure, recreating innovation system, besides providing financial assistance, commercial research, and professional advice for SMEs. As part of the on-going international activities, Asia-Pacific Economic Cooperation (APEC) had its first virtual meeting with SMEs globally to overcome issues faced currently (APEC, 2020). According to the World Bank estimates that 600 million formal jobs must be created for the growing workforce by 2023, which makes the development of SMEs a top priority (Adian et al., 2020).

Despite the unpredictability of economic situation, SMEs in the Association of Southeast Asian Nations (ASEAN) countries experienced growth in Gross Domestic Product (GDP), employment, and export as depicted in Figure 1.1 on page 2, Figure 1.2, and Figure 1.3 at page 3. As shown in Figure 1.1, the share of total employment ranged between 51.7% and 97.2%, with Malaysia accounting for 57.4%. Malaysia controls 97.3% of the establishment, while Indonesia controls 99.9%, as depicted in



Figure 1.2. According to Figure 1.3, which depicts the share of ASEAN export by countries, Malaysia secures 19.9%, ranks second only to Thailand (29.4%). Based on these statistics, it is possible to conclude that SMEs have the potential to drive economy, create jobs, and more importantly, increase the GDP.

As a result, the government, in collaboration with other agencies, is taking initiatives to address these issues, even though the country is expected to reach 6.1% GDP per annum in 2022 (BNM, 2022). In Malaysia, SME Corporation has taken initiative role to speed the growth and development of SMEs by means of providing advisory services and development programmes. Despite the implementation of effective programmes and government’s allocation for SMEs development, only a handful of SMEs have transformed into large scale enterprises (LSE) and been successfully listed on Bursa Malaysia Stock Exchange, as depicted in Appendix A. With limited capital, SMEs encounter problems, namely in recruiting skilled workers and a shortage of funds for innovation, which impedes their development.

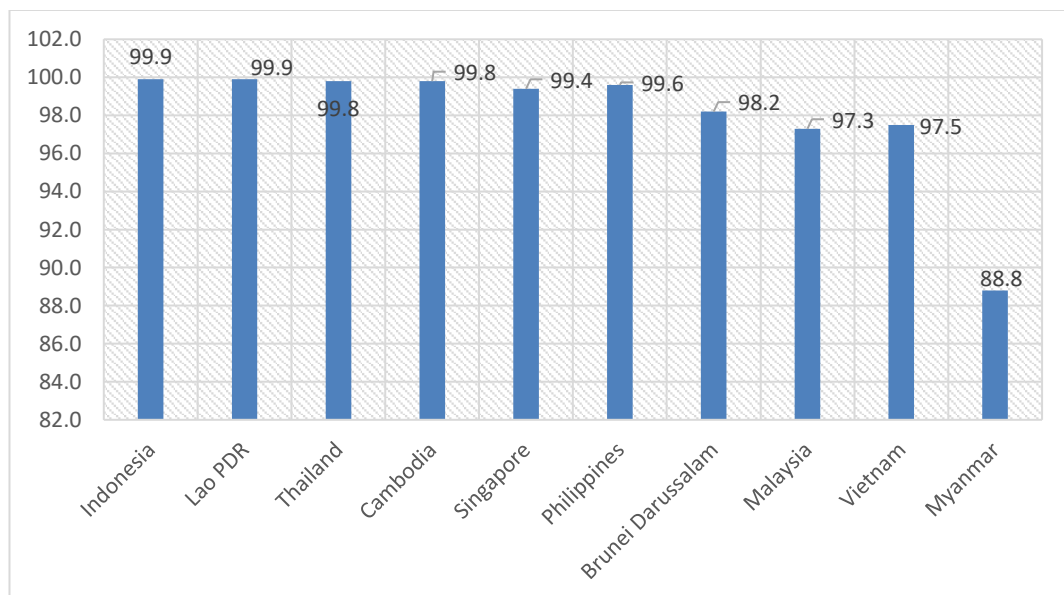


Figure 1.1 Share of Establishment (%) 2019

Source: ASEAN Statistical Year 2020

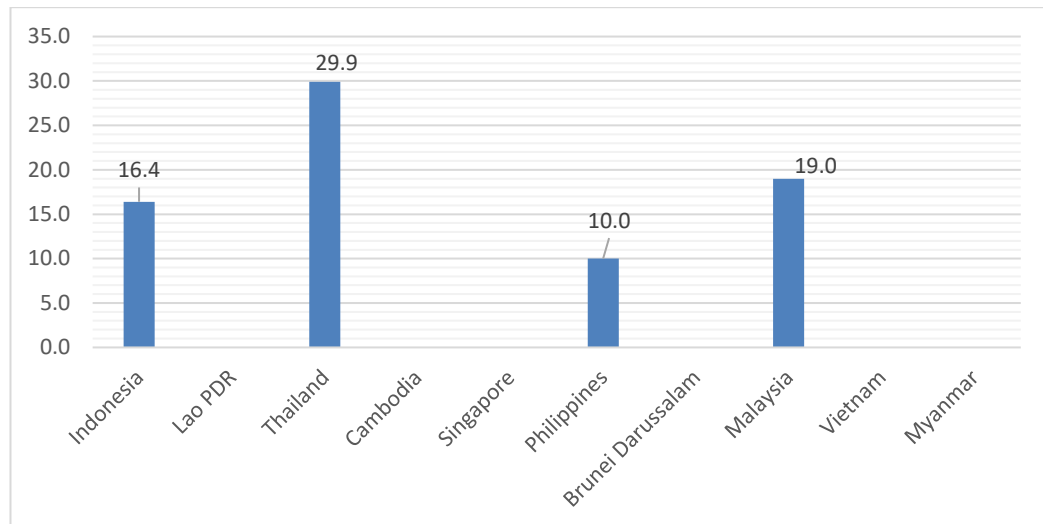


Figure 1.2 Share of Export 2019 (%)

Source: ASEAN Statistical Year 2020

Table 1.1 Malaysian SMEs Gross Domestic Product 2017, 2018, 2019, & Q4 2020

Sectors	GROSS DOMESTIC PRODUCT			
	2017	2018	2019	Q4 2020
	<b>SMES GDP RM1,361.5 Billion</b>	<b>SMES GDP RM521.7 Billion</b>	<b>SMES GDP RM1,421.5 Billion</b>	
Services	56.7%	82.4%	50.5%	- 4.9%
Manufacturing	22.4%	20.1%	34.6%	3%
Agriculture	7.2%	10.1%	52.9%	- 0.7%
Construction	4.9%	5.9%	46.5%	13.9%
Mining & Quarrying	7.6%	0.5%	2.6%	- 10.6%

Source: Department of Statistics Malaysia, 2020

According to the reports, the growth of SME declined by 1% in 2020, while GDP reduced by 1.5%. SME's growth rate, however, outpaced that of the overall economy by a factor of 1.09 (Jalil, 2021). Table 1.1 on page 3, the number of Malaysian SMEs in each sector increased significantly between 2017 and 2019. The

share of contribution for Q4 2020 dropped drastically in every sector due to the nation's shutdown. There was a drop in the service sector of - 4.9%, 3% in the manufacturing sector, 13.9% in agriculture, and - 10.6% in the mining sector. Despite poor performance of SMEs, the overall economic activity is projected to increase in 2021 between 6% and 9% deriving from services (3.8%), manufacturing (2%), mining (0.2%), agriculture (0.3%), and construction (0.5%) (BNM, 2021). Based on the Bank Negara Report Malaysia, the economic growth rate of 16.6% in the second quarter of 2021 is due to the domestic demand and robust exports (BNM, 2021). Hence, SMEs are expected to generate 5.75% growth beginning in the second quarter of 2022, which is generated by domestic demand (Star, 2022).

The government established the “*Dasar Keusahawan Negara*” (DKN) 2030” to improve Malaysia's rankings in global entrepreneurship, competitiveness, and business indexes as part of the ambitious plan to improve the growth of SMEs. It hopes to secure the expected target of 25<sup>th</sup> position in the Global Entrepreneurship Index (currently 58<sup>th</sup> position from 137 countries), and it aims to achieve the 15<sup>th</sup> position in the Global Competitive Index (presently 58<sup>th</sup> position from 158 countries), and Top 10 in the World Bank Doing Business (15<sup>th</sup> position out of 140 countries), and finally, it wants to secure the position of 20<sup>th</sup> place in the Global Innovation (currently 35 out of 140 countries) (SME Corporation Malaysia [SME Corp], 2020). The ambitious plan of DKN 2030 is to boost the growth of SMEs GDP from 38.3% to 50%, employment rate from 66.2% to 80%, and the total value of export to reach from 19.3% to 30% (SME Corp, 2020a). Based on these statistics, it is possible to conclude that Malaysia prioritises innovation specifically to SMEs - because they generate employment, boost GDP, and promote economic growth.

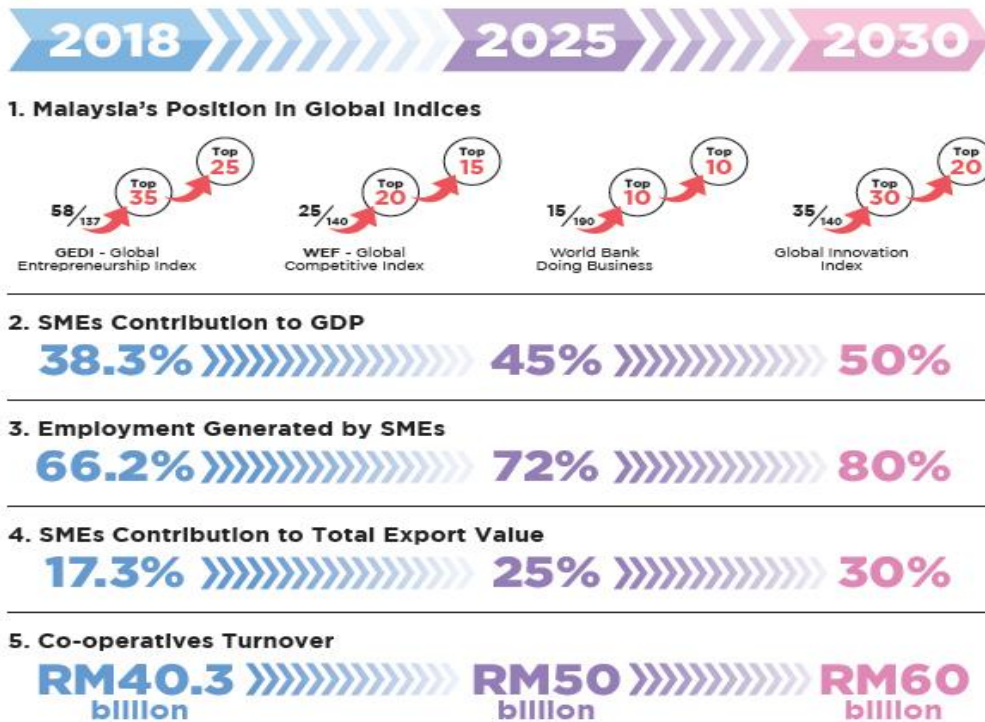


Figure 1.3 Dasar Keusahawan Negara: Expected Target of SME

Source: Department of Statistic Malaysia, 2020

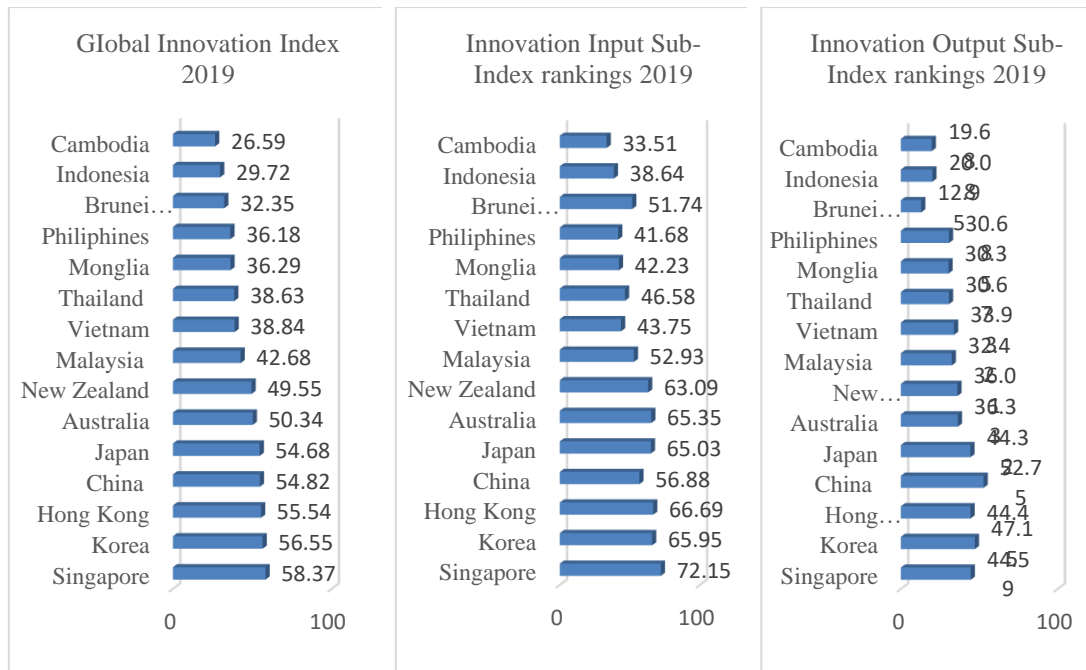


Figure 1.4 The Ranking of Global Innovation Index, Innovation Input Sub-Index, Innovation Output Sub-Index Among Asia in 2019

Similarly, as depicted in Figure 1.5, Malaysia ranked 36<sup>th</sup> in Global Innovation Index (GII) 2019 with a score of 42.68/100 (Dutta., Lanvin, & Wunsch-Vincent, 2021). GII is a benchmark for innovation based on input comprising of infrastructure, human capital, business and market sophistication, and institutions. These elements are key trigger in the innovation process. It is commendable that Malaysia occupied 8<sup>th</sup> position, as depicted in Figure 1.4. In contrast, the sub-index ranking is lower than that of Vietnam (Dutta. et al., 2021). SMEs, which are the driving force in the economy should focus on innovation to improve their ranking.

According to the Budget Report 2020, the manufacturing sector in SMEs would continue to grow. The government wants to create 30% of high technology companies from SMEs in manufacturing and services subsectors (Star, 2019). To achieve this, the government proposed raising the chargeable income threshold for which the preferential tax rate of 17% applies for the income between RM500,000 and RM600,000 (Star, 2019). A sum of RM50 million is proposed to boost SMEs production of goods and services. In Budget Report 2021, a sum of RM150 million is allocated for training programmes for entrepreneurs, RM150 million for Shop Malaysia Online and RM35 million to promote Malaysia made products (NST, 2020).

Owing to global change of businesses toward digitalisation, the Malaysian government wants SMEs to move towards the digitalisation. In early 2018, the government initiated Digital Transformation Acceleration Programme to facilitate structural approach to assist SMEs to achieve the yardstick (Bank Negara Report, 2019). The main purpose of the programme is to alleviate dependency on foreign workers, improve productivity and move towards digitalisation. As such, the Digital Free Trade Zone was established to assist in the process of the digitalisation of SMEs.

However, there was poor response from SMEs, where only a total of 3,800 SMEs participated (Bank Negara Report, 2019).

The new government has allocated RM2 billion to stimulate smart technologies and provides flexible credit facilities for companies looking to diversify towards automation (Amarjeet, 2018). It would accelerate broad brand with low prices in the hopes of revolutionising the digital economy (Amarjeet, 2018). The Budget Report 2021 announced 1GB free internet data for companies that participated in the move (Alexander, 2021).

As the government is showing keen interest towards Industry 4.0, SMEs must take this opportunity to move towards this direction. With the availability of internet, corporations can take advantage of information sharing through cloud computing, whereby users have access even in remote areas for business activities. Digital technologies as one of the components of Industry 4.0, can be used to increase the sales performance by ensuring standard of eco-friendly and quality products for customers.

The government's aspiration is to move Malaysia as an industrial nation. The former prime minister, Tan Sri Muhyiddin bin Mohd Yassin, wants Malaysia to be classified as highly technological and digital centre by 2025. The government has incorporated this into the National Policy on IR4, which has been renamed "Industry4WRD". The focus is on increasing the productivity through innovation and a skilled workforce in manufacturing sector to improve the economy. As part of the progress plan, the government took the baseline year of 2016 to achieve the expected target of the forthcoming year of 2025 (MITI, 2018). The expected target for manufacturing per capita should be increased by 30% to the baseline amount of RM106,647 (MITI, 2018). As for the contribution of manufacturing sector, it will

increase from the initial value of RM254 billion to RM392 billion (MITI, 2018). The government aims to occupy the position of the top 30 nations in global innovation ranking and to increase the number of skilled workers in this country from 15% to 35% (MITI, 2018). Malaysia Productivity Corporation, a special body, has been given a task with assisting up to 500 SMEs in transforming to Industry 4.0 (MITI, 2021).

Although Indian population is 6.4 percent as depicted in Table 1.2 on page 9 (DOSM, 2021), the Indian SMEs are largely unnoticed. To date, there is no study on Indian SMEs and their contribution to Malaysian economy. Jesrina (2017), one of the local researchers who studied the Indian ethnic entrepreneurs in Selangor (Jesrina, 2017), limited her study to the background of a number of companies, and relied for information from the Commissioner of Company of Malaysia, which lacked quantitative methodology. As such, the study of Indian SMEs should cover different states in Malaysia to give a clear understanding of their business operations (Noor Afza Amran & Ahmad, 2011).

In this regard, the share of equity of Indian in Malaysia is 1.5% or RM5,951,000.00, which is relatively lower when compared to other ethnics groups (Jesrina, 2017; Jesrina & Gomez, 2016; Marimuthu, 2016, 2017). To enhance Indian entrepreneurial activity, special intensive courses are programmed for the young Indian entrepreneurs so that they can commence their own businesses (Marimuthu, 2017; Pannerselvam, 2015; Ravi & Nor, 2017).

Table 1.2 Population and Corporate Share of Equity (2020)

<b>Ethnic</b>	<b>Population</b>	<b>Share of economy equity</b>
Malay	69.6%	23.5%
Chinese	22.6%	45%
Indian	6.8%	1.1%
Others	1%	
Non-citizen	9%	

Source: Economic Planning Unit, Prime Minister Department (2021)  
[https://www.indexmundi.com/malaysia/demographics\\_profile.html](https://www.indexmundi.com/malaysia/demographics_profile.html)

Indian enterprises have to use the loan facilities to expand their businesses (Bank Negara Report, 2019). The previous government established a special body, the Malaysian Indian Transformation Unit, to assist and seek bankers in securing financial loan (Star, 2019). Another private organisation, the Indian Chamber of Commerce and Industry in Kuala Lumpur and Selangor, launched entrepreneurial development to assist Indian SMEs to obtain loan facilities and get started in Industry 4.0 and digitalised businesses (Star, 2019). The Malaysia government had established a special body called “Secretariat for Empowerment of Indian Entrepreneurs” (previously referred as SEED) to speed up ethnic Indian entrepreneurs, and recently established a revolving fund for prospective Malaysian Indian entrepreneurs (Business Daily, 2017). This body’s effectiveness in assisting Indian entrepreneurs is unknown.

However, some ethnic Indians have already involved in the manufacturing industry, and their products are exported globally. A handful of Indian companies, for instance, Maxis Communications and Lotus Group, which operates popular eateries and retail outlets across Malaysia, are key industrial players. West-Ports is another Indian corporation that supports superior productivity and a deep sea harbour accommodating 12 million tons of cargo (Mibrands, 2019). Venod Sekhar, another remarkable business tycoon in Malaysia, owns the PETRA group, undertakes a wide



range of research, and commercialises on the bio-photonics for applications in agriculture, besides being involved in medical, and green technology, and other related areas. The PERTA group chairman Datuk Dr Vinod was awarded with the prestigious Asian One Magazine's Person of the Year Award 2020-2021. Another Malaysian Indian entrepreneur, who founded the Asian Banker, received the Citibank Excellence in Journalism Award (Mibrands, 2019) for conducting research on the financial areas, strategic intelligence and providing a variety of platforms to assist businesses. In manufacturing industry, Baba is known for innovations in curry powder, which have captured the local market and commands a respectable export (Mibrands, 2019). The above accomplishments of some Malaysian Indians do not reflect the performance of Indian SMEs in the Malaysian economy.

Additionally, the government wants to increase the contribution of SMEs from 38% to 50% by 2030. In the recent Budget 2020, a total of 20 million has set aside for Indian SMEs. The Budget Report of 2019 allocates approximately RM100 million to accelerate Malaysians traders and entrepreneurs, with half goes to the Chinese and another half goes to the Indians (NST, 2018). It is expected 35,000 Indian entrepreneurs will benefit from the allocation through *Tekun* under the Indian Community Entrepreneurs Scheme (NST, 2017). In contrast, Budget Report 2019 reduces the income tax rate from 18% to 17% for SMEs (Amarjeet, 2018). To encourage more entrepreneurs to commence business, RM4.5 billion fund has been allocated for the purpose of providing loan, and a further RM1 billion to stimulate Bumiputra SMEs (Amarjeet, 2018). With financial support and other fiscal incentives, the government hopes to increase the country's gross domestic product. According to Budget Report 2020, the government allocates RM20 million to 1,300 Indian entrepreneurs under the TEKUN scheme (Bank Negara, 2019).

Although these companies are registered with respective organisation as depicted in Table 1.3, there is no evidence of their achievement towards SMEs' growth. In addition, there is no information furnished on the progress made by Indian SMEs because of the training and government grant provided to them. It is appropriate to investigate the Malaysian Indian SMEs in terms of sustainable business growth (SBG), fiduciary accountability, entrepreneurial (EO), marketing orientation (MO), social-media, and innovation.

Table 1.3 Registered SMEs With Respective Malaysian Indian Chamber

No	State	Registered SMEs
1.	Penang (Malaysian Indian Chamber of Penang)	3,580
2.	Perak (Perak Indian Chamber of Commerce)	631
3.	Johor (Johor Indian Chamber of Commerce and Industry)	553
4.	Pahang (Indian Chamber of Commerce & Industry)	59
5.	Kelantan (Indian Chamber of Commerce & Industry)	21
6.	Negeri Sembilan ((Indian Chamber of Commerce & Industry)	48
7.	Terengganu (Indian Chamber of Commerce & Industry)	11
8.	Kuala Lumpur & Putrajaya (Indian Chambers of Commerce)	5,003
9.	Malacca (Indian Chambers of Commerce)	11
10.	Kedah (Indian Chambers of Commerce)	142
11.	Selangor (Indian Chambers of Commerce)	6,005
12.	Malaysian Associated Indian Chamber of Commerce and Industry	39,220
13.	Klang Indian Chamber of Commerce, Selangor	1,552
14.	Kuala Lumpur & Selangor Indian Chamber of Commerce and Industry	2,778

\*Registered SMEs as per May 2022

Besides, the SBG is the best practice for a company that falls under the category of SMEs. This is because any corporation that intends to engage in business must sustain its business growth rather than to face compulsory liquidation (Ben Amara &

Chen, 2020). It is alarming that social and economic problems have affected economic activities in this country as shown in Table 1.4 on page 12. The GDP performance for 2020 declined by 5.6% as compared to growth of 4.3% in 2019. With the decline of GDP, SMEs need to change its direction towards SBG. Although there is a robust increase of 16.1% in second quarter 2021, this should not lull any party into complacency as pandemic is far from being contained. The fiduciary accountable manager, equipped with experience and knowledge, can ensure SBG. Without SBG, many companies are expected to have serious implications that would subject a company to corporate rescue mechanism or to be placed under the receivership (Rabindra, 2021).

Table 1.4 Gross Domestic Product Percentage Change Between 2019 and 2020

		Percentage change form corresponding Quarter of Preceding Year								
		2020		2021				2022		
GDP	2019	2020	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
			%	%	%	%	%	%	%	%
	4.3%	5.5%	4.4	3.6	0.7	--34	16	-3.4	5.5	16.1
Seasonally adjusted GDP			0.8	0.7%	-2	-16.1	-2.7	-1.5%	2.4	-2.0

Source: DOSM (2022)

The SBG is not just about making profit, it entails using the available resources prudently, reducing unnecessary wastages, being environmentally friendly, and making the businesses sustainable over the long term (Abllah, 2018; Dylick & Muff, 2016; Kim., Yoon, & Shin, 2015; Peralta, Carrillo-Hermosilla, & Crecente, 2019; Singh, 2019). Sustainable business practices are gaining popularity on the global stage as consumers seek sustainable products (Abllah, 2018; Chong, 2019; Szczepanska-

Woszcyna, 2016). Presently, companies are moving towards SBG in the competitive market.

Fiduciary accountability of a manager or a director plays a major role in deciding a proper business judgement that drives the corporation to SBG. In such a pursuit of sustainability, profits are returned to the shareholders and more importantly products/services are of quality, and eco-friendly. However, it is mandatory for the Board of Directors to convince shareholders if they wish to undertake a new venture, acquire, or merge any corporations (Mwaanga & Chewe, 2016). While holding the position of a manager or director of a company, the priority is to serve the best interests of the company and stakeholders. For instance, convincing the Board of Directors to purchase high-end machines is not a simple task, as they need substantial evidence to convince shareholders. This reflects on fiduciary accountability.

Consequently, fiduciary accountability is one of independent variables in this study. In seminal literature, studies are confined to black box decision-making (Bohanec, Robnik-Sikonja, & Borsstbar, 2017; Nicholas, 2017; Wachter, Mittelstadt, & Russell, 2018), but they omitted the importance of a manager's fiduciary accountability. This is because in the event of any erroneous business judgement in the Black Box, liability falls to the directors and the company. Fiduciary accountability holds a director/manager accountable for his actions, for instance, wrong business judgement, risky venture, and financial losses. Corporations such as Polaroid, Compaq, General Motors, and recently Dick Smith collapsed due to lack of fiduciary accountability (Spencer, 2018).

Although EO is a widely used construct, it remains an important variable for research purposes. EO is commonly found to be related to firm performance (Wang, 2008). To date, there has been insufficient research between EO and SBG to determine validity and reliability (Criad, Cervera-Taulet, & Iniesta-Bonillo, 2017). The entrepreneurial activity creates employment, innovation, new products, and user-friendly products and services. The Global Entrepreneurship Monitor (GEM, 2018) shows that countries such as Nigeria, Ghana, Chile, Cameroon, and Thailand are far ahead of more developed countries like the US, UK, and Singapore by a wide margin (Singer, Herrington, & Menipaz, 2018). In contrast, Malaysia was ranked 25<sup>th</sup> out of 138 in global entrepreneurial ranking, which means that investing in businesses are ideally productive for investors. Government capital injection can stimulate the growth, efficiency, innovation, and particularly the growth of SMEs (Singer et al., 2018).

In relation to this, some scholars have indicated that several entrepreneurs are successful, but others are slow to react in the lucrative conditions because of improper training, lack of skill, financial resources and others (Braford, 1979; Robb, 2007; Shepherd, Wolfe, Williams, & Patzelt, 2017). In Malaysia, the National Economic Planning (NEP) tried to overcome the illiteracy rate in the last decade, and this country is experiencing slow economy growth. Thus, there is a need for new business ventures from the entrepreneurs.

MO is a widely and extensively researched topic because it creates new markets, brings in customers, and improves a firm's performance. It remains an interesting area of study, as illustrated in the studies of Schlegelmilch and Ram (2000), who investigated empirically the relationship between external factors and MO, and another study on the firm financial and non-financial performance (Länsiluoto,

Joensuu - Salo, Varamäki, Viljamaa, & Sorama, 2019). Yet another study was performed on the role of innovative products to increase the sale and improve the firm performance (Kim & Lee, 2016). However, based on the seminal literature, there is inadequate study on the relationship between MO and SBG relating to SMEs.

Corporations are increasingly leveraging on social media to access external stakeholders, namely customers and other users to facilitate the performance and increase the sales. Likewise, research reveals that firms can work beyond the geographical boundaries and different organisations by using social-media to access, retrieve information, and share beneficial practices (Corral de Zubielqui, Fryges, & Jones, 2019).

In the midst of the economic carnage from global pandemic and slower global economic growth, SMEs are more than ever, face a perfect storm, with confluence of challenges. It is therefore necessary to fill this literature gap on SMEs' SBG. This topic is likely to attract even greater interests in the near future, given the unprecedented level of government intervention in support of SMEs in Malaysia during time of uncertainty. The present study sets out to shed new light on the topic of SBG among Indian SMEs in Malaysia, and examines the relationship among fiduciary accountability, EO, social-media, and SBG. Also, this study examines the mediating role of innovation on the direct relationship.

### **1.3 Fiduciary Accountability in Malaysia SMEs**

The fiduciary accountability managers or directors must direct their attention towards strengthening business growth and avoiding any failure (Gandhan & Kee, 2019a; Keay, Loughery, Terry, Francis, & Stewart, 2020). In the western nations, there

do exist studies on the accountability of managers and corporate accountability of SMEs and Large Scale Enterprise (LSEs) (Keay, 2015, 2017a; Keay & Loughrey, 2018; Shah, Anwar, & Hussain, 2021).

It is indicated that managers or directors have to decide in the best interest of the company to ensure growth (Keay, 2015, 2017a; Keay & Loughrey, 2018; Shah et al., 2021), failing which they are fiduciary accountable to the corporation and stakeholders. To ensure the growth or success of the SMEs, directors/managers who are fiduciary accountable must consider the development of human factors and invest wisely on machines, without the reduction of capital, to ensure the overall robust growth (Al-Tal & Emeagwali, 2019; Aronson & Kim, 2019; Fellnhofer, 2017; Flanningan & Robert, 2012; Vijay, 2021). Fiduciary accountability is the responsibility of a manager to pivot other managers and workforce to carry out their responsibility with excellence (Vijay, 2021), coordination, participation, and involvement- all of which ensures SBG.

The unpredictability of the economy has changed the way the businesses operate, a world with restrictions and tighter borders, as well as supply-chain restrictions, necessitates managers with fiduciary accountability to withstand such unfamiliar situations to avoid winding-up of the companies. The managers of SMEs must divert from the formal process and rigid structure where necessary. For SBG, the managers of SMEs need to focus on the development of human capital, innovation, improve on social-media and marketing, which would go a long way to ensure success for SMEs (Arham, Boucher, & Muenjohn, 2013; Prasanna et al., 2019). Although fiduciary accountability is novel in this study, it emphasises managers or directors to discharge their duties in the best interest of the company and stakeholders (Gandhan & Kee, 2019a). Managers with fiduciary accountable can change the organisation by

charting a new course, which is necessitated for SBG of SMEs and curb financial losses. Since Malaysia wants to become a developed nation, fiduciary accountability ensures an accountable governance among SMEs. As such, the results of this study, which are based on Indian SMEs can be extended to generalise the general performance of SMEs in Malaysia.

#### **1.4 Problem Statement**

The Malaysian economy slumped by 17.1% in the second quarter of 2020 following the first Movement Control Order beginning 18 March 2020. Malaysia has yet to achieve positive quarterly growth since the spread of the global pandemic (Kana, 2021b). Nearly a year later, Malaysia's economy continues to contract, having registered a decline of 0.5% for the first quarter of 2021. The growth of Malaysia's labour productivity, measured in terms of value-added per employment, has been negative for five consecutive quarters. Businesses in Malaysia, including SMEs, suffered relentlessly during the current crisis. Over 32,000 companies in Malaysia, comprising mainly micro and SMEs, shuttered from March to September 2020 (Kana, 2021a). As Malaysia has become more globalised now, the overall economic performance was impacted by slower international trade, which declined by 4.6% from January to November 2020. Therefore, SMEs that continue to operate during the pandemic could only capture a fraction of their usual business volumes.

At least 150,000 SMEs have shut down, resulting in 1.2 million job losses, according to the Small and Medium Enterprises Association of Malaysia (Chew, 2021). To help SMEs to sustain their business, the government implemented a moratorium to repay loans for micro and SMEs to reduce financial difficulties (Star, 2020). Fearing the survival rate of SMEs, the government launched 16 types of



financial aids for SMEs (Joceelyn, 2021). This study suggests that SMEs in Malaysia should respond by adapting their business strategies to cope with changing global events. The unprecedented climate change, green inflation, and Ukraine war have pushed up prices lately, affecting the survival of SMEs not only in developed countries but also in developing countries. For this reason, studying Malaysian Indian SMEs becomes important to determine their status of survival and their contribution to Malaysia economy.

Despite Malaysia's encouraging economy growth over last four decades, the Malaysian Indian share of equity remains static. Malaysian Indian SMEs is plagued by several hidden issues. As a result, Malaysian Indian SMEs performance and ability to acquire competitive advantages has been adversely affected by increased labour cost and weaker exchange rate against US dollar (Jumaid, 2021; Revathi, 2022). Owing to a lack of foreign workers, many Indian businesses are struggling and closing down (Revathi, 2022). When compared to the unit labour cost in Malaysia, some products manufactured by Malaysian Indian SMEs used to be less expensive than those produced in India, resulting in a narrower margin of profit for the aforesaid companies (Revathi, 2022). It has been asserted that a small number of Malaysian Indian SMEs are able to grow domestically while maintaining competitiveness (Revathi, 2022). However, Malaysian Indian businesses specifically family enterprises, face significant challenges in terms of sustaining their operations (Thaatchayini & Sharon-Koh, 2021). Malaysia Indian SMEs are also experiencing difficulty when acquiring credit facilities from the financial institutions, which is a problem that is particularly prevalent among SMEs (Thaatchayini & Sharon-Koh, 2021). The Malaysian government, on other hand, has advanced RM400 million to Indian entrepreneurs to

kick start their businesses (Lim, 2018). However, there has been no feedback on their performance or achievements to date.

According to Panneerselvam (2015), 38,000 Indian SMEs have registered with SME Bank, with 4,000 of them are capable of earning RM5 million per year. Nothing is done to capitalise on their expected success. Simultaneously, the government has channelled financial assistance to Malaysian Indian SMEs through one of the political parties (Thaatchayini & Sharon-Koh, 2021), but the companies' achievements are unknown. In comparison, foreign Indian companies have invested US3 billion and created 20,000 jobs in Malaysia (Bernama, 2022). These foreign Indian companies operate in a wide range of industries in Malaysia, including ICT, biotechnology, manufacturing, and financial services (Bernama, 2022). Given the foregoing, the researcher is motivated to investigate the current challenges confronting Malaysian Indian SMEs in Malaysia's emerging economy context, which provides an excellent setting to determine to what extent the unpredictability of economy and environment affects the performance of Malaysian Indian SMEs.

However, studies on the success or performance of Malaysian Indian SMEs are less explored. In comparison, several studies on Malaysian Chinese SMEs have been conducted, including success, failure, business transformation (John Lee Kean Yew & Jesrina, 2020; Tongxia, Karim, & Munir, 2016), and problems facing in Malaysian Chinese family businesses (Tang & Hussin, 2020). This study aims to fill a gap in the literature by addressing the factors (fiduciary accountability, entrepreneurial orientation, market orientation, social media, and innovation) to the sustainable business growth of the Malaysian Indian SMEs.

Unfortunately, as new business opportunities emerge in the economy, existing businesses find it increasingly difficult to exist, and this becomes a critical issue for their survival. This is the current situation in which raw materials, agricultural products, and impact of climatic change are causing hardship for SMEs. Global growth is expected to slow down in 2022, with international trade falling sharply from 10.8% in 2021 to 4.7% in 2022, and logistic prices are expected to rise by 20% (Kerriou, 2022). Some business owners believe it is pointless to continue operating the business that is being shaken by poor financial performance. With such scenario, SMEs will be impacted, and some may force to leave. For instance, the report from Commissioner of Malaysia Companies, a total of 5,653 (1999), 3,294 (2020), and 1,246 (2021) companies were forced into liquidation (Adam, 2021) due to financial stress. Given these considerations, it is obvious that a new paradigm based on SBG sustand fiduciary accountability is required to overcome those difficulties, to identify and capitalise on any possibilities, and to handle with any changes for Malaysian Indian SMEs.

In most cases, SMEs do not perceive marketing to be a crucial role, and this lack of marketing awareness among SMEs prevent them from making the best use of their company's potential to lure more customers. Some scholars, Bowen (2022), Lee, Falahat, and Sia (2022), and Kogut and Mejri (2022) claimed that entrepreneurship and marketing can work together to help SMEs businesses to deal with disruptions, find promising business prospects, and improve their innovative capabilities. They argue that in today's competitive environment, these businesses require a new marketing paradigm. Several global issues contribute to the volatility of market, which adversely affects the businesses' performance (Beth, 2022). It is exacerbated by the poor yields of crops, natural disaster that have killed livestock, all of which drive up prices (Jane, 2022)). To address the looming issues, SMEs' managers must act

promptly to compete with varying market demand while also producing products or providing services in a sustainable manner. Hence, a study on MO and EO, and the mediation effect of innovation may be able to close the gap for the struggling Malaysian Indian SMEs

The number of Malaysia utilising social-media has increased dramatically, yet SMEs are not adopting it as a marketing strategy (Zhang, Xu, & Ma, 2022). In 2018, the Department of Statistics of Malaysia reported 18.5% of the country's economy was generated by the digital economy, and another 8% by e-commerce (Zarina, 2020). This activity continues to grow because of speedy internet connection, and the rising use of smart phones, resulting in more and more people are engaging in digital marketing (Star, 2021b). In comparison with a larger organisation, SMEs lack resources and capabilities, making it difficult for them to adopt social-media as a tool for business strategies (Muna, Yasa, Ekawati, & Wibawa, 2022). This is due to a lack of expertise and knowledge in determining which platforms are best suited for marketing their product/services (Forth & Bryson, 2019; McCann & Barlow, 2015; Zhang et al., 2022). It should be noted that the current trend for customer spending lies on the online service platform, which is the main indicator for SMEs to adopt new online marketing strategy to sell their products/services to compete in business environment (Rodríguez, Pastor-Pérez, & Collado, 2022). This research aims to address this gap by exploring social-media and SBG, as well as the mediation effect of innovation.

The large number of SMEs in the developing countries are unaware of the close link between business, innovation, and business survival, or not sure of how to deploy in innovation (Organisation for Economic Co-operation and Development [OECD], 2017). For example, across OECD countries, SMEs are less innovative as compared

to large companies. In rich countries, SME, and smallest employer enterprise is in the position to reach a higher productivity level, but this is not prevalent among the developing countries (OECD, 2017). According to the Global Competitive Report, Malaysia is weak in terms of innovation and competence, which has become a growing concern for Malaysia in the light of future challenges (Klaus, 2012). It is advisable for SMEs to have hands-on-experience and the know-how to uplift company capabilities to bring them in global stage (Star, 2018). Presently, Malaysia supports growing businesses and allows market to strive. However, SMEs encounter obstacles when it comes to innovation. The gap hinges onto inadequate understanding of innovation practises among SMEs. In relation to this, there is a theoretical gap and inadequate analysis of innovation in SMEs, which links with independent variables and contribute towards sustainable growth.

However, fiduciary accountability managers or directors have the role to play in ensuring a proper governance for SBG. As part of SMEs' progress, the sustainable growth needs the MO, social-media, EO, and innovation.

## **1.5 Research Objectives**

The purpose of the study is to identify and describe the Indian entrepreneurs who have involved in the business, either manufacturing or services. Fiduciary accountability of a director or manager and other independent variables, such as MO and social media are explored to find out the SBG of Indian SMEs. Insofar innovation is concerned, the role of directors or managers is not just decision making, because their actions are accountable in fiduciary context. Failure to adhere fiduciary accountability could pose serious legal implications.

To date, studies on ethnic minority business in Malaysia is inadequate, thus any study on Indian SMEs would go a long way in academic rigour. This study intends to explore fiduciary accountability, EO, MO and social-media, which is mediated by innovation for SBG. With regards to networking, it could primarily provide the needed information to the ethnic Indian entrepreneurs to innovate the businesses. The following are the objectives of the study:

1. To identify the relationship between fiduciary accountability, EO, MO, social-media, and SBG.
2. To examine the relationship between fiduciary accountability, EO, MO, social-media, and innovation.
3. To examine the mediation effect of innovation on the relationship between fiduciary accountability, EO, MO, social-media, and innovation.

## **1.6 Research Questions**

The main purpose of the present study is to identify how Malaysian Indian entrepreneurs in Malaysia deploy innovation when facing challenges, not only to compete in the market but also to remove the caveat of fiduciary reasons. The following are the research questions:

1. Do fiduciary accountability, EO, MO, social-media, and innovation have a positive effect with SBG?
2. Do fiduciary accountability, EO, MO, and social media have a positive effect with innovation?
3. Does innovation mediate the relationship between fiduciary accountability, EO, MO, social-media, and SBG?

## **1.7 Significance of the Study**

The significance of study is that it is anticipated to be of significant benefit as it adds to the literature of corporate governance, management, accounting and law, particularly due to its component of fiduciary accountability and more importantly, as it relates to SBG. Fiduciary accountability is well spelt out in large organisations whereas this study dedicates itself to examining fiduciary accountability of directors/managers of SMEs. This study supports the contention that unstable environments, top managers who fail to systematically collect and analyse information about environmental trends and constraints will be less likely to lead their business towards the direction of SBG. It is surmised that studying SBG in SMEs would further add to academic literature.

Adding weightage to this study, it contributes to the literature on small and medium businesses in fiduciary accountability, EO, MO, social-media, and SBG, which is mediated by innovation from theoretical, practical, legal practitioners, policy makers, and methodological perspectives. Insofar as policy makers are concerned, Indian share of economic equity stands at 1.3%, and the government desires to increase this percentage. The following sub-sections examine the possible contributions.

### **1.7.1 Theoretical significance**

This study assists to fill the literature gap so as scholars continue with the empirical research and state policy makers to devise effective plan to increase ethnic entrepreneurial activities. Ram, Trevor, and Maira (2017) reminded the scholars to investigate on Indian entrepreneurs in a wider scope. As part of the research, new conceptual variables are introduced to extend the study on SBG and fiduciary accountability. For the purpose of investigation, new variables add value to the study