



PERBADANAN PRODUKTIVITI MALAYSIA (MPC)

PROJECT PROPOSAL

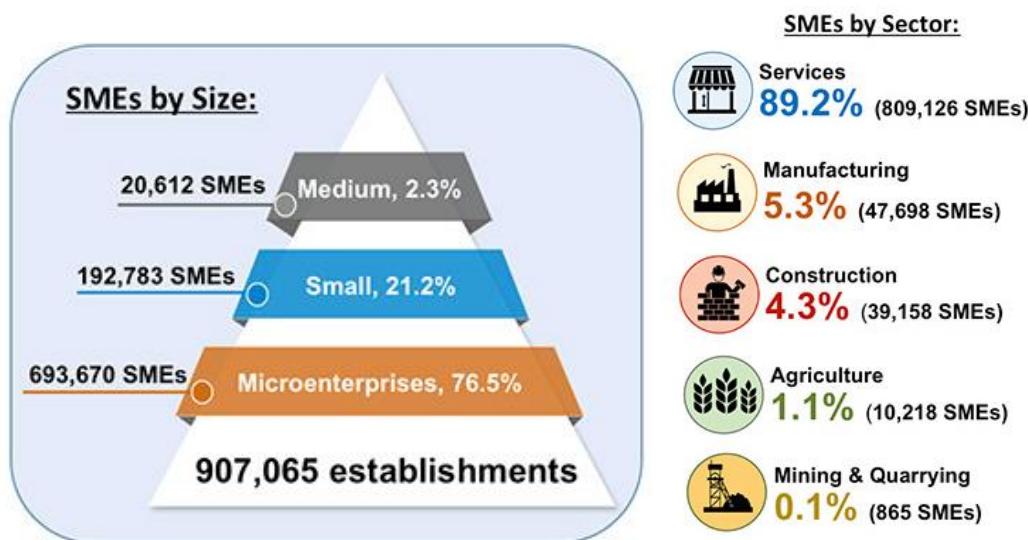
“ADAPTASI DIGITAL DI KALANGAN USAHAWAN”

**Kementerian Pembangunan Usahawan dan Koperasi
(MEDAC)**

1.0 Background

The onset of COVIC19 and enforcement of the Movement Control Order has a big slump in business activities. Ministry of Entrepreneur Development and Cooperatives (MEDAC) has reported that as many as 71% of enterprises in Malaysia have been affected due to the COVID19 outbreak.

In an outlook, 98.5% of the business establishment in Malaysia is from Small and Medium Enterprise (SME) which is 907,065 business establishments across all sizes and sectors



SME are categorised as follows:

| Size | Manufacturing | Services and other sectors |
|--------|--|--|
| Medium | Sales turnover between RM15 mil and RM50 mil OR Between 75 and 200 employees | Sales turnover between RM3 mil and RM20 mil OR Between 30 and 75 employees |
| Small | Sales turnover between RM300,000 and RM15 mil OR Between 5 and 75 employees | Sales turnover between RM300,000 and RM3 mil OR Between 5 and 30 employees |
| Micro | Sales turnover below RM300,000 OR Less than 5 employees | Sales turnover below RM300,000 OR Less than 5 employees |

Table 1: Definition of small and medium enterprises in Malaysia. SME Corporation Malaysia (2020).

Despite the many assistance and facilitation provided by the Government, the adaptation rate is still low among entrepreneurs. Only 25% of Malaysian organizations accelerated their digital transformation plans as a result of the Covid-19 pandemic, while 60% slowed down. (Source: Business Today, July 23rd 2020).

SME digitalization efforts during this crisis are heavily influenced by reduced cashflow.

[Source: DOSM](#)

In an effort to assist in the recovery of business in Malaysia and maintain the continuity of business operations, the Government under PENJANA and PRIHATIN has focused on efforts to digitize Malaysia, including SMEs.

Minister of MEDAC, Datuk Seri Wan Junaidi Tuanku Jaafar has urged entrepreneurs to take full advantage of the various assistance, incentives and programmes under the ministry and its agencies to remain competitive in today's challenging business environment.

"We are now living in the post-Covid-19 era. Lots of things around us are changing and we have to accept and adapt to the new norm. In business, it is all about survival of the fittest. Entrepreneurs need to continuously equip themselves with new knowledge and skills, not only for their businesses' survival, but also to take advantage of the many new opportunities," he said in a statement today."

(Source: Malay Mail, Jan2021)

Taking the outcome of a pandemic has brought to the micro entrepreneur, this study on digital adaptation among micro entrepreneurs may uplift the awareness, motivation and knowledge by understanding their behaviour. A specific interest in nudging the entrepreneur towards the adaptation of digital technologies into their business operations, able them to increase national productivity.

2.0 Objectives

The central objectives of this project:

- a. Determine issues of contributing to low adaptation of digitalisation of micro enterprises around Klang Valley, Malaysia
- b. To determine on micro entrepreneur behavioural Insights pertaining to the level of awareness, motivation and knowledge in adopting the digital business
- c. To develop recommendations on intervention for digital awareness and implementation within the micro entrepreneur.

3.0 Methodology

This research applies two main research methods:

1. Survey

This project study will adopt a quantitative method as variables are measurable. The variables could be operationalized, a survey questions will be developed and used for data collection.

- a) Target sample: 50
- b) Data collection: Using cross-sectional-time horizon where the data will be collected just at once at a given point of time
- c) Sampling: Individual entrepreneur under MEDAC: Micro enterprises concentrated around the Klang Valley (Micro Enterprise: has sales turnover of less than RM300,000 or employees less than 5)
- d) Sampling Type: Purposing Sampling
- e) Survey Type: Close-ended question

2. Focus Group Discussion (FGD)

To be conducted with Micro Entrepreneurs (selected sector) at the beginning of the project, with the aim to collect background data.

Fundamental aspects include:

- a. Current Micro Entrepreneur status and initiatives
- b. Challenges in implementing digital business
- c. Support needed by Micro Entrepreneur
- d. Statistics and latest reports on Micro entrepreneur
- e. Relevant document

4.0 Theory

Theory of Rational Choice (TRC) contributes to the theoretical framework of this research project. TRC explains a social phenomenon of individual choice that can be construed as an individual rational decision to achieve specific goals (Wittek, 2013).

It concerns preferences, beliefs, and constraints which are the key elements of all rational choice explanations. TRC is also a framework to understand people's rational choice based on social and economic behaviour (Bourdieu, 2005). According to this framework, people's social and economic behaviours are rational depending on their goal-orientation, evaluative assessment that consistently fit well with their different kind of choice situations. It applied the framework in relation to how people make their consumption choices to maximise their happiness and utility (Martinàs and Reguly, 2013).

This research will be guided by TRC based on the premise that micro enterprise is making choices in regard to their business operations improvement decision including acceptance on the government initiatives in developing digital economy in order to increase business efficiency and productivity. The choices they made must be nudged towards an understanding and awareness on benefits of implementing digital business operations.

5.0 Scope of Works

The research's scope depends on:

- a. WHO – Micro entrepreneur, related agency such as SME Corporation and who may provide significant background information for the research.
- b. WHERE – The research location will only be around Klang Valley
- c. WHAT – The research will concentrate on entrepreneur behavioural insights (BI) pertaining to their level of knowledge and awareness on the digitalisation
- d. WHEN – The fieldwork will start throughout April- May2020, and to be completed by the July 2020.

5) HOW - The research outcome will provide an empirical data to understand how the micro entrepreneur can be “nudged” with a focus on creating awareness on implementing digital business and accepting initiatives provides by the government.

6.0 Deliverables

- a. Identification of issues contributing to low adaptation of digital business by micro entrepreneur
- b. Identification of level of awareness, motivation and knowledge of adapting digital business and government initiatives
- c. Proposal of intervention strategy on digital awareness and acceptance by the micro entrepreneur

7.0 Outcome

- a. Produce Intervention strategy to create awareness and adaptation on business digitalization among micro enterprises
- b. Improving MADEC's policy using behavioural insight approach.

7.0 Work Schedule/Timeline

8.0 References:

Bourdieu, P. (2005). *The Social Structures of the Economy*. Britain: Polity.

Fischer, J.M. (1998). *Responsibility and Control: A Theory of Moral Responsibility*. Cambridge: Cambridge University Press.

Martinàs, K. & Reguly, À. (2013). Reappraisal of Rational Choice Theory. *Interdisciplinary Description of Complex System*, 11(1), 14-28.

OECD. (2020). Behavioural Insights and Organisations. *Fostering Safety Culture*. OECD: Sweden

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