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ASSESSING THE EFFECTS OF GOVERNMENT INCENTIVES ON THE PERFORMANCE OF SMEs IN FOOD MANUFACTURING SECTOR

Norhasmat Abdul Aziz Putra Business School , Universiti Putra Malaysia hasmatkep@gmail.com

Juwaidah Sharifuddin* Department of Agribusiness and Bio Resource Economics, Faculty of Agriculture, Universiti Putra Malaysia juwaidah@upm.edu.my

* Corresponding author

ABSTRACT

Aim/Purpose The Malaysian government has given numerous incentives to small and medium enterprises (SMEs), including those in the food manufacturing sector, in an attempt to boost their performance. This study aims to assess the effects of these incentives, particularly financial and tax incentives, on the performance of SMEs in the Malaysian food manufacturing sector.

Background Millions of Ringgit has been allocated for the development of SMEs by the Malaysian government. The findings of this study aim to assist the policymakers in improving the current policies in incentive give outs to enhance the effectiveness and reduce the number of SMEs that were forced to close down in less than five years of operation.

Methodology The study was conducted using structure, conduct, and performance (SCP) paradigm on secondary data from 140 companies over a period of five years (2013 – 2017). Correlation analysis was done to explore the relationship between each explanatory market variables included in the SCP paradigm.

Contribution This study provides insights into the effect of different types of government incentives on the performance of SMEs in the Malaysian food manufacturing sector.

Findings The study found that financial and tax incentives gave different effects on the performance of SMEs in the Malaysian food manufacturing sector during the study period. Financial incentive shows a weak positive significant correlation with advertising-to-sales ratio (ASR), return on assets (ROA) and market share (MS) ratio while showing negative significant correlation towards capital

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intensity (CAP). On the other hand, tax incentive shows a strong significant positive correlation with MS and weak significant positive correlation with CAP, ROA and return on sales (ROS). This shows that financial incentive strongly correlates with SMEs' performance, whereas tax incentive is associated with market structure and conduct of SMEs in the Malaysian food manufacturing sector.

Recommendations for Practitioners	Firstly, the government should consider providing extra assistance to SMEs in entering the sector as entry barriers for the sector is relatively high. Focus can be given in increasing financial incentives at a more competitive rate as it can reduce debt or increase the firm's equity or aid firms in acquiring assets, which are crucial for efficient and effective production of processed food. Allocation of tax incentives should be reviewed as it does not have a strong correlation with firms' performance.
Recommendation for Researchers	There are limitations to the number of SMEs included in this study. Hence, researchers are recommended to have direct contact with more firms to ensure more accurate data.
Impact on Society	With more efficient and effective policies in the government's financial and tax incentives, more allocation can be channeled to other areas that have direct implications to the citizen. Additionally, with better policies, more jobs will be created in the market, and a highly competitive market will lead to a production of higher quality products that can be enjoyed by the consumers.
Future Research	This study has contributed to the SCP paradigm as it demonstrated the effects of government financial and tax incentives on the market structure, conduct, and performance of SMEs in the Malaysian food manufacturing sector. Future researches might focus on non-financial incentives given out by the government such as human resource development, training, industrial infrastructure and amenities, technology development and capabilities, technology transfer, and organizational innovation.
Keywords	small medium enterprises, structure-conduct-performance, food manufacturing industry, financial incentives, tax incentives.

INTRODUCTION

In the last decade, there has been a rising trend in the establishment of small and medium enterprises (SMEs) in Malaysia. SMEs development has shown an impressive progress since 2004, where SMEs GDP has performed remarkably well with a steady growth of an average of 6.3 percent and continued to perform favorably. For the last five years, SMEs expanded 6.7 percent annually as compared to the 5.3 percent total average development of the national economy (see Figure 1). SMEs has been fostering the development of national economy, uplifting the society, creating jobs and improved per capita income. SMEs are wide ranging in type and can be created for any type of business establishment whether in metropolitan or suburb vicinity. SMEs contribution is reckoned to be the pillar of a nation development (Hashim and Abdullah, 2000; Yoshino and Wignaraja, 2015).

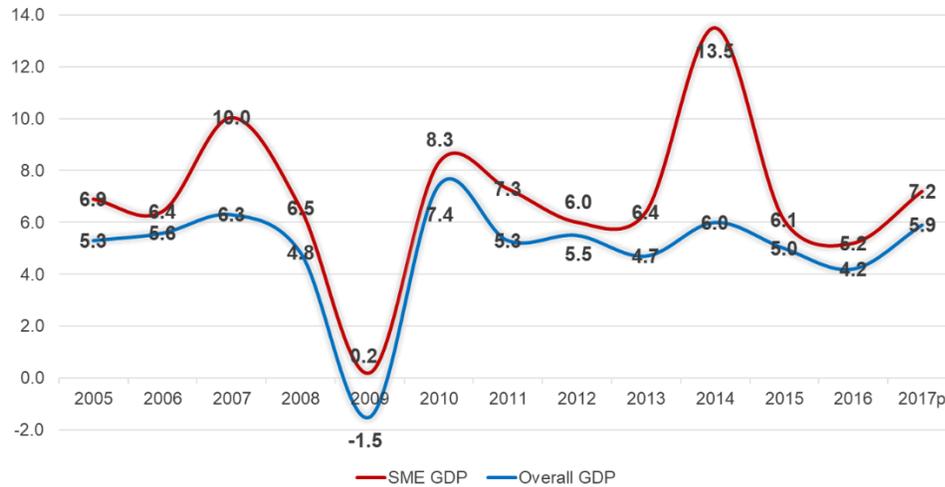


Figure 1: Malaysian SMEs GDP and Overall National GDP Growth (%)

Source: SME Annual Report (2018)

SMEs development in Malaysia was strongly supported by domestic demand, driven by both consumption and investment activities, and has superseded the overall national GDP growth. In aiming to achieve a high-income and developed country, SMEs are expected to play a vital role for Malaysia to make the quantum leap in growth and it requires a paradigm shift or a new strategy in the foundations of national competitive edge from low cost to high value. Due to substantial role of SMEs towards the national economy, several government agencies have put a lot of efforts on the betterment of these enterprises.

The government initiated a New Economic Model (NEM) in 2010 to double up the per capita income and to ensure the status of the country in becoming a developed nation can be achieved in 2020 (SME Annual Report, 2010). The improvements were seen throughout the Economic Transformation Program (ETP) initiated in 2010 where the national per capita income increased from RM23,700 (USD6,700) in 2009 to RM40,870 (USD9,755) in 2017 and has created some 2.26 million new jobs. The passage to a developed economy spearheads the nation to a transformation in the economic structure, the evolution of services content in the economy and shift to a more knowledge concentrated and high value-added economies. SMEs are set to shoulder a greater part of the national development as an enabler and also a fundamental force of development as well as to achieve inclusiveness and sustainable development (see Figure 2).

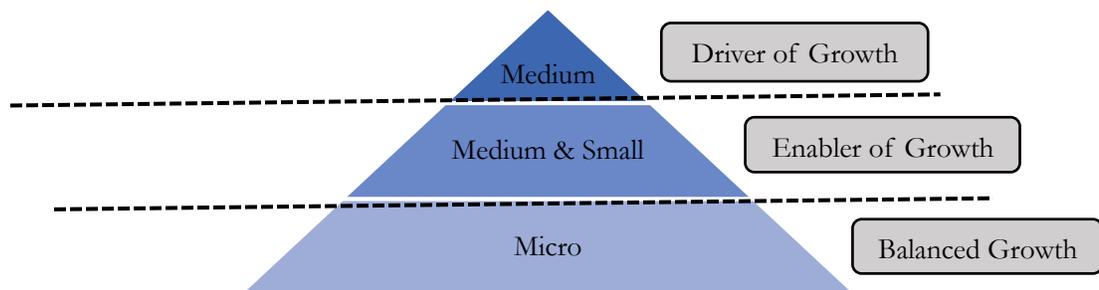


Figure 2: SMEs Function in the Malaysian Economy

Source: SME Annual Report (2016)

In 2005, SMEs comprised of 95.2 percent of businesses in Malaysia and contributed only 29.4 percent to national GDP. The establishment of SMEs is also vital in employment creation where in 2005, SMEs were able to employ 60.0 percent of Malaysian total employment (Thurasamy *et al.*, 2009). In 2017, SMEs recorded a higher performance, where 98.5 percent of total business community in Malaysia empowered by SMEs has increased their contribution to GDP. The escalating progress of SME GDP was pushed by the positive development in all economic sectors, especially the high performing sectors during the last few years namely services, construction and manufacturing sector. Currently, SMEs has been a crucial part in Malaysian economic development where it contributes 37.1 percent of national GDP, 17.3 percent of exports and 66 percent of employment. Based on the statistic in 2018, SMEs' contribution to GDP soared from 29.4% in 2005 to 37.1% in 2017 and potentially will contribute more to boost the economy as seen in Figure 3.

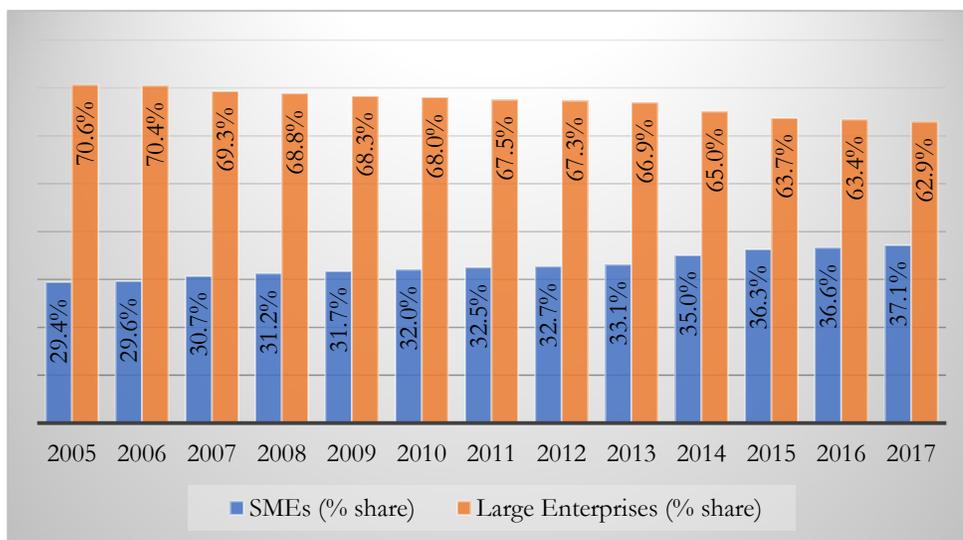


Figure 3: Malaysian SMEs and Large Enterprises Share to GDP (%)

Source: SME Annual Report (2018)

Financial assistance is the main limitation to SMEs development. Lacking support for financial assistance is reported as one of the main causes for most SMEs for not being able to sustain and move forward (OECD, 2017). About 50 percent of established SMEs did not have access to proper financial assistance. Normally, SMEs face difficulties in acquiring financial assistance from banks as compared to big companies; hence, as an alternative, most of the enterprises had to be dependent on resources or financial assistance from their circle of friends and family to start up their companies and initially operate their businesses (OECD, 2017). This shortcoming is even substantial when micro and informal businesses are taken into consideration. In general, about 7 out of 10 SMEs and micro enterprises in developing economies have access limitation to formal financial assistance. Food manufacturing industry in Malaysia is fast developing at an impressive rate, supplying for local and export markets. Since 1995, food manufacturing has been among the progressive industries in Malaysia. The government has given more focus on food manufacturing industry by offering various types of assistance such as indirect tax incentive for imported raw ingredients and machines, direct tax incentive for corporate tax, future development framework, additional funding allocated in yearly budget to enhance financing for SMEs and new infrastructure development. SMEs faced intense challenge as there are high competitions from local and international players in the food manufacturing industry, new technological innovations, emphasis on product quality especially for export market, and differentiation challenge among all industry players. Thus, SMEs must strive to find new ways to succeed especially in emerging economies like Malaysia. Therefore, they must monitor their performance as well as the factors influencing their sustainability which can be essential elements to understand the market structure for the implementation of their business strategy (Zainalabidin *et al.*,

2015; Bryla, 2017; Wach *et al.*, 2017; Richard *et al.*, 2009). As highlighted by Karadag (2017), most SMEs' failures are due to lack of financial management, which ultimately affect their overall performance. Nevertheless, globally, SMEs deal with a mutual setback on their sustainability and competitive advantage. Ahmad and Seet (2009) found that more than half of SMEs closed-down their business in less than five years of operation, and the predicted closure rate of SMEs in Malaysia is approximately 60 percent. Even though Malaysia is a fast-developing country in South East Asia, the failure rate of SMEs is considerably high. Studies by Abdullah *et al.* (2009) exposed that 13 percent of enterprises ceased their company in 2005 after five years of business commencement. This is backed by SME Corporation, Malaysia reports in SME Masterplan 2012-2020 which indicated that about 42 percent of the companies closed down their business after five years of operation and majority of closures were micro and small enterprises.

Looking at the current scenario, even with various government support especially the government financial incentive and tax incentive, the rate of failures among SMEs in food manufacturing industry are still high, at an increasing rate yearly. With low performance in a very competitive industry, it is hard to sustain the SMEs. It is imperative to assess the effect of government incentives towards the performance of SMEs in the Malaysian food manufacturing industry. This study aims to fill this gap and contribute in the development of future policies on food manufacturing SMEs, particularly in Malaysia.

METHODOLOGY

In the light of the development of food manufacturing industry, performance is the major issue in ensuring the survival of SMEs. With lack of competition, combined with the creation of collusive systems, prominent position in the market, or regulations that are protective in nature, SMEs are performing in a very comfortable environment which lead to lower level of efficiency. In this study, the food manufacturing industry is particularly susceptible to face more efficient competitors which will enter the market through liberalization. Therefore, understanding the underlying factors which impact food manufacturing SMEs performance is crucial for companies, authorities, as well as other stakeholders. For this reason, several theories were established to explain the relationship between market structure, the companies' conduct and their performance. These theories are valuable in assessing the food manufacturing industry performance if it falls under competitive and efficient environments.

SCP paradigm by Bain (1951) focuses on the relationship between concentration and performances. The SCP paradigm advocates that to ensure competition exist in a given market, active government involvements are imperative. Based on theoretical framework developed by Scherer (1980), government policy is not included in his model but maintained the basic component of SCP paradigm as the main elements. The author suggests that enterprise performance in a market is believed to be subject to the behavior of market. Conduct, in turn, is subject to the relevant market structure. The relationship between structure of market and enterprise performance has been one of the most established seminal analysis that make obtainable evidence to customers, producers, manufacturers, farmers, dealers, societies and government agencies for the enhancement of the marketing systems effectiveness. The greater the effectiveness implies the sounder the performance, but deteriorating effectiveness indicates weak performance (Qichang and Xu, 2012). The hypothetical behind the structure, conduct and performance approach falls on the research of the founder of model which is constructed based on the evidence that the recognizable characteristics of the market may control the behavior of the enterprise in the industry and ultimately establish the market performance measurement. The initial study of SCP model was initiated by Mason (1939, 1949), Bain (1951) and Scherer and Ross (1990). The approach is established corresponding to numerous elements of the structural such as the number of players in the industry, the cost structure, the level of product differentiation, the level of vertical incorporation with suppliers and others to determine market conduct which comprises of price, marketing, investment, research and development and innovation,

produces enterprise performance through efficiency ratio, profitability, ratio of price to marginal cost, innovation rate, product variety and other financial ratios (Tung *et al.*, 2010).

In this research, the conceptual framework is based on model of SCP approach that is basically centered on the unchanging fundamental connection from structure of market to market conduct to enterprise's performance. The variables of market structure are anticipated to be related to external factors and the variables of market conduct are assumed to be caused by internal factors whereas the indicators of performance are empirically projected. Bikker (2010) posits that the variables of external structural control firms' conduct in the market which are internal factors and the dependence of the market structure variables on each other. The market conduct influences the firm's performance. The market conduct and market structure variables are also mutually dependent.

The Malaysian SMEs in food manufacturing industry structure, conduct and performance are examined by adapting and modifying SCP model by Scherer and Ross (1990), Waldman and Jensen (2001), Bikker (2010) and Tung *et al.* (2010). Based on Figure 4, market structure characteristics of the Malaysian SMEs in food manufacturing industry may have effect on the behavior of the industry players through formation of entry barriers which ultimately resulted in collusive behavior as the market became concentrated. In addition, government financial and tax incentives will have influence on the market structure, market conduct, and performance of SMEs in Malaysian food manufacturing industry.

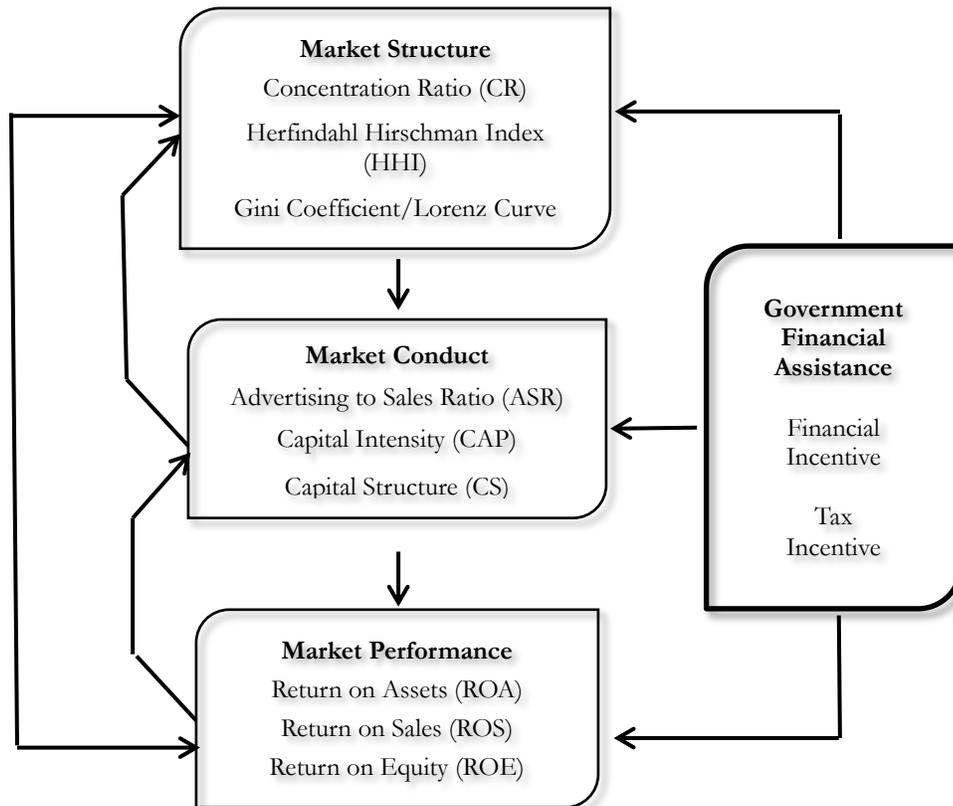


Figure 4: Conceptual Framework of the Market Structure, Conduct and Performance Paradigm

Adapted from Scherer and Ross (1990), Waldman and Jensen (2001), Bikker (2010), Tung *et al.* (2010), Muzu *et al.* (2013), Dvoulety and Blazkova (2018) and Luis *et al.* (2019)

This research aims to explain the impact of government financial and tax incentives on market structure, conduct and performance of food manufacturing industry in Malaysia. The basic data source of

this research is operational analysis reports for food manufacturing companies of Malaysian SMEs as obtained from SME Corporation Malaysia, Companies Commission of Malaysia (CCM) and the Department of Statistics Malaysia (DOS). SMEs were defined according to the NSDC new classification of SMEs in Malaysia. Based on SME Definition Guidelines 2014, manufacturing enterprise are regarded as an SME when employing less than 200 full time workers or with annual revenue of less than RM50 million, whichever is lower. Following the new classification of an SME, the selection of data was referred to SME Corp Malaysia directory to identify potential enterprise in the food manufacturing industry in Malaysia. As the firm-level research is regarded to be one of the preconditions for successful socio-economic development of every economy (Berko and Damoah, 2013), this research have collected a complete secondary data of 140 small and medium food manufacturing companies listed under the purview of SME Corporation Malaysia and registered with Company Commission of Malaysia and conducted correlation analysis based on 5,600 observations to investigate firm specific factors of performance within the food manufacturing SMEs in Malaysia as a response to scholars' call for more empirical evidence on the micro-level entrepreneurship research in emerging economies (Wadhwa *et al.*, 2017).

The data covered the period of five years, ranging from 2013 to 2017. This time range was chosen as a substantial amount of financial assistance was allocated to SMEs through the SME Masterplan that was introduced in 2012. However, the rate of closure among SMEs does not seem to show any reduction even after the implementation of the Masterplan. Hence, it is vital to see the impacts of financial incentive and tax incentive that were given to the performance of SMEs, particularly in the food manufacturing industry. Companies are selected from those categorized under food manufacturing industries (Division 10) under the Malaysian Standard Industrial Classification (MSIC) 2008 Ver. 1.0, in accordance with the International Standard Industrial Classification of all economic activities (ISIC), Revision 4, 2008.

DATA ANALYSIS AND FINDINGS

PROFILE OF SMALL AND MEDIUM ENTERPRISES

Table 1 shows that 15% of the companies are situated at Pulau Pinang, 12.86% in Selangor, 12.14% in Perak and Melaka respectively, 7.14% in Johor, Kedah, and Pahang respectively, 6.43% in Sabah, 5.71% in Negeri Sembilan, 5.00% in Terengganu, 3.57% in Sarawak and 2.86% in Kelantan. With regards to years of establishment, a high percentage of the companies are established less than 10 years (52.14%), followed by 16 to 20 years and more than 20 years (17.14% respectively), and 10 to 15 years (13.57%). Majority of the companies are categorized as small-sized (85%) and only 15% is categorized as medium-sized company. This is also represented by the capital equity of the companies as 34.29% declared their equity from RM10,000 to RM99,999, 26.43% with equity of RM100,000 to RM499,999, 20.71% with equity of more than RM1 million, 10% with equity of less than RM10,000 and a small portion (8.57%) with equity of RM500,000 to RM1 million. Based on the sales turnover, majority of the companies (47.85%) have sales turnover of less than RM1 million per year, 20.71% with sales turnover of RM1 million to RM4,999,999, and the rest (31.43%) have sales turnover of more than RM5 million per year. Based on the number of staffs, a large percentage of companies (66.43%) have between 5 to 74 staff employed by the companies, followed by 13.57% having 75 to 200 staff, and 20.00% with less than 5 staff. As for government assistance, it is divided into two categories, which are financial and tax incentive. Between 2013 to 2017, 76.43% of the 140 companies did not receive any tax incentive, 6.43% received less than RM250,000, and 5.71% received between RM250,000 to RM499,999, RM500,000 to RM1 million, and more than RM1 million respectively. During the same period, 27.14% of the companies received RM100,000 to RM499,999 worth of financial incentive, 17.86% received between RM50,000 to RM99,999, 10.71% received less than RM50,000 and 40% did not receive any financial incentive from the government.

Table 1: The Summary of Small and Medium Enterprises Profiles

Characteristics	Frequency (n)	Percentage (%)
Location Areas		
Pulau Pinang	21	15.00
Selangor	18	12.86
Melaka	17	12.14
Perak	17	12.14
Johor	10	7.14
Kedah	10	7.14
Pahang	10	7.14
Sabah	9	6.43
Negeri Sembilan	8	5.71
Terengganu	7	5.00
Sarawak	5	3.57
Kelantan	4	2.86
Perlis	4	2.86
Years of Establishment		
<10 years	73	52.14
10 - 15 years	19	13.57
16 - 20 years	24	17.14
>20 years	24	17.14
Size of Company		
Small	119	85.00
Medium	21	15.00
Equity (RM)		
<10,000	14	10.00
10,000 - 99,999	48	34.29
100,000 - 499,999	37	26.43
500,000 - 1,000,000	12	8.57
>1,000,000	29	20.71
Sales Turnover (RM)		
300,000 - 499,999	43	30.71
500,000 - 999,999	24	17.14
1,000,000 - 4,999,999	29	20.71
5,000,000 - 9,999,999	10	7.14
10,000,000 - 14,999,999	13	9.29
15,000,000 - 29,999,999	10	7.14
30,000,000 - 50,000,000	11	7.86
Number of Staffs		
<5 persons	28	20.00
5 - 74 persons	93	66.43
75 - 200 persons	19	13.57
Tax Incentive (RM)		
Nil	107	76.43
<250,000	9	6.43
250,000 - 499,999	8	5.71
500,000 - 999,999	8	5.71

Characteristics	Frequency (n)	Percentage (%)
≥1,000,000	8	5.71
Financial Incentive (RM)		
Nil	56	40.00
<50,000	15	10.71
50,000 - 99,999	25	17.86
100,000 - 499,999	38	27.14
≥500,000	6	4.29

Source: Current research.

CORRELATION ANALYSIS ON MARKET VARIABLES

Correlation analysis was undertaken to explore the relationship of each explanatory market variables included in the SCP paradigm to ensure that there is no multicollinearity. The results shown in Table 2 illustrated the strength of association and direction of relationships between independent and dependent variables. A correlation of +1.0 denotes a perfectly positive correlation while -1.0 denotes perfectly negative correlation.

Table 2: Correlation Coefficients Matrix of Market Variables in the SCP Paradigm Equation

	LMS	LASR	LCAP	LCS	LROE	LROA	LROS
LMS	1.000						
LASR	0.1147**	1.000					
LCAP	0.0365	0.0074	1.000				
LCS	0.0154	0.0166	0.0353	1.000			
LROE	0.0077	0.0232	0.0184	-0.5637**	1.000		
LROA	0.0851*	0.6429**	-0.1052**	0.023	0.0451	1.000	
LROS	0.0748*	0.6713**	0.0177	0.0184	0.0353	0.8806**	1.000
FIN	0.1631**	0.0761*	-0.1569**	0.0311	0.0217	0.0943*	0.0496
LTAX	0.5085**	0.1501	0.0009*	0.0238	0.0118	0.1122**	0.0997**

Note: * and ** are denotes as significant at 5% and 1% significance level respectively.

According to Table 2, advertising-to-sales ratio is found to be positively correlated with market share and statistically significant at 1% level. This shows that higher advertising to sales ratio will lead to higher market share. In addition, the strong positive correlation between ROA to advertising-to-sales ratio is as expected as it indicates higher market performance led to a higher market conduct that they can invest in. The same finding was found between ROS and advertising-to-sales ratio, which is as expected, showing that higher spending on advertising will ultimately lead to higher profits. This finding also acknowledged the previous study by Comanor and Wilson (1974) where advertising has positive relationship with firm's returns. It is also parallel with the existence of economies of scale in the industry where new player need to source more capital for its advertising in addition to existing capital required for business establishment. The negative significant correlation between ROA and capital intensity is as anticipated as purchasing more assets will increase the capital intensity of the

company but will lower the return on assets, which denotes assets as the denominator in its equation. However, the negative significant correlation between ROE and capital structure at 1% significance level means the negative effect of financial leverage on food manufacturing SMEs' performance. This finding is in line with other studies such as Blazkova and Dvoulety (2019) and Asimakopoulos *et al.* (2009), which posit that the excess debts increased the financial distress costs and decreased the performance of the enterprises. It reflects that a large part of earnings had to be used to cover interest payments, which leads to lower amount of funds available for reinvestment, which subsequently affect growth opportunities in the long term for the Malaysian food manufacturing SMEs during the period of 2013 to 2017. Looking at the correlation between financial incentive and all the market variables, it was shown that it has weak positive significant correlation with advertising-to-sales ratio and ROA at 5% significance level respectively and with market share ratio at 1% significance level. Additionally, it has weak negative significant correlation with capital intensity at 1% significance level which implies that the more financial incentive given out to Malaysian SMEs in the food manufacturing sector, the higher they will spend on advertisement which will indirectly increase their profit. This will increase the advertising-to-sales ratio. It is also found that financial incentive has significant effect towards ROA at 5% level, and this confirms the findings of Takalo and Tanayama (2010) and Chen and Wu (2016). However, with allocation of financial incentive, total sales will also increase, which reduce capital intensity as it is the denominator in the CAP equation. Tax incentive, on the other hand, have a strong significant positive correlation with market share at 1% significance level, while showing weak significant positive correlation with capital intensity at 5% significance level, and ROA and ROS at 1% significance level respectively. This confirms the findings of Hamid *et al.* (2018) which posit that performance of SMEs have positive relationship with tax incentives.

CONCLUSION

The overall result of the study suggests that the structure of food manufacturing industry in Malaysia is moderately concentrated with unequal distribution of market share among the industry players. In addition, the market conduct of the industry suggest that high capital intensity serves as an entry barrier for the industry, and SMEs obtained high amount of debt to operate their businesses. However, the SMEs showed stable returns over the study period, but a lower profitability ratio as compared to other industries in Malaysia. Correlation analysis suggests that the financial incentive and tax incentive have different impact on the structure-conduct-performance paradigm of food manufacturing SMEs in Malaysia. Financial incentive was found to have significant effect towards market conduct (advertising to sales ratio) and market performance (return on assets) while having no significant effect towards market structure. On the other hand, tax incentive only affects significantly on market conduct (advertising to sales ratio) and market structure (market share), while having insignificant effect towards market performance. Small and medium enterprises in the food manufacturing industry plays an important role in Malaysian economy and will contribute more to the economy as the population escalates and leads to a surge in demand for processed food. Thus, an efficient and competitive industry is deemed necessary which can be developed using proper government policies and incentives. Based on the findings of this study, several recommendations are suggested in ensuring the development of the industry, promoting resilience among the industry players particularly the SMEs, while maintaining the competitiveness of the market. Firstly, the government should consider providing extra assistance to SMEs in entering the industry as entry barriers for the industry is quite high. Focus can be given in increasing financial assistance that can reduce debt or increase the firm's equity or aid firms in acquiring assets in the form of machineries which are crucial for efficient and effective production of processed food. A more competitive structure will steer the industry to a better competition among the players and hopefully this can lead to higher quality of product offerings to the consumers and further amplify the industry's presence in the international market. The study found that SMEs in food manufacturing industry rely much on debt for its business start-up and operations. Hence, government could study the financial assistance that it currently provides to be offered at a more competitive rate so as not to further burden the SMEs. Lower loan rate and better

payment schedules could help boost the conduct and performance of SMEs and in due course, reduce the number of firms that have to close down. Furthermore, financial incentive should be given added attention as the study discovered that it has significant effects towards market conduct (advertising to sales ratio). Formulating better financial incentive that can increase the companies' expenditure on advertising, which will influence their sales. More advertising activities will increase the competitiveness of the industry players, as consumers have more access to information to make choices from the pool of products that are available in the market. It will also push the SMEs to produce better quality products as to compete in the market. Additionally, the policy on tax incentive should be reviewed and modified. This study found that tax incentive does not have significant effect towards the performance of SMEs in the food manufacturing industry. It only affects significantly on market structure and market conduct. Therefore, if the government intends to increase the performance of SMEs in the food manufacturing industry, no focus should be given in awarding tax incentive. Current tax incentive might be good in assisting larger firms, but not the small and medium enterprises due to higher amount of raw materials imported by large firms, and heavy machineries and components invested by them. Alternatively, if the government would like to attract more SMEs to venture into the food manufacturing industry, it should formulate a better policy in awarding tax incentive to SMEs such as sales tax exemption as this study found positive and significant effect between tax incentive and market share (market structure). The same effect is found between tax incentive and capital intensity (market conduct), which further reaffirms the role of tax incentive in supporting procurement of assets for companies. Since the current policy on tax incentive give higher assistance to larger companies, it might be best if the government could devise better policies for SMEs.

LIMITATION OF STUDY AND FUTURE RESEARCH

This study attempts to assess the impacts of government financial assistance towards market structure, conduct and performance of SMEs in the Malaysian food manufacturing industry. The analyses were conducted using secondary data obtained entirely from SME Corporations and the Company Commissions of Malaysia (SSM) and available on public domain. Thus, there could be projections and estimates, which its reliability might not be justified. Further direct contact with all the companies involved could ensure more accurate data but time and resources are limited for this research. Additionally, many companies were excluded from this study as the data given by the companies to SSM is incomplete. The lower percentage of sample could affect the research findings. Furthermore, this study only takes into consideration financial assistance given by the government to SMEs, in the form of financial incentive and tax incentive. Other government assistance such as human resource development, trainings, industrial infrastructure and amenities, technology development and capabilities, technology transfer, skill development, and organizational innovation were not included. These non-financial assistances could have different effect towards the structure, conduct and performance of SMEs in the Malaysian food manufacturing industry. Based on the limitations of the study presented in the previous section, it is recommended that future study to include higher number of samples if available, and to consider enlarging the number of assistances provided to the SMEs by the government. In addition, future researches are advised to contact each company directly to re-confirm the data or to get the missing data if possible.

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BIOGRAPHIES



Dr. Norhasmat Abdul Aziz has recently graduated from Putra Business School, Universiti Putra Malaysia. He is currently an Administrative and Diplomatic Officer at Tax Division, Ministry of Finance Malaysia.



Dr. Juwaidah Sharifuddin is a senior lecturer in Department of Agribusiness and Bio Resource Economics at the Faculty of Agriculture, Universiti Putra Malaysia. Her main interest in research is in agribusiness marketing and consumer behaviour towards agriculture and food products, as well as small and medium enterprises in the agriculture-based industry.