

ICT Usage and Digital Inclusion among Entrepreneurs of Small and Medium Enterprises in the Klang Valley

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ABSTRACT

The phenomenon of rapid growth in today's digital age has a major impact on many aspects of life and industry, as well as the model and principles of business today. The use of ICT does not only serve as a channel of communication and source of information but also as a tool for online business. ICT is believed to be the best platform to replace conventional business systems because it is able to give impact towards the digital economy if the technology is fully utilized. This study is conducted to review the level of ICT usage through a range of online applications and digital inclusion among entrepreneurs in Small and Medium Enterprises (SMEs) in the Klang Valley (Bangi, Shah Alam and Kuala Lumpur). The study examines the pattern of ICT usage and their application in practice and explains the relationship between the uses of ICT and digital inclusion among SMEs. A quantitative approach is used and data are collected through a survey of 500 respondents comprising entrepreneurs (SMEs) aged 18 to 55 years who perform in a variety of business categories. The majority of respondents have been doing business for 2 to 4 years and they find their business performance improving after use of ICT. The findings also show that the majority of entrepreneurs have used ICT in less than 3 years and most of them use ICT for the purpose of contacting friends. By using a Pearson Correlation analysis, the result reveals that the level of ICT usage and digital inclusion have a positive and significant correlation ($r = .599$, $p < 0.05$). This indicates that the use of ICT gives an impact to entrepreneurs to have the benefit of digital inclusion in their business management especially to increase the digital economy and to be prepared for the industrial revolution 4.0 that is emerging rapidly.

Keywords: ICT Usage, Digital Inclusion, Entrepreneurs (SMEs)

INTRODUCTION

ICT advancement has brought new opportunities for knowledge sharing and knowledge-gathering among men and women (Huyer, 2006). ICT can provide unlimited opportunities for economic development and social engagement through new innovative tools and ideas. The use of ICT does not only serve as a channel of communication and information resources but also as an online business tool. This online business phenomenon is not something new, but over the past few years it has grown so rapidly with the emergence of virtual entrepreneurs. This can be seen with the success of big entrepreneurs in Malaysia such as Bella Ammara, Zawara and QairaHijab who started with online business and then stepped up with the opening of physical boutiques to make it easier for more customers to have access to the products physically. In Malaysia, the government has also introduced ICT applications in helping to strengthen the people's economy. This is in line with the efforts of the SME Corporation which holds various programmes to provide exposure to the usability of ICT. Nur Yuhanis and Shuhymee Ahmad (2017) point out that a country's economic, social, political and technological process can be mobilised more potentially through three major components of ICT i.e computing, computing technology, communication technology and media technology. Thus, the use of ICT should be fully utilised by entrepreneurs in business development in order to be more efficient and productive. This study focuses on Small and Medium Enterprises (SMEs) entrepreneurs who are the catalysts for the country's economy. SMEs are small and medium micro businesses. They are categorised in different levels according to their sales revenue and sectors.

The use of ICT in business benefits the entrepreneurs. The benefits that have been identified in the study are related to innovation, productivity and internationalisation (Giotopoulos, Kontolaimou, Korra & Tsakanikas 2017), where entrepreneurs can organise business processes, address business markets and their partners (Migiro 2006). There are various types and classifications of businesses undertaken by SMEs, which can be placed at global rankings by using more relevant and innovative channels. However, reports from SME Corporation (2012) finds that the adoption of technologies is at the low level of ICT utilisation and that is the reason why most SMEs do not achieve high performance. Therefore, this study will identify the pattern of ICT utilisation among SME entrepreneurs in the Klang Valley, especially in Shah Alam and Kuala Lumpur as a preliminary description.

This article discusses the ICT usage practices that include the purpose, skills and motivation of using them among SME entrepreneurs and their relationship to digital inclusion. This is important to see the extent of the usage and its effect on the digital inclusion of ICT which is regarded as a platform that benefits in managing the business better.

INTERNET AND BUSINESS

Business fields are not foreign to any world community. In fact, a country's economy can grow rapidly through business. Small and medium enterprise (SME) -based businesses are contributors to the economy in Malaysia. Starting with small businesses, small and medium-sized enterprises in Malaysia are already in the process of expanding their market internationally. According to Malaysia's External Trade Development Corporation (MATRADE) chief executive officer, Datuk Dzulkifli Mahmud, the company is working to assist SME entrepreneurs especially *bumiputeras*, women and youths to actively participate in export activities to overseas markets (RTM News, 2016).

The revolution of internet use has brought a huge impact in everyday life especially

in entrepreneurship around the world (Gusniar et al., 2014). The introduction of information and communication technology (ICT) in today's business fields also brings entrepreneurs to a higher level in business. Compared to traditional trading practices, ICT engagement in business is seen to attract more consumers to get services or products marketed virtually. This is because online purchases are easier and save time, where all business transactions are done online (Zaleha et al., 2016). In line with the ever-changing lifestyles, online purchase methods are increasingly gaining momentum among consumers (Farhan et al., 2015). This is because consumers no longer have to rush to a location solely to buy the necessary goods or services. Besides that, online business is also more practical as consumers can get the goods at any time without being limited to time and geographical boundaries. With the help of the internet, the majority of users can search the information prior to making a decision on a purchase (Mazlina & Nek Kamal, 2014). In fact, consumers can compare prices and choose different types of goods at any one time without having to move anywhere.

Additionally, the introduction of e-commerce services has provided another facility to consumers of online buying and selling services. This is because e-commerce services are capable of conducting business transactions involving goods and services between two parties or more, using electronic and internet equipment (Anandia & Farah, 2016). In addition, e-commerce-based businesses have the potential to help entrepreneurs generate high income if they are able to tap on market opportunities and more recent marketing techniques (Ahmad Firdause & Mohd Rafi, 2017). Even with such services, it can also indirectly help entrepreneurs explore international markets. Based on the study conducted by Trend Micro, the online buying phenomenon is seen as warm and predictable that Malaysia collects more than 8 of its 10 internet users to use internet speeds for shopping activities (Shahar, 2013). This situation is not something that is impossible, except that with the latest technology sophistication coupled with the increasingly good internet service every day allows all online trading activities to run smoothly. This business revolution has indeed been anticipated by the emergence and creation of new media applications that facilitate the businesses to run.

Apart from sparking a revolution in online business, the internet has brought a new transformation into marketing. Marketing plays an important role in promoting or introducing a product to consumers. With the latest internet and application facilities, merchants can use the platform to introduce their products in terms of branding, promotion and revenue generation (Suzanna Azmieyda & Mohd Zainudin, 2016). With a creative, meticulous and effective marketing technique, a product that is offered will definitely get the attention of users. In fact, to stay relevant in the field of business, entrepreneurs should be familiar with the latest trends according to current changes. The use of social media applications as a medium of e-marketing is currently seen as attracting more users to know about a newly launched product. This is because the features of an interactive, user-friendly and easy-to-use social media application make it easier to accept. In Asia, as well as being a user-accessible platform, the use of social media as a digital marketing medium also saves advertising costs by 50 percent compared to traditional advertising methods (Utusan Online, 2016). This method is able to expand its reach abroad as the internet is not only a media network but also a transaction medium in the global market (Norazila et al., 2016). The selection of the right marketing medium is crucial and needs to be emphasized in promoting a product. This is because advertising is one of those weapons that can help increase sales or profit (Mubarroh, 2013). Furthermore, advertising has a huge impact on a product so it can leave an impact on consumers. Through e-marketing medium using social media applications, users can not only see how a product is displayed, but the testimonials of users who have used the product are also being shared. This may influence other social media

users to get the same product as marketed. As such, the availability of various applications accessible through the internet, makes the businesses grow more globally and efficiently (Azlizan, 2017). Looking at these developments, entrepreneurs should take advantage of the advantages offered by applications to help increase their business potential to equally compete with other products internationally. This is because with increasingly competitive business competitions, the medium of e-marketing through social media is important for entrepreneurs to introduce their products regardless of whether the business is already known by the public or not (Suriatie & Nor Aishah, 2017).

However, there are factors that influence the use of ICT among entrepreneurs. For example, cultural factors and perceptions and productive processes using ICT tools influence the success of using ICT in business. This success can be seen from different angles based on the culture and perceptions of entrepreneurs. For Moroccan entrepreneurs, for instance, the impact of using ICT in business can be seen in terms of managing skills, financial knowledge and communication skills while for Turkish entrepreneurs, it is to maintain customer relationships, business administration and the management of part-time employees (Nijkamp & Sahin 2009). The use of ICT in business is a form of business planning as well as a strategy that maximizes the potential use of technology to benefit business.

METHODOLOGY

In this study, quantitative approaches are used through surveys by using face-to-face interviews. A set of questionnaires is developed and used as a research instrument for obtaining data. The selection of the study area for face-to-face interviews is based on several criteria such as time factors and seminar events. Some areas identified are in the Klang Valley namely Kuala Lumpur, Putrajaya, Bangi and Shah Alam. In order to get a good population, samples were selected based on typical urban areas with more modern metropolitan and socio-economic features. The selection of the area is also based on the characteristics of the Federal Territory and the Klang Valley which correspond to the location of the ICT users and the location of the areas which are also located near the Multimedia Super Corridor which implements the rapid use of ICT. The sample for this study is comprised of entrepreneurs who do business and meet the criteria set by SME Corps.

ICT Usage

In this study, ICT usage is measured according to three dimensions: (a) purpose; (b) ICT skills; and (c) motivation. The researchers measure the dimension according to the frequency of application usage via closed questions using a Likert scale ranging from (1) “very infrequently” to (5) “very often.” To measure the Internet skills dimension, the researchers use a Likert scale ranging from (1) “very unskilled” to (5) “highly skilled.” Finally, to measure the motivation to use the Internet dimension, the researchers use a Likert scale ranging from (1) “strongly disagree” to (5) “strongly agree.”

Digital Inclusion

In this study, the researchers measure digital inclusion using three dimensions: (a) the internet as a source of information; (b) the internet as a medium of communication; and (c) the internet as a medium for conducting e-transaction activities. All 3 of these dimensions comprise 15 items that the researchers measure using a Likert scale ranging from (1) “very

infrequently” to (5) “very often.” The reliability test yields a Cronbach’s alpha for the variable digital inclusion of .90.

RESULT

Descriptive

The demographic profile of the respondents indicates that the dominant characteristics of the entrepreneurs in the study are: male (288, 57%), aged between 28 to 37 (195, 39%), race of Malay (439, 87.8%), increased business performance based on ICT usage (414, 82.8%), and duration of ICT usage of less than 3 years (276, 55.2%).

Table 1: Demographic Profile

Demographic	Frequency	Percentage (%)
Gender		
Male	288	57.6
Female	212	42.4
Age		
18-27	115	23
28-37	195	39
38-47	111	22.2
48-57	38	7.6
58 above	9	1.9
Race		
Malay	439	87.8
Chinese	38	7.6
Indian	16	3.2
Bumiputera Sabah	7	1.4
Business Performance Based on ICT Usage		
Increase	414	82.8
Decrease	2	4
No Change	82	16.4
Duration of ICT usage		
Less than 3 years	276	55.2
4-5 years	127	25.4
6-7 years	45	9
8-9 years	10	2
More than 9 years	42	8.4

For the analysis on the purpose of using ICT, most of the SME entrepreneurs score from 3 (Once in a while) to 4 (Often) for purposes such as “Get economic related information”, “Get information related to politics”, “Get information on education”, “Get religious related information”, “Get health information”, “Access E-Government applications”, and “Visit the website / blog for entertainment”. Meanwhile, most of them score 4 – Often and 5 – Very often of using ICT for the purpose of to “Get entrepreneurship information”, “Contact friends”, and “Call the family”. Out of the 5 point scale, the highest mean is at 4.04 recorded

for “Contact friends”. Finally, all standard deviations are low (from 0.90 to 1.22) indicating that the data do not deviate much from the normal distribution.

Table 2: Purpose of ICT Usage

Item	Percentage					Mean	Standard Deviation
	1	2	3	4	5		
The purpose of using ICT							
Get economic related information.	5.4	10	30.8	38.8	15	3.48	1.04
Get information related to politics.	11.8	17	28.6	30	12.6	3.15	1.19
Get information on education.	3.6	9.8	31.2	37.8	17.6	3.56	1.01
Get religious related information.	3.8	6.2	25.6	43	21.4	3.72	.99
Get health information.	3.4	7.4	28	43.6	17.6	3.65	.97
Get entrepreneurship information.	2.2	7.2	21	41.6	28	3.86	.98
Access E-Government applications.	11.6	17.6	24.4	32.8	13.6	3.19	1.22
Contact friends.	2	2.2	20.4	41	34.4	4.04	.90
Call the family.	2	4.2	18	41.2	34.6	4.02	.94
Visit the website / blog for entertainment.	6.2	8.2	27.4	35.8	22.4	3.60	1.11
Overall mean score						36.26	7.05

1= Very infrequently, 2= Infrequently, 3= Once in a while, 4= Often, 5= Very often (N=500)

Reliability

Constructs formed is measured in terms of reliability and validity index to assess suitability. Pre-tests are performed on all variables to assess the reliability and validity of research equipment. In general, an instrument of research studies requires reliability test using the Cronbach Alpha procedure. The closer the Alpha value is to 1, the higher level of reliability is indicated. The level of reliability is good and acceptable when the Alpha is more than 0.70. In this study, the index of ICT usage and digital inclusion implications show the validity and reliability for each dimension. Table 3 shows the index of validity and reliability of the measurement instruments.

Table 3: The Index of Validity and Reliability of ICT Usage

Variables	Cronbach's Alpha (α)	No. of Items
ICT Usage		
The purpose of using ICT	.870	10
Skills of computer software usage	.836	6
Skill of Internet applications usage	.772	7
Skills of social media usage	.796	7
Motivation of ICT usage	.756	7
Digital Inclusion		
Social network	.888	5
Business information seeking	.894	5
E-commerce	.902	5
Advertisement / e-marketing	.927	7

Correlation

The correlation analysis shows that the relationship between ICT usage and digital inclusion has a significant positive relationship ($r = .599$, $p < 0.5$). This decision explains that entrepreneurs who use ICT at a high rate report having high digital inclusions.

Table 4: The Relationship between ICT Usage and Digital Inclusion

		ICT Usage	Digital Inclusion
ICT Usage	Pearson Correlation	1	.599**
	Sig. (2-tailed)		.000
	N	500	500
Digital Inclusion	Pearson Correlation	.599**	1
	Sig. (2-tailed)	.000	
	N	500	500

**Correlation is significant at the level 0.01 (2-tailed)

CONCLUSION

This study clearly shows that ICT usage is important in influencing the digital entrepreneurship of entrepreneurs. Hence, an entrepreneur needs to master the skills and have a high motivation in using ICT. The results show that the level of ICT usage practices has a positive relationship with digital inclusiveness. Entrepreneurs benefit from using ICT fully in managing their business, especially in addressing the modernisation of the global and digital economy. The future research proposal is to explore the aspects of innovation and business performance among SME entrepreneurs who engage in online business using the full ICT platform.

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