



**UNIVERSITI PUTRA MALAYSIA**

**IMPACT OF INFORMATION TECHNOLOGY ON SMEs SURVIVAL  
RATE IN THE MALAYSIAN MANUFACTURING INDUSTRY**

**MOHAMMAD ALI JAMALI**

**FEP 2010 2**

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IN THE MALAYSIAN MANUFACTURING INDUSTRY**

**By**

**MOHAMMAD ALI JAMALI**

Thesis submitted to School of Graduate Studies, Universiti Putra Malaysia, in  
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September 2010



## **DEDICATION**

To my dear Wife, Hatra Voghouei, I wish to thank her for the constant support and encouragement that she has so patiently given throughout the course of the research. Moreover, to my dear Artina who get along with situations which difficult for a kid and to my parents, who have endlessly loved and supported me.



Abstract of thesis presented to the Senate of Universiti Putra Malaysia in fulfilment of the requirement for degree of Doctor of Philosophy

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**Faculty: Faculty of Economics and management**

This study focuses on the impact of information technology on the survival rate of small and medium enterprises (SMEs) in the manufacturing sector in Malaysia. It analyses the effects of information technology on survival of SMEs in 2000 and 2005, based on two separate groups of closed firms. The study attempts to present a rational relationship between theories of firm survival and information technology. It sets out to show that while factors such as minimum efficient size, market and firms attributes, transaction cost, uncertainty, opportunism, information asymmetry and atmosphere, profitability and learning have an impact on the survival of SMEs, the effect of information technology is also significant.



The Cox Proportional Hazard Regression Model is used for estimation of coefficients and survival functions. Evidence suggests that factors such as minimum economies of scale, productivity, technology usage, profits, R&D, location and capital-labor ratio affect the survival of SMEs. Of equal importance is the expenditure on information technology, which is said to have an impact on the viability of firms. By employing the model this study presents that information technology expenditure has positive effect on survival of SMEs in Malaysian manufacturing sector in this period. The model further shows that information technology plays a bigger role among the larger SMEs than the smaller ones. Thus, policy maker with regard to main finding of this study should consider some policy for promoting the IT among SMEs, especially larger ones in Malaysian manufacturing sector. Moreover, for increasing survival of SMEs, policy maker should encourage R&D among SMEs and concentrate on some sector, which have high entry rate.



Abstrak tesis yang dikemukakan kepada Senat Universiti Putra Malaysia  
sebagai memenuhi keperluan untuk ijazah Doktor Falsafah

**IMPAK TECHNOLOGY MAKLUMAT KE ATAS TAHAP  
KELANGSUNGAN HIDUP INDUSTRI KECIL DAN SEDERHANA DALAM  
INDUSTRI PERKILANGAN DI MALAYSIA**

Oleh

**MOHAMMAD ALI JAMALI**

**September 2010**

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Kajian ini tertumpu pada kesan teknologi maklumat pada tahap kelangsungan hidup Industri Kecil Sederhana (IKS) dalam sektor perkilangan di Malaysia. Justeru, analisis ini melihat kesan teknologi maklumat terhadap kelangsungan hidup (IKS) dari tahun 2000 hingga 2005 berdasarkan kepada dua kumpulan yang berasingan daripada syarikat yang berdekatan. Oleh itu, kajian ini cuba untuk mewujudkan hubungan yang rasional antara teori kelangsungan hidup syarikat dan teknologi maklumat. Hal ini bertujuan untuk menunjukkan faktor-faktor sementara seperti kadar kecekapan minimum, sifat syarikat, kos transaksi, ketidakpastian, peluang, maklumat asymmetry dan suasana, keuntungan dan pembelajaran yang mempunyai

kesan terhadap kelangsungan hidup IKS. Selain itu, kesan terhadap teknologi maklumat juga diambil kira.

Cox Proportional Hazard Regression Model digunakan untuk penafsiran angkali dan fungsi kelangsungan hidup. Bukti menunjukkan bahawa faktor-faktor seperti skala ekonomi minimum, produktiviti, penggunaan teknologi, keuntungan, R&D, kawasan dan nisbah modal-tenaga kerja mempengaruhi kelangsungan hidup IKS. Hal yang sama pentingnya adalah pengeluaran teknologi maklumat yang dikatakan mempunyai kesan kepada kelangsungan hidup syarikat. Justeru, dengan menggunakan model kajian ini maklumat teknologi pengeluaran sebagai kesan positif terhadap kelangsungan hidup IKS dalam faktor pembuatan Malaysia pada tempoh yang dikaji dapat dikesan. Model ini seterusnya akan memperlihatkan teknologi maklumat memainkan peranan lebih besar di antara IKS yang besar daripada IKS yang mempunyai pasaran yang kecil. Oleh yang demikian, pembuat dasar mengenai penemuan utama kajian ini haruslah mempertimbangkan beberapa dasar untuk mempromosikan teknologi dalam kalangan IKS, terutamanya yang lebih besar dalam sektor perkilangan Malaysia. Selain itu, untuk meningkatkan kelangsungan hidup IKS, pembuat dasar harus menggalakkan R&D dalam kalangan IKS dan menumpukan pada beberapa sektor yang mempunyai kadar pulangan yang tinggi.

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I certify that a Thesis Examination Committee has met on 6 September 2010 to conduct the final examination of Mohammad Ali Jamali on his PhD thesis entitled " Impact of information technology on SMEs survival rate in Malaysian manufacturing industry" in accordance with the Universities and University Colleges Act 1971 and the Constitution of the Universiti Putra Malaysia [P.U.(A) 106] 15 March 1998. The Committee recommends that the student be awarded the degree of Doctor of Philosophy.

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Date: 25 November 2010



## **DECLARATION**

I declare that the thesis is my original work except for quotations and citations, which have been duly acknowledged. I also declare that it has not been previously, and is not concurrently, submitted for any other degree at Universiti Putra Malaysia or at any other institution.

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**MOHAMMAD ALI JAMALI**

Date: 6 September 2010

## TABLE OF CONTENTS

	<b>Page</b>
<b>DEDICATION</b>	ii
<b>ABSTRACT</b>	iii
<b>ABSTRAK</b>	v
<b>ACKNOWLEDGEMENT</b>	vii
<b>APPROVAL</b>	viii
<b>DECLARATION</b>	x
<b>LIST OF TABLE</b>	xiv
<b>LIST OF FIGURES</b>	xv
<b>ABBREVIATIONS</b>	xvii
<b>CHAPTER</b>	
<b>1 INTRODUCTION</b>	<b>1</b>
1.1 Manufacturing sector in Malaysia	2
1.2 Small and Medium size Enterprises (SME's) in Malaysia	8
1.2.1 The Importance of SMEs	9
1.2.2 Definition of SMEs in Malaysia	10
1.2.3 Profile and Performance of SMEs in Malaysia	12
1.2.4 SMEs in Manufacturing Sector in Malaysia	20
1.3 Information Technology and Small and Medium size Enterprises in the Manufacturing Sector	27
1.3.1 What is Information Technology?	27
1.3.2 Importance of IT for SMEs	28
1.3.3 Information Technology and the Manufacturing Sector in Malaysia	30
1.3.4 The Usage of Information Technology by SMEs	34
1.4 Summary	37
1.5 Problem statement	38
1.6 Objectives of study	43
1.7 Organization of study	44
<b>2 LITERATURE REVIEW</b>	<b>45</b>
2.1 Theoretical Framework of Survival of Firms	45
2.1.1 Product life cycle (PLC) theory	47
2.1.2 Transaction Cost Theory	49
2.1.3 Traditional Economic Theory	51
2.2 Information technology theories	54
2.2.1 Information Economics	55
2.2.1 Information technology in neoclassical model	58
2.2.2 General Purpose Technology (GPT) and Information Technology	60
2.2.3 Information technology and resource based view	62



2.3 Survival of Firms and Information Technology Theories Nexus	63
2.4 Summary	67
2.5 Empirical framework of survival rate of firms	67
2.5.1 Firm Level Variables	72
2.5.2 Industry Level Variables	76
2.5.3 Other Levels Variables	78
2.5.4 Models in Empirical Studies	79
2.6 Summary	81
<b>3 METHODOLOGY AND RESEARCH DESIGN</b>	<b>85</b>
3.1 Discrete Choice Models	86
3.1.1 The Logit Model	87
3.2 Survival analysis models:	88
3.2.1 Survival and Hazard function	89
3.2.2 The Life Table Analysis	92
3.2.3 Kaplan–Meier method	93
3.2.4 The Exponential Model	95
3.2.5 The Weibull Model	97
3.2.6 Cox Proportional Hazard Regression Model (CPHRM)	99
3.3 Justification for the Model Chosen	100
3.4 Characteristics of the Cox Proportional Hazard Regression Model	102
3.4.1 Estimation	103
3.4.2 Goodness of fit	116
3.4.3 Hypothesis testing	116
3.4.4 Comparison testing	120
3.4.4 Censoring and Truncation	123
3.5 Variables	124
3.5.1 Firm level	125
3.5.2 Industry level	133
3.5.3 Other levels	138
3.6 Data	140
3.7 Summary	150
<b>4 FINDINGS AND RESULTS</b>	<b>151</b>
4.1 Descriptive Analysis	151
4.2 Results of Regressions	157
4.2.1 Group 2000	158
4.2.2 Group 2005	169
4.2.3 Comparison between Results of Regressions	180
4.3 Estimation of Related Function	183
4.3.1 Estimation of Baseline Functions	183
4.3.2 Estimation of Hazard Functions	187
4.3.3 Estimation of survival function	193
4-4 Summary	199



<b>5</b>	<b>CONCLUSION</b>	201
	5.1 Overall review of study	201
	5.2 Summary of findings	204
	5.3 Contributions of the Study	206
	5.4 Policy implications	207
	5.5 Limitation and recommendation for future research	210
	<b>REFERENCES</b>	211
	<b>APPENDICES</b>	221
	Appendix A: Questionnaire of Census of Manufacturing Sector	221

