

**The Role of Digital Marketing as Business Development Strategy for
SMEs and Start-Ups in Malaysia**

By

Mohamad Hafeez Bin Abdul Rahim

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**Research Project Submitted in Partial Fulfilment of the Requirements
for the Degree of Master of Business Administration
Universiti Tun Abdul Razak**

June 2023

DECLARATION

I hereby declare that this submission of research paper to Universiti Tun Abdul Razak (UniRazak) is entirely based on my original work except for quotations and citations that have been duly acknowledged. This project work is submitted in the partial fulfilment of the requirements for the award of the degree of Master of Business Administration. The results embodied in this thesis have not been submitted to this or any other University or Institute for the award of any degree, diploma or other qualifications.



Signature :

A handwritten signature in black ink, consisting of several overlapping loops and a horizontal line at the end.

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Date : 14 June 2023

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Abstract of the research project paper submitted to the Senate of Universiti Tun Abdul Razak in partial fulfilment of the requirements for the Master of Business Administration.

**THE ROLE OF DIGITAL MARKETING AS BUSINESS DEVELOPMENT
STRATEGY FOR SMEs AND START-UPS IN MALAYSIA**

By

Mohamad Hafeez bin Abdul Rahim

June 2023

The purpose of this research proposal is to study the role of digital marketing adoption as a business development strategy by SMEs and Start-ups in Malaysia. This research also proposes to investigate the influence of digital marketing towards the growth of these SME and start-up businesses in Malaysia. Although there are thousands of new businesses especially SMEs and start-ups are being registered in Malaysia every year, yet there are many businesses failed to survive more than three years according to statistics. One of the main reasons is because these companies did not implement comprehensive digital marketing strategies to develop and expand their businesses. The main objective of this research study is to investigate the growth of SMEs and start-ups in Malaysia with the influence of variables such as adoption of digital marketing, brand recognition, customer engagement and profitability. The discussion on how the conceptual framework is developed and the theories referred to assist this research study are discussed in Chapter 2. Then, for the research methodology section, which is Chapter 3, it discusses on the research design, sampling procedures, data collection method, operationalism and measurement applied for this quantitative research study. The method used for data collection is online survey closed-ended questionnaire where the data will be interpreted by using IBM's SPSS software. The implementation of descriptive and inferential analysis techniques for data analysis purposes for this research study are also discussed in Chapter 3. Next, the correlation and multiple regression analysis performed by using SPSS shows positive and strong relationships among the variables. Thus, it justifies the main purpose of this research study as the hypotheses proposed results in strong relationship and positive outcomes for the growth of SMEs and start-ups in Malaysia through the adoption of digital marketing strategies into the businesses.

Keywords: *Adoption of digital marketing, SMEs and Start-ups in Malaysia, Brand recognition, Customer engagement, Profitability*

CHAPTER 1: INTRODUCTION

1.1 Background of Study

The development and enhancement of technology has transformed the marketing practices significantly. In today's era of technological advancement, digital marketing strategies are highly preferred by the companies compared to traditional marketing method which helps to outreach their market segments that influences the consumers' decision making and behavior. Digital marketing can be defined as 'online marketing' or 'internet marketing'. There are various digital marketing tools have been invented which the movement have become routine and dominant nowadays. Tools such as Search Engine Marketing (SEM), campaign marketing Search Engine Optimization (SEO), content marketing, social media optimization, e-commerce marketing, display advertising and direct email marketing had replaced the way businesses and brands utilize the technology development and digital marketing for their marketing strategies.

Digital marketing helps to establish a strong relationship between the consumer and the business. Huge importance are given to digital marketing by the businesses as it has the capability in generating the sales which may lead to brand loyalty and brand recognition of the businesses. It is a great platform to market the services and goods thus it has become a need in every business irrespective of the size of the business. Consumers' behavior changes according to the trend and time where the people possess sufficient knowledge and understanding of digital platforms irrespective of their educational qualifications. The consumers able to gather information about the services and products as well as share their opinion or feedbacks due to their involvement in various social media platforms. Digital media helps various brands and businesses to create positive image and reputation among the consumers which results in greater progress of the businesses and brands (Chowdhury, Siddique, 2017).

Currently, the main driving force behind the operations of businesses are the new media platforms such as social media, websites, side-panel ads, YouTube videos and few other channels. Digital businesses that use new media methods are highly focused and encouraged for new entrepreneurs or businesses such as Small and Medium-sized Enterprises (SMEs) and start-ups as a catalyst for their business. Malaysia is one of the growing countries in Southeast Asia that provide numerous initiatives to promote and encourage entrepreneurship among Malaysians. Approximately more than 800,000 SMEs and start-ups were registered in Malaysia in the last three years. Social media marketing, E-commerce and Search Engine Optimization (SEO) are part of the digital marketing technologies that widely used by the start-ups and growing businesses to develop and operate their business efficiently at the lowest cost. Promising future in digital marketing has been consistently demonstrated in Malaysia underpinned by a sturdy economic growth and high internet usage rate. The businesses in Southeast Asian countries especially in Malaysia have undoubtedly many opportunities and well supported by the national government to achieve heavy market penetration with digital marketing strategies as there are also growing level of interest in digital ecommerce and other services among the population. Based on the “e-Conomy SEA 2021: Roaring 20s — The SEA Digital Decade” report, digital economy industry in Malaysia forecasted to be at RM88 billion in gross merchandise value (GMV). It was also reported that many businesses have opted for digital marketing platforms and it was expected for the next five years that there would be an increase in usage of digital marketing tools. The growth in digital technology will catalyse digital marketing solutions and expedite economic growth by offering job opportunities for the local communities in the coming years.

Digital marketing helps emerging businesses such as SMEs and start-ups to adapt with the marketing strategies and plans for their desired market segments especially the targeted

consumers as well as ensuring compliance with the changing customer behavior's complexity (Dwivedi et al, 2020). Furthermore, digital marketing also enables companies to acquire potential new customers and effectively retain the existing consumers which results in creating consumer relations and engagement. Digital marketing practices focus on brand recognition, product image and brand loyalty (Krishnaprabha and Tarunika, 2020). As digital channels allow two-way connections, businesses continually aim to establish a digital partnership with consumers and collaborate with them to fuel consumer awareness and engagement as well as value creation (Krishnaprabha and Tarunika, 2020). This shows the influence of digital marketing has on the growth of the business and why it is very important for the businesses in Malaysia especially the SMEs and start-ups to utilize the opportunities and prioritizes digital marketing as part of their business development strategies. Thus, further studies need to be performed to understand the impact of multiple factors on the growth of SMEs and start-ups through the digital marketing strategies.

1.2 Problem Statement

Malaysia digital economy has been growing rapidly over the past decade and this trend has further accelerated due to the COVID-19 pandemic. There were approximate of 800,000 local businesses registered in the past three years. The strong influence on entrepreneurship was mainly driven due to the highly promising business opportunities in Malaysia. Based on recent statistics report from Economic Census of SMEs' Profile (2021), Micro, Small and Medium Enterprises (MSMEs) constitutes almost 22 percent of Malaysia's overall business establishment, hire about 48 percent of the total workforce and serve 37.4 percent or more than RM500 billion to Malaysia's GDP.

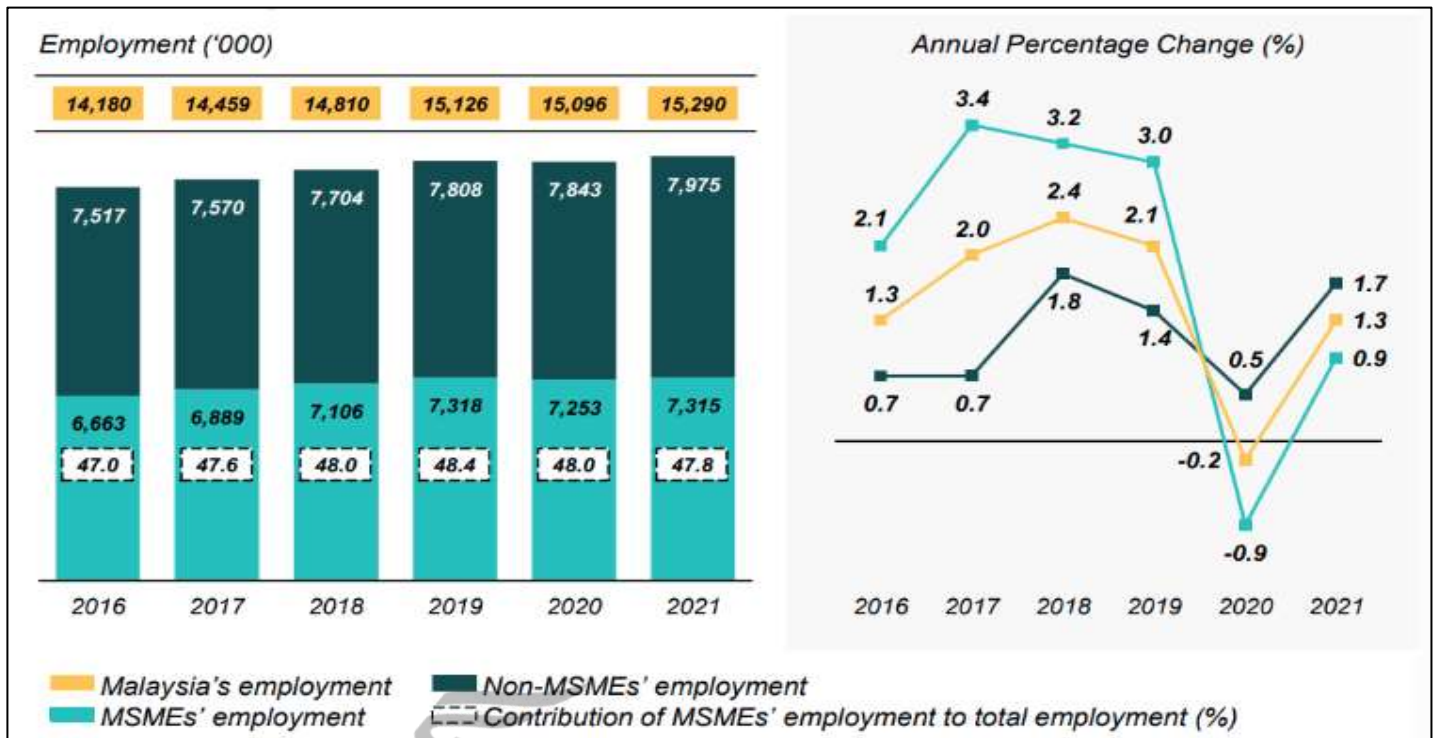


Figure 1.1: Employment and Annual Percentage Change for 2016-2021

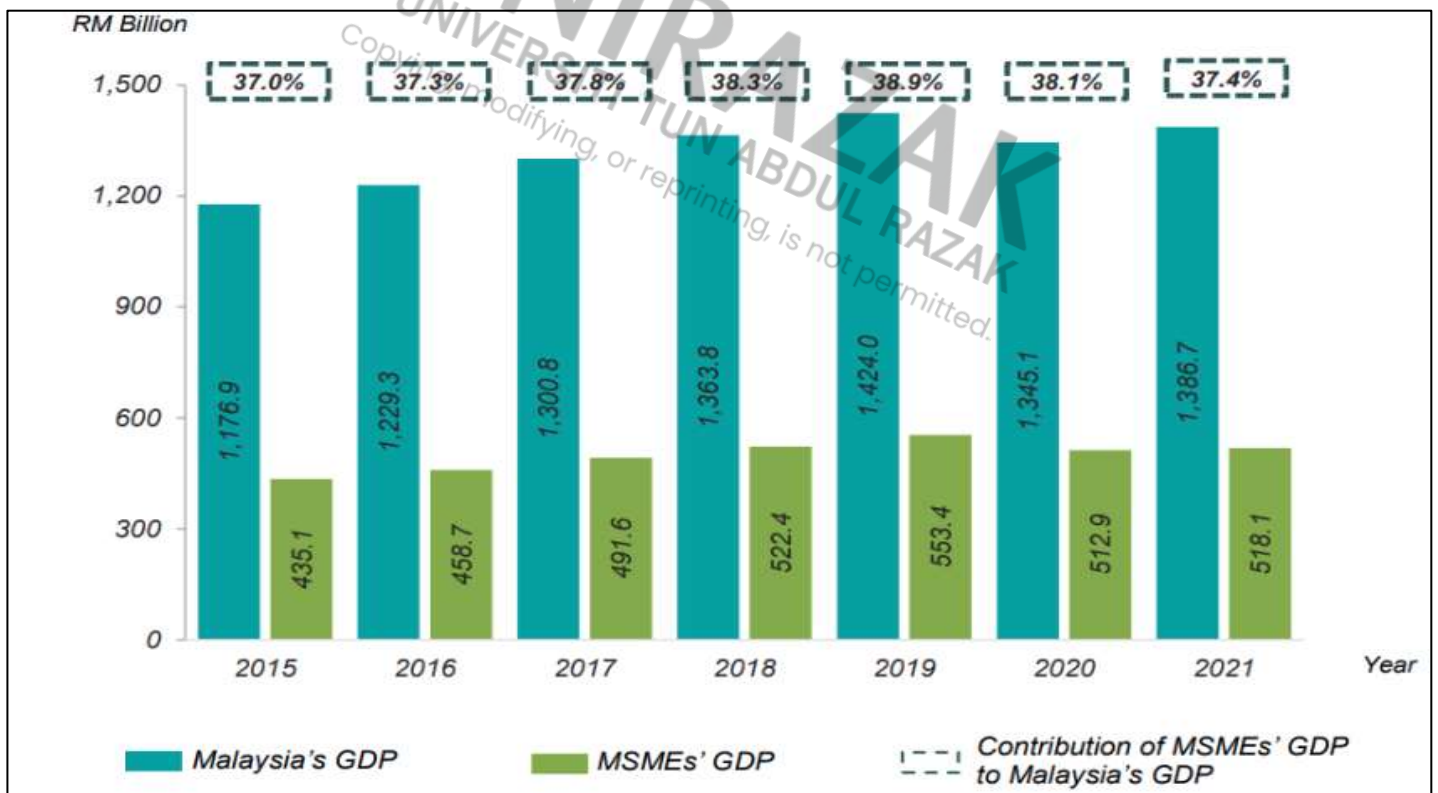


Figure 1.2: Contribution of MSMEs' GDP to Malaysia's GDP for 2015-2021

This shows that SMEs and start-ups are part of critical component of Malaysian economy and absolutely main driver of economic growth and employment as they provide job opportunities to local workforce and contribute to country's GDP as well. Unfortunately, statistics also shows that almost 80% of SMEs and start-ups do not survive in the first three years. In this competitive and challenging era, without an adequate marketing strategy, it is impossible for the new players to compete with the existing, well established and profitable firms in the industry. One of the main factors why SMEs and start-ups could not survive for longer term is due to lack of awareness and efforts in implementation of comprehensive digital marketing strategy (Montgomery, 2018).

It is believed that appropriate implementation and adoption of digital marketing strategies is important for the growth and sustainability of the SMEs and start-up companies. These companies will be able to develop strong interaction with their target customers at a relatively low cost by updating their target customers on the business activities and events frequently through the social media channels. SMEs and start-ups also could enhance their brand image through digital marketing by establishing strong bonds and connections with members of online communities (Hajli et al., 2017). By connecting the brands to target audience through variety of channels, it could establish a meaningful and loyal long-term relationship between the companies and their customers. Besides, implementation and adoption of comprehensive digital marketing could also affect the profitability of SMEs and start-ups through their efficiency and performance. Based on previous researches, these factors such as adoption of digital marketing, brand recognition, customer engagement and profitability were identified as the key driving forces that influence the growth and success of SMEs and start-up companies.

This research study seeks to close the knowledge gap and investigate the relationship between digital marketing and SME and start-up companies specifically in Malaysia which was not researched thoroughly before. Most of the previous researches that related to digital marketing and small businesses were done outside Malaysia and very few research studies done within Malaysia for this topic. The research studies done within Malaysia for digital marketing and SMEs do not specifically discussed and investigated further on the critical factors affecting the growth of SMEs and start-ups in Malaysia. Thus, the goal of this research is to study the relations between the critical factors (adoption of digital marketing, brand recognition, customer engagement and profitability) and growth of SMEs and start-ups in Malaysia. This result will assist as the foundation for the future study on the subject.

1.3 Research Objectives

The objectives of this research can be categorized into two categories which are general objective and specific research objectives. The general research objective is as below:

- to examine the relationship between adoption of digital marketing to growth of SMEs and start-ups in Malaysia

The specific research objectives are identified based on the independent variable and mediating variables tested as follows:

- to study the relationship between adoption of digital marketing to brand recognition, customer engagement and profitability of the SMEs and start-ups in Malaysia
- to investigate the relationship between brand recognition to growth of SMEs and start-ups in Malaysia
- to explore the relationship between customer engagement to growth of SMEs and start-ups in Malaysia
- to analyse the relationship between profitability to growth of SMEs and start-ups in Malaysia

1.4 Research Questions

Based on above mentioned research objectives, the significance of the critical factors that affecting the growth of SMEs and start-ups in Malaysia can be further clarified and verified by answering the proposed research questions. Thus, the research question of the study to investigate and answer the general and specific research objectives are as follow:

- How does adoption of digital marketing influence the growth of SMEs and start-ups in Malaysia in relation to brand recognition, customer engagement and profitability?
- What is the relationship of brand recognition to the growth of SMEs and start-ups in Malaysia?
- What is the relationship of customer engagement to the growth of SMEs and start-ups in Malaysia?
- What is the relationship of profitability to the growth of SMEs and start-ups in Malaysia?

This research questions cover the three important factor brand recognition, customer engagement and profitability which act as the mediating variables that are vital for the growth of SMEs and start-ups in Malaysia. It also examines the influence of adoption of digital marketing on the three important factor brand recognition, customer engagement and profitability as well as the growth of SMEs and start-ups in Malaysia.

1.5 Significance of the Study

SMEs and start-ups are recognized as one of the main contributors to country's economic growth, development and employment growth. Although, SMEs and start-ups are contributing to country's income, there are still some barriers and limitations for the newcomers in industry to adopt a new technology especially in implementing comprehensive digital marketing strategies for their own sustainability and growth. Implementing robust digital marketing strategies could help the SMEs and start-ups in Malaysia not only to create many opportunities but also can evolve the image and nature of its business which may results in elevating the businesses' reputation and growth. Thus, it is important to understand and analyze the factors that contribute the adoption of digital marketing among SMEs and start-ups and its relation to the growth of the companies as well as the significance of digital marketing adoption towards SME and start-up businesses.

Furthermore, this study will be beneficial for existing and future entrepreneurs that involved in running SMEs and start-ups regardless of the location either within Malaysia or outside Malaysia. The entrepreneurs can understand the relationships between the critical factors that affecting the growth of the SMEs and start-ups. Numerous studies have been carried out over the past few decades by the academicians, business consultants and policy makers to investigate the business problems encountered by SMEs and start-ups. Lack of implementation and utilization of comprehensive digital marketing strategies into the business development plan seems to be one of the main factors why the businesses fail to grow and survive in the industry. The entrepreneurs of SMEs and start-ups should incorporate the digital marketing strategies into their business development plan as it will significantly influence the factors such as brand recognition, customer engagement and profitability which at the end will results in positive growth of the SMEs and start-ups. Therefore, this study will give an opportunity for

the entrepreneurs to understand and analyze the importance of critical factors of digital marketing adoption towards the growth and success of their businesses.

Moreover, the study also will be beneficial and important for the future researchers. According to statistics, there will be more SMEs and start-ups to be registered and established all over the world in the future. The competitive market will force the young entrepreneurs to implement and utilize digital marketing strategies as part of their business development for their businesses in future. Innovation and advancement in technology sectors will be the major reason for the businesses to adapt digital marketing and create more opportunities to strengthen their brands and enhance customer base as well as increase the companies' sales and profitability as the purchasing behavior of consumers can be forecasted more accurately with the aid of technology advancement. Thus, the future researcher can use this research study as their reference to understand the relationships between the identified critical factors of digital marketing towards the growth of SMEs and start-ups in future. They can also conduct studies to investigate what other factors of digital marketing can significantly impact on the growth and sustainability of the SMEs and start-ups within Malaysia and outside Malaysia.

1.6 The Organisation of the Study

This research study consists of five chapters. Below is a brief description of each chapter.

Chapter 1 discusses the background of the study of digital marketing factors influencing the growth of SMEs and start-ups, problem statement, research objectives, research questions and the significance of the study.

Next will be Chapter 2 which consists of literature review and related theories from prior research that discussed about the findings of digital marketing factors influencing the growth of SMEs and start-ups. The conceptualisation of growth of SMEs and start-ups are identified. Besides, the concept of related variables such as adoption of digital marketing, brand

recognition, customer engagement and profitability are further analyzed based on previous research findings. The conceptual model is constructed based on the literature review and the relationships between adoption of digital marketing, brand recognition, customer engagement and profitability to growth of SMEs and start-ups in Malaysia are hypothesised.

Then, Chapter 3 represents the research design study which includes study population and sampling procedure, data collection method, operationalisation and measurement that includes independent, mediating and dependent variables and lastly data analysis techniques. Further discussion is done in this section on why quantitative method is selected for the research methodology and what are the study's components as well as what are the statistical techniques chosen to test the hypotheses.

Chapter 4 analyses the online survey data collected from the respondents and encapsulates the study's findings. This chapter discussed the descriptive statistics and inferential statistics analysis based on the data collected to ensure the goodness of data. Pearson correlation, multiple regression analysis and hypothesis testing are the methods used to analyse the results which were generated by the IBM's SPSS software. This chapter also explains and summarises the acceptance or rejection of the hypotheses.

Finally, Chapter 5 mainly discusses on the major findings and their implications for the conceptual model and hypothesis testing. Besides, this chapter details the study's primary academic and theoretical contributions, followed by implications for management practises. Additionally, the study's limitations are acknowledged, and future research directions are recommended.

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

This chapter discusses the literatures drawn from the previous research studies. The references used in this literature analysis are obtained from multiple sources such as journals, articles, statistic reports and books which related to the subject of this research study. This chapter will provide the theoretical framework for the study that begins with theoretical overview of factors affecting adoption of digital marketing into SMEs and start-ups in Malaysia. Moreover, an analysis of definitions, measures and relationships between the identified factors in this study are conducted, leading to the development of the study's conceptual framework. The chapter will then conclude with the identification of independent, mediating and dependent variables and lastly the development of hypotheses.

2.1.1 SMEs and Start-ups in Malaysia

Small and Medium-sized Enterprises (SMEs) are defined as non-subsidary and independent businesses that sustain assets, revenues or a number of workforces below a certain threshold. They can vary by country and industry where each country has its own definition of what constitutes a SME. In Malaysia, according to SME Corp. Malaysia's policies and guidelines, number of full-time workers and sales turnover are the two main aspects considered in defining the SMEs. As for manufacturing sector, SMEs are referred as companies with number of full-time workers not more than 200 or sales turnover not higher than RM50 million. And for the services and other sectors, SMEs are defined as companies with number of full-time workers not more than 75 or sales turnover not higher than RM20 million. SMEs are the backbone of Malaysian economy, looking at the total business establishment and its contribution to country's GDP as well as its capability in providing employment for millions of Malaysian people.

The term start-up can be defined as companies or ventures that are founded by one or more entrepreneurs that highly focused on developing a product or service which is assumed to have demand in market. These companies usually start with high cost and limited revenue that was funded financially by their founders and most likely may attempt to attract outside investment such as venture capitalists for their business expansion (Investopedia, 2020). Start-ups can develop their business plans and invest in research and development (R&D) by using seed capital. Comprehensive business plan helps start-ups to outline the company's business direction such as goals, vision, mission and management and marketing strategies while market research helps to determine the demand for their product or service in the market. According to statistics, there are around 3,000 start-ups in Malaysia as of 2022. However, the number can be significantly higher. Malaysia is one the first countries within ASEAN to invest in Digital Economy with establishment of various government agencies, industry blueprints, seeding policies and development acceleration programs. Malaysian start-ups have contributed to the highest investment to return ratio in the ASEAN region, which is more than double that of Singapore, and nearly ten times more than its neighbour, Indonesia. Start-ups in Malaysia are projected to build strong foundation and explore ways to develop businesses with effective business models with a focus on profitability which can motivate the Malaysian entrepreneurs to benchmark themselves on a global stage in the future.

2.1.2 Digital Marketing Strategies for SMEs and Start-ups

In today's business landscape, it is crucial for organizations to apply strong digital marketing strategies for their growth and sustainability in the industry. It is also very important for the companies to allocate significant resources to the development of digital marketing strategies in order to thrive successfully in the digital world. As an outcome of the process, the companies can reach customers across various social and digital platforms, engage with their customers, improved conversion rates, boost brand value and achieve positive revenue gains. Thanks to digital marketing, SMEs and start-ups can now compete with more established and renowned brands. These businesses should prioritize their focus on creation of unique products or services and can leverage the power of digital marketing to engage with customers and establish their brand identity as well as generate sales by using various digital marketing tools and channels. This could further boost the growth of the SMEs and start-ups in the industry and strengthen the companies' financial performance and business sustainability.

2.2 Theoretical Foundation

There are two key groups of variables identified that influencing the growth of SMEs and Start-ups which are technological and environmental factors. These factors are playing the major roles in contributing to the adoption of digital marketing of SMEs and start-ups in Malaysia. Technological factors include communication and information resources, logistics, marketing, production techniques and e-commerce technologies. These affect the way how an organization operates, interacts with, gathers intelligence and information on customers, suppliers and competitors before selling their products or popularize their brand in the market. The evolution of technological advances has created many opportunities for businesses especially SMEs and start-ups to grow their brand or company to a different level.

On the other hand, another important factor that influence the adoption of digital marketing towards the SME and start-up businesses is the environmental factor. Kotler and Keller (2009) define the marketing environment as all the initiatives and actors that affect the business decisions and final results. The marketing environment composed of internal and external elements associated with marketing activities. While an organization or business has total control over the internal factors, the external factors such as technological and socioeconomic changes, competitive and political forces fall outside organizational control. Thus, knowledge of marketing environment strongly affects the marketing strategy's efficiency and effectiveness. In today's society, market environment and relationships have become progressively dynamic. Therefore, the firms must operate and adapt within an ever-changing marketing environment. They will be exposed with opportunities and threats, so it is crucial for the firms to undertake a continuous and thorough environment analysis and improve their marketing mix accordingly to exhibit the mainstream trends within the marketing environment.

These two factors, technological and environmental have strong relationship among each other and significantly influence the adoption of digital marketing by SME and start-up businesses. The current technological revolution can greatly benefit the firms to implement comprehensive digital marketing strategies to commercialize their products and services. As a result of this revolution, the businesses can contribute to country's economy and create social benefits such as offering more job opportunities to local people. This shows digitalization can positively affect the performance, competitiveness and growth of these firms. Therefore, one of the main objectives of this study is to explore further on association of digital marketing adoption by SMEs and Start-ups in Malaysia with growth of the businesses.

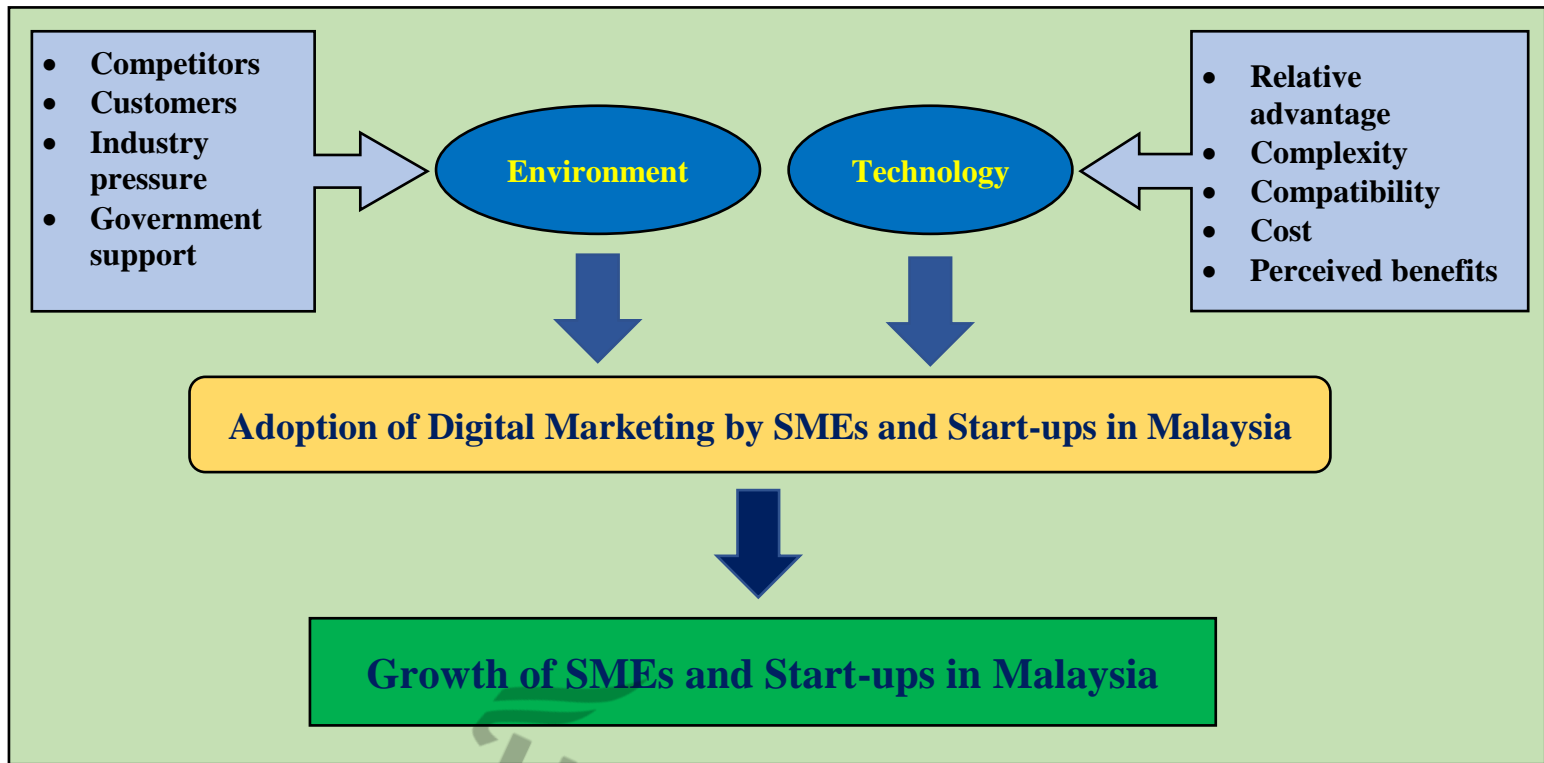


Figure 2.1: Theoretical concept of group factors influencing adoption of digital marketing by SMEs and Start-ups in Malaysia

2.2.1 Technological Context

Previous research in the topic of technology acceptance was evaluated, and it was discovered that a variety of factors impact a company's technology adoption. The majority of these research focused on major technology adoption theories, such as the Technological-Organizational Environmental (TOE) model. Key ideas in technology adoption include the TOE model (Tornatzky & Fleischer, 1990), the Diffusion of Innovation (DOI) (Rogers, 1995), and the Technology Acceptance Model (TAM) (Davis, 1989). According to Chong et al., one of the most often investigated parts was Rogers' (1995) DOI model, which was used to investigate the influence of technical variables on business technology adoption (2009). The DOI is comprised of five new features: relative advantage, complexity, compatibility, observability, and trialability.

The word "relative advantage" refers to "the extent to which an invention is judged to be superior than the concept it replaces" (Rogers, 1995). The predicted benefits of e-marketing for businesses are referred to as relative advantage. Examples of comparable benefits include increased productivity, reduced time, higher profits, higher earnings, improved operational effectiveness, increased competitiveness, new market penetration, and improved communication among customers and business partners.

Furthermore, according to the Rogers (1995), compatibility is stated as "the degree to which an innovation is perceived to be compatible with prospects' existing values, past experiences and requirements". An invention that is consistent with the company's current IT infrastructures, procedures, and objectives is more likely to be adopted in terms of technological adoption (Oliveira & Martins, 2011). Thus, interoperability is the most important factor in pushing technology adoption by businesses. Technology adoption and implementation will occur if it is compatible with business operations and adequate infrastructure, as well as if it meets the firm's aims and consumer expectations (Qashou & Saleh, 2018; Mndzebele, 2013; Dlodlo & Dhurup, 2013).

The intricacy of technology will come next. Technological improvements that are easy to grasp and apply are more readily incorporated into enterprises than those that take more resources to learn (Teixeira et al., 2018). The incorporation of digital marketing methods into firms through technology innovation might alter consumer behaviour and expectations. The complications and bottlenecks in technology implementation may be avoided if the project is managed by well-trained workers or subject matter experts with extensive understanding of information technology (IT) and digital marketing. Then there's the perceived advantages of technology adoption, which is the amount of money a firm may save by using a new technology.

Enhancements or advantages stemming from the use of technology, such as performance monitoring, new customer recruitment, connection development, and business brand, are recorded (Teixeira et al., 2018). Cost efficiency is another crucial factor to consider when incorporating new technologies into corporate growth strategy. Proper cost-effective techniques can help to legitimise and attract customers to a company's products and services. Marketing methods may make a major impact in a company's marketability and profitability by utilising numerous digital marketing technologies. These components are playing a significant role in persuading SMEs and start-up entrepreneurs to include technological advancements into digital marketing strategies for their organisations. As a result, we can entirely agree with prior research findings that the technology component has a beneficial influence on SMEs and start-ups' adoption of digital marketing.

2.2.2 Environmental Context

Environmental factors are referred as the external elements that influence the adoption of technology by SMEs and start-ups (Rahayu & Day, 2015). Government backing and external pressure factors are the most important elements in technology adoption by the businesses. (Hameed, Counsell & Swift, 2012). According to previous study, the environmental aspects have the biggest impact on the adoption of innovation in firmddcvvs (Huy et al., 2012; Ghobakhloo et al., 2011). Most of the previous studies of technology adoption had identified three major external sources of pressure that related to environmental which are competition, consumer pressure and supplier pressure (Ifinedo, 2011; Ibrahim & Iddris, 2015). Competitive pressure has shown to be more effective and useful in terms of firm's utilization of technology (Ramdani et al., 2009; Huy et al., 2012). Consumers who wish to communicate or interact with firms through computer networks put them under additional pressure (Ifinedo, 2011).

Moreover, government support is very important in convincing decision makers to adopt and implement technology in their organizations. Government support can be referred as rules, laws, incentives and programmes that stimulate the employment and utilization of new technology (Huy et al., 2012). However, lack of ICT infrastructure particularly in developing countries can be one of the greatest challenges for SMEs and start-ups to adopt technological advances in their businesses. Thus, government supported education and training programmes can help to encourage the entrepreneurs to accept and implement technology related strategies as part of their business development plan which can results in significant impact on technology adoption and growth of their companies. For instance, in Malaysia, the government has launched various financial aids and grants to help local entrepreneurs and businesses especially the SMEs and start-ups. One of the initiatives introduced by the Malaysian government is the SME Digitalisation Initiative which is a new grant initiative to assist SMEs to adopt digitalisation in their business operations. With the great support from the government for the development of SMEs and start-ups, this could help to scale up the local companies into the global arena by way of empowering development, innovation and commercialisation of innovative or disruptive products and services as well as contributing to country's income. Thus, we can agree based on previous research studies that environmental factor has a positive influence of the adoption of digital marketing by SMEs and start-ups.

2.3 Empirical Research

This empirical research will be discussed based on the five main variables as follows:

- Adoption of digital marketing
- Brand recognition
- Customer engagement
- Profitability
- Growth of SMEs and Start-ups in Malaysia

2.3.1 Adoption of Digital Marketing

Digital marketing is a marketing component that promotes products and services by utilising internet and online-based digital technologies such as mobile phones, desktop computers, and other digital platforms and media. The digital marketing revolution of the 2000s altered the way brands and organisations used technology for marketing goals. Digital marketing campaigns have grown more common as digital platforms have been more integrated into marketing tactics and everyday life, and as customers increasingly utilise digital gadgets instead of visiting physical stores.

Since the 1990s, Malaysia's previous Prime Minister, Tun Dr. Mahathir bin Mohamad, has predicted the importance of digitalization. The construction of the Multimedia Super Corridor Malaysia (MSC Malaysia) in the late 1990s was focused on catalysing the growth of Malaysia's information and communication technology (ICT) industry to aspire the country to achieve fully developed status by the year 2020. (Injau, 2011). As we enter the twenty-first century, the world is shifting towards digitalization, and every government and institution wants to digitalize its activities. Indeed, the MSC has made major contributions to the country's economy and aided the ICT industry during the last decade. The Malaysian government, on the other hand, has launched a government blueprint known as the Shared Prosperity Vision 2030,

which aims to achieve sustainable growth while also achieving equitable and fair distribution across income groups, ethnicities, regions, and supply chains, and eventually achieve the status of developed country. Malaysia was placed 24th in the World Digital Competitiveness Ranking in 2018 for the country's development of information technology infrastructure and Malaysian citizens' preparedness to use information technologies (Murugiah, 2018). Businesses currently use numerous digital platforms to perform marketing operations such as brand recognition, consumer interaction, and sales to boost their profitability.

Most SMEs and start-ups in Malaysia were still at the earliest stages of digitalization prior to the COVID-19 pandemic. The use of basic ICT by the local businesses has increased gradually over time, reaching a relatively high level even prior to the pandemic, even though a large share of SMEs and start-ups in certain sectors such as food and beverages and regions such as in Sabah and Sarawak still do not utilize the internet. Social media, online banking and emails are the most common reason for businesses to go online, but still relatively few companies deliver goods or provide customer service online. Many SMEs and start-ups in Malaysia have been stuck in a situation called a “computerization trap”, meaning that, while they are enthusiastic about ICT and already use it for limited front-end business functions such as customer facing, however they are yet to use more advanced technologies to digitalize the back-end processes and leverage data in their business operations. Besides, prior to the pandemic, e-commerce was already known as a growing source of income for many businesses in Malaysia with large sectoral and regional variations. And yet, even among firms engaging in e-commerce, statistics shows that most payments were still transacted through a separate banking transaction or in cash rather than through an integrated payment gateway to enable a seamless online transaction.

The pandemic has resulted in a significant rise in the pace of business digitalization in Malaysia. According to the World Bank's Business Pulse Survey (BPS), like in many other countries around the world, the most common coping strategy for businesses in Malaysia involved a shift towards digital platforms. Controlling for size, sector and region, companies that report having invested in new digital solutions to endure with the crisis have witnessed a 12% point lower decline in sales compared to those that have not done so, even if this does imply the direction of causality. The tendency to transform to digital technologies held true regardless of business size, although SMEs and start-ups started from a lower level of digital adoption, basically have used less complex digital solutions than large sized firms and have been less capable of leveraging their digital investments to achieve higher sales and profitability. In the case of small businesses, the increased use of digital modalities has mostly been executed to manage customer-facing functions such as sales, marketing and delivery by relying on major social media platforms like Facebook, Instagram, TikTok and few others. On top of that, BPS data also suggests that new users (the extensive margin) accounted for a much smaller share of the increase in digital adoption 18 months into the pandemic than did intensified use by existing users (the intensive margin).

To leverage digital marketing technologies and maximise efforts, it is also essential to build a digital marketing strategy because knowledge of digital marketing tools alone is insufficient to expand and sustain in the market. A complete digital marketing plan, which is derived from research that is a component of the strategy, enables marketers in SMEs and start-ups to clearly comprehend the position of their product or service in the market (Kannan & Li, 2017). According to Chaffey's & Smith's (2013) research, unfortunately only over a half (54%) of enterprises have a comprehensive digital marketing strategy implemented in their businesses which arguably indicates the unfulfilled opportunity or potential to maximize their brand

recognition, engagement with customers and sales. However, with a thorough digital marketing strategy implementation, even though it requires more efforts, it can help to achieve goals and to concentrate on the objectives of the companies. By taking full advantage of the digital marketing tools, it can also enhance the business performance and its growth in the market. Eventually, the consequences of digital marketing adoption by SMEs and start-ups can positively influence the brand recognition, customer engagement and profitability which at the end will give significant impact on the growth of the businesses.

2.3.2 Brand Recognition

Brand recognition is the degree to which consumers recognise a product or service by its name via the use of several marketing channels or platforms. It distinguishes a brand's product from the competitors. Digital marketing technology has proven a game-changer for numerous companies over time. As more than half of the world's population uses the Internet, it continues to dominate several marketing mediums. Brands are more than just logos and labels. They represent the consumer's feelings and expectations towards the product and its results, allowing the brand to truly exist in the customers' minds (Kotler et al., 2013). Consequently, good and lucrative brands with great quality have strong market trust, allowing customers to have a substantial comparative influence on the brand. Brand awareness is correlated with the strength of a product link or memory trace, which is reflected in the ability of customers to recall or identify a brand in a variety of situations, and the most important goal of marketing is to increase brand awareness among consumers (Bija and Balas, 2014).

Digital marketing, made possible by digital technology, builds brand exposure and customer interactions through new consumer experiences (Li and Kannan, 2017). A strong online brand may be created via the effective combination of networking and marketing placement (Teixeira et al., 2018). Since it enables contact with clients at any time and location, digital media

marketing is recognised for having a revolutionary effect on businesses like SMEs and start-ups as well as for having a big impact on brand-consumer connections (Makrides, A. et al., 2020). Digital marketing platforms, such as Search Engine Optimization (SEO), social media marketing, and influencer marketing, allow businesses to increase brand value through contact, networking, and community building (Karamian et al., 2015). By using digital marketing tactics, a campaign to boost the brand of SME and start-up enterprises is made possible (Insight Success, 2020). Digital marketing enables brands to have a significant impact on customers. According to Verma and Bhati (2018), efforts to establish brands must be in line with the development of technology and a framework must be developed to design and implement the strategy for boosting the digital brand image of enterprises. Digital marketing may be used by SMBs and startups to create relationships with existing customers, share their own awareness, impact their personal perception of the business, and engage with future customers (Tarunika and Krishnaprabha, 2020). Building a brand and promoting its awareness must be done continuously in order to foster client trust and loyalty for the long-term success of a firm.

2.3.3 Customer Engagement

Researchers and businesses alike have long acknowledged the importance of maintaining a loyal client base and providing excellent service. Successful businesses place a premium on maximising their customers' interest and happiness (Grewal et al., 2017). To actively involve customers in a firm's products or services, either the company or the customer must put forth considerable effort and care (Vivek et al., 2012). Consumer engagement and interaction covers a wide range of topics, such as face-to-face interactions between businesses and their customers, customer service, and the dissemination of information on digital marketing strategies (Lingjie and Raeisi, 2017). When it comes to delivering anything from product details to after-sale support, digital marketing is a game-changer. Consumer preferences and behaviour may be analysed with the help of digital marketing thanks to the integration of a

wide variety of knowledge, customer involvement, and organised resources. This allows us to identify new patterns, investigate novel opportunities, and make accurate forecasts (Insight Success, 2020).

In addition, digital marketing brings in customers and inspires them to engage with the company online (Yasmin et al, 2015). Due to the broad interest in the products and services offered by small and medium-sized enterprises (SMEs) and start-ups, customers can evaluate a company's services based on their level of familiarity. Successful digital marketing campaigns help businesses expand by raising brand recognition, which in turn draws in new consumers and keeps loyal ones coming back (Chaffey, 2020). New digital platforms are entering the market to help firms, especially SMEs and start-ups, build relationships with their consumers, keep them updated on their progress, and incorporate their input into future iterations of their offerings. Customer satisfaction surveys and testimonials will increase your conversion rate and bring in new customers. By facilitating a two-way flow of information between businesses and their target audiences, digital marketing platforms open the door to an interactive channel of contact. This has the potential to further strengthen the connection between the brand and its audience. Therefore, building a strong online presence through integrated digital marketing techniques may significantly increase revenue by attracting and retaining customers and swaying their purchasing decisions (Schivinski & Dabrowski, 2016).

2.3.4 Profitability

Previously, entrepreneurs or business community rely entirely on the traditional media which were the main communication channels to promote and advertise their products or services. However today, a new revolution has emerged, namely marketing through digital media or platforms among the entrepreneurs and businesses. The occurrence of cyber entrepreneurship has sparked a phenomenon when it comes to the rise of the well-established brands across the

variety of cyber trends including mobile applications, websites, social media, marketplaces and many more (Nordin, Rozmi, & Bakar, 2018). This is due to the rapidly expanding information technology infrastructure in Malaysia. Based on image transformation, network capabilities, and individual market extensibilities, SMEs and start-ups can boost sales and profitability while also expanding market share by adopting digital marketing strategies. Despite this plausible significance, however, there is still a lack of empirical knowledge regarding how using digital marketing affects the performance of SME and start-up businesses.

The primary goal of most firms is to maximise profit while reducing operating expenses (Lempert, 2006). Digital marketing is viewed as a quick, efficient and trustworthy method of advertising and promoting the business' brand, product or service. Thus, it is why most businesses in current technological era have adopted this marketing strategy compared to the traditional methods. According to Rishika et al. (2013), profit generated by small businesses is an outcome of digital marketing platforms given that customers purchase more goods via online shopping. Advertising, online selling, and online transaction attract new customers as well as retain the existing one as they are satisfied with the services offered by the companies. Previous research has shown that customers who make online purchases via social media platforms contribute to the profitability of firms more than those who do not (Kumar, 2013). There are few major ways of generating profit by using social media platforms such as uploading regular updates of products or services, preservation of a user-friendly relationship, relating information and messages to customers to encourage interaction (Rishika, 2013). The improved bonding between companies and customers with an ultimate impact on firm's profitability is strongly related to the social capital theory. According to Porter and Donthu (2008) and Chang and Chuang (2011), the social capital theory is generally convenient in areas of connection and knowledge sharing to explore the socio-psychological and volitional behaviour of social media

users. Therefore, in this regard, we can take this intuition to assume that utilization of digital marketing strategies especially via social media platforms can have strong implications on the SME and start-up businesses' profitability.

2.3.5 Growth of SMEs and Start-ups in Malaysia

There are excellent opportunities for expansion for SMEs and new businesses that use digital marketing tactics (Insight Success, 2020). These companies can gain a powerful depiction and self-promotion through digital media channels. In addition, small and medium-sized enterprises (SMEs) and start-up companies (start-ups) must prioritise digital advertising since it is widely regarded as an effective business approach (Chaffey, 2020). The products and services may be shown in the most effective way possible, reaching the largest possible audience (Insight Success, 2020). Small and medium-sized enterprises (SMEs) and new businesses (start-ups) rely on digital marketing because it allows them to cut costs without reducing their reach (Chaffey, 2020). Small and medium-sized enterprises (SMEs), new businesses, and established businesses all stand to benefit from a deeper understanding of, and a more thorough use of, the most effective digital marketing methods and approaches (Insight Success, 2020). The subscriber growth rate is crucial to the success of the business. The conversion rate is a key indicator of marketing success. Strong conversion rates are often attributable, in part, to digital marketing. That's why a lot of business owners today use online marketing channels for their businesses (Jain, 2014; Kinyua and Jagongo, 2016).

Employing digital marketing strategies may increase brand awareness, boost sales, and contribute to the growth of a company by reaching a wider demographic of customers (Jain, 2014; Kinyua and Jagongo, 2016). Small and medium-sized enterprises (SMEs) and start-ups rely on new customer acquisitions, brand recognition, brand development, enhanced customer experience and engagement, sales generating techniques, and cost-effective worldwide

exposure made possible by a strong digital marketing programme. (2020 Insight Success) Well-implemented digital marketing techniques benefit businesses and customers alike, influencing organisations' ability to develop sustainably and fostering healthy competition with more established and lucrative businesses.

2.4 Proposed Conceptual Framework

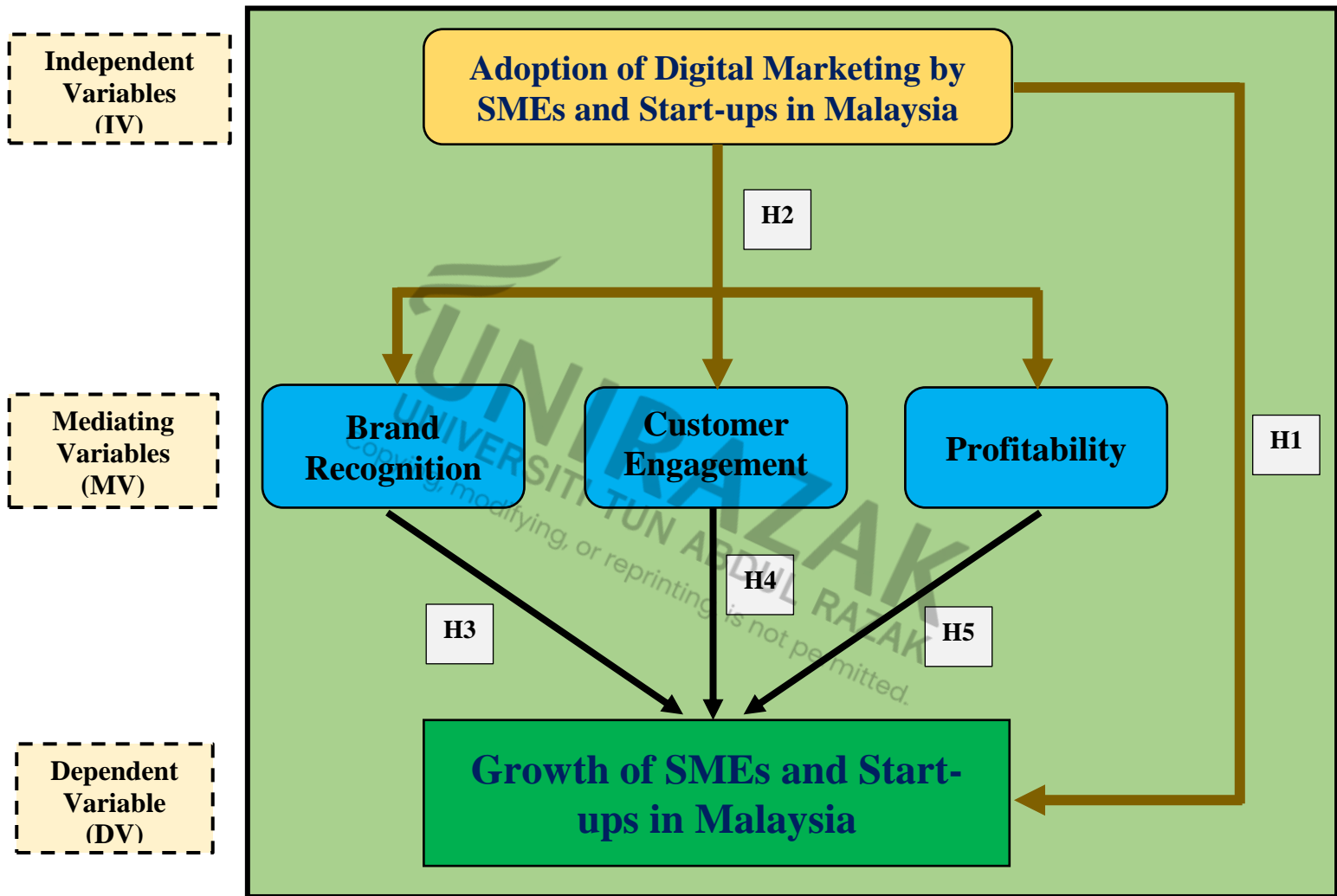


Figure 2.2: Conceptual model of factors influencing growth of SMEs and Start-ups in Malaysia

2.5 Hypothesis Development

There are five hypotheses formulated based on the above discussed conceptual model on factors influencing growth of SMEs and Start-ups in Malaysia

According to Pasanen (2007), SMEs and start-ups expansion occurs in a variety of methods and the observations can be classified into two categories which are organic and inorganic (acquisition-driven) growth. The categorization of observed growth patterns contributes to dynamic view of growth potential which is an important foundation for understanding the businesses' growth paths. SMEs and start-ups can reap significant benefits if they approach digital transformation with a positive mindset. A successful digital transformation and implementation into SMEs and start-ups business operation can lead to long-term growth and value creation. Clearly, the adoption of digital marketing technology opens new avenues for Malaysian entrepreneurs and businesses to capitalize on value. Thus, based on the previous research, hypothesis 1 is formulated as below.

Hypothesis 1 (H1):

Adoption of digital marketing positively influencing the growth of SMEs and Start-ups in Malaysia

SMEs and start-ups frequently encounter obstacles and hurdles despite the continuing advancement and deployment of digital technologies, which presents a significant incentive (Mazzarol, 2015). Since SMEs and start-ups have certain potentials that demonstrate their commitment to capitalising on developing digital technologies that were previously dominated by larger businesses, it is possible to evaluate their potential in the global market and other competitive business environments they operate in (Mele, 2013). Without a doubt, SMEs and start-ups are constrained by a lack of resources, which forces them to be more inventive when spending money on or putting into practise marketing techniques with the sole purpose of

expanding their client base or promoting their brand. (2015) (Mazzarol). Adopting a thorough digital marketing plan is crucial for steady business growth because it costs much less than traditional marketing. When used effectively, established digital marketing platforms are propelling instruments that can interact with a variety of audiences, build brand awareness, attract new target audiences, forge strong bonds with clients and important stakeholders, boost sales and profitability (Barone, 2020). Therefore, based on prior research, hypothesis 2 is developed as follows.

Hypothesis 2 (H2):

Adoption of digital marketing significantly influencing the brand recognition, customer engagement and profitability of the SMEs and start-ups in Malaysia

It is very important for SMEs and start-ups to create brand awareness among their customers to provide clear understanding about their product or service and make them retain with their brand (Ruyter, 2001). As a result, the consumer develops a lasting impression of the company. The behaviour of consumer can change based on the trust and awareness they have in the brand; therefore, brand recognition enhancement is vital to the sustainability and growth of the businesses (Saglam & Enehasse, 2020). According to Dabrowski & Schivinski (2016), digitalized communication platforms have a significant impact on consumers' purchase decisions regarding brand recognition. The more customers know about a brand's narratives, mission and core values, the more likely they are to trust the product or service they are purchasing. It can help to gain customers' trust and influence their decision-making process to generate more sales. A high level of brand recognition is the competitive edge that keeps a business top of mind for customers and keep growing for the coming years. Therefore, based on previous researches, hypothesis 3 is generated as below.

Hypothesis 3 (H3):

Brand recognition positively influencing the growth of SMEs and start-ups in Malaysia

Digital marketing has long been recognised as an essential tool for interacting with customers. Engagement is defined as a psychological state of mind different from interactive behaviour such as sharing and liking content (Syrdal and Briggs, 2018). Numerous studies have discovered a link between client engagement and digital marketing. Islam and Rahman (2016) found that customers react differently to social media activities across platforms after looking into the use of various digital platforms in the context of SMEs and start-ups, as well as the influence and results on consumer involvement. Engaging and interacting with customers is crucial for motivating marketers to keep up long-term client relationships. Digital marketing provides chances for involvement that foster relationships between brands and people by encouraging goodwill, trust, and commitment (Vivek & Morgan, 2012). The information delivered through interactive digital media platforms generates a high level of online engagement, which demonstrates a favourable attraction of people to digital media and ultimately influences the growth of the businesses. As a result, based on former literature, hypothesis 4 is produced as below.

Hypothesis 4 (H4):

Customer engagement positively influencing the growth of SMEs and start-ups in Malaysia

Rapid adoption of digital marketing technology and the associated reorganization, figures notably among explanation of the acceleration of productivity growth of SMEs and start-ups during the late 2000s in Malaysia. Delmar (2003) asserts that after discussing numerous performance indicators for a firm's growth, sales should be one of the preferred measurements of growth. This is so because sales numbers, which reflect both short-term and long-term developments in the company, are quite simple to collect. Other justifications for employing sales growth centre on the idea that the growth process is affected by the demand for the company's goods and services. Gaining more customers will drive organisations to expand in

other areas, such as assets and staff. Delmar et al. (2003) pointed out that high technology businesses, SMEs and start-ups may have large asset and employment growth prior to any significant sales are made. Another critical performance indicator that must be looked at is profitability, as it is unlikely that business growth can be sustained without earnings that can be reinvested in the organisation. Return on assets or net profit margins can be used to describe growth along this axis. Delmar et al. (2003) pointed out different viewpoints, arguing that while profits are an important sign of a company's performance, the relationship between earnings and size is only apparent when looking at an entire group of companies or over a lengthy period for a single company. Thus, based on previous researches, hypothesis 5 is formulated as below

Hypothesis 5 (H5):

Profitability positively influencing the growth of SMEs and start-ups in Malaysia

2.6 Summary of Chapter 2

Adoption of digital marketing by SMEs and start-ups plays major role in the growth of the businesses. There are two main group factors that is related to adoption of digital marketing by SMEs and start-ups in Malaysia which are technological and environmental factor. In this research study, the focus is emphasized on how adoption of digital marketing as business development strategies by SMEs and start-ups in Malaysia can impact the growth of the businesses. The empirical findings discussed in this chapter provide some important evidence of the positive relationships between adoption of digital marketing and growth of SMEs and start-ups in Malaysia. Besides, it is also mentioned that there is a significant relationship between adoption of digital marketing to brand recognition, customer engagement and profitability. Lastly, the literature review also indicates a positive impact of brand recognition, customer engagement and profitability towards the growth of SMEs and start-ups in Malaysia.

Relevant literature from previous research and formerly proposed models of factors influencing the growth of SMEs and start-ups in Malaysia are analyzed to develop a conceptual framework of this research. The requirement for adoption of digital marketing, brand recognition, customer engagement, profitability and growth of SMEs and start-ups in Malaysia construct for operationalisation are further discussed. Finally, the following chapter also examines the research methodology that is executed and utilized to carry out the study to answer the research questions and fulfil the research objectives.



CHAPTER 3: RESEARCH METHODOLOGY

3.1 Introduction

This chapter intended to explain on how this research has been carried out. The approaches and methods used for data collection while carrying out this research is further discussed which is to validate the conceptual model proposed earlier in previous chapter. The structure of the research framework of this study are highlighted for all the variables: independent, mediating and dependent variables. This chapter also consists of examination of research design, sampling design, instrument measurement, data collection method and data analysis method. Finally, the analytical procedures that were used to test the hypotheses for significant relationships between all the variables are explained further.

3.2 Research Design

3.2.1 *Quantitative Analysis: Descriptive Correlational Study*

According to Bell and Bryman (2007), research design can be described as a general plan that offers an outline on how data will be gathered or collected as well as the data analysis procedures required for this research study. In this research, the type of analysis that is chosen is quantitative research. Variety of aspects were considered before deciding to apply this quantitative research. These aspects include the researcher's own opinions about the most acceptable method for studying human behaviour, the research questions, and the rigour of the research, which involves both verifiability and universality of outcomes. Quantitative research is described as a systematic investigation of phenomena using statistical, mathematical approaches and quantifiable data which the data is to be computed naturally. This type of research has the advantages such as standardised for easy comparisons, less expensive to adopt and amount of effect can typically be assessed. (Kabir and Muhammad, 2018).

The quantitative research analysis was selected for this research study based on the goal and objectives of this study, topics and areas to be researched and the nature of research enquiry. The main of this study is to correlate the relationship between the five variables which are adoption of digital marketing by SMEs and start-ups in Malaysia, brand recognition, customer engagement, profitability and growth of SMEs and start-ups in Malaysia. As a result, this quantitative research which was applied as the descriptive correlational study is well-suited to address the research purpose and allows the investigation of relationships between the variables that occur naturally without any manipulation or controlling by the researcher. This analysis will further help in evaluating the hypotheses for each of the variables' relationships and its generalisation.

The purpose of this research is to analyze and investigate how the role of digital marketing adoption by SMEs and start-ups in Malaysia might affect the growth of the businesses in this country. This involves the investigation of other variables associated with the relationship of growth of SMEs and start-ups in Malaysia such as brand recognition, customer engagement and profitability. The objective of this study is to gather as much information and investigate further the correlation among the variables which could help in gaining a better knowledge and understanding of the research subject. Finally, this descriptive correlational study could serve as a foundation to explain the findings from previous research studies and analyze the relationships among the identified variables in this study before drawing conclusions to address the suggested research questions.

3.3 Study Population and Sampling Procedures

Study population can be referred as a group considered for a research study or statistical reasoning. In this study, we will tabulate the data and examine the results of the survey by depending on the study population in question. The population under review for this study is

SMEs and start-ups. Since the study is focusing on the influence of adoption of digital marketing on the growth of SMEs and start-ups in Malaysia, thus only businesses operating in Malaysia are decided to be the population and sampling for this study where there are thousands of SMEs and start-ups in this country. According to latest statistics from Malaysia Statistical Business Register (MSBR), there were altogether 1.15 million SMEs and start-ups in 2022 which accounts for 97.2% of overall establishments in Malaysia. Due to the fact that the study is performed from the perspective of the businesses' representatives or the main stakeholders, the population was anticipated to include the SMEs and start-ups' business owners and employees who are responsible in marketing management for their respective companies.

It is very important to determine the minimum sample size required for the study prior to data collection, to acquire the desired degree of statistical power for a specific model (Hoe, 2008). The type of method used to determine the sampling is simple random sampling which is the most straightforward method among all the probability sampling methods that are commonly used for quantitative research study. By using this technique, samples are drawn at random from the population and each person has an equal chance of being chosen for the sampling process. This simple random sampling method requires little advance knowledge about the population and involves a single random selection which requires high internal and external validity with lower risk of research biases like selection bias and sampling bias. Apart from that, why this simple random sampling is chosen over other methods is because it can be done with lower cost, ease of implementation, higher efficiency and able to meet short time of horizon of study.

There are few ways on how to decide the sample size but one of the simplest ways is by using the formula with estimated size of population, desired confidence level and confidence interval

and also standard deviation value that to be measured in the population. The most common used confidence level and interval are 0.95 and 0.10 respectively while for the standard deviation of the population can be chose a number high enough to account for a variety of possibilities such as 0.5. Then, the necessary sample size can be calculated by using automatic generated sample size calculator or by using the following formula in the Microsoft Excel:

$$n = \left(\frac{z \times \sigma}{E} \right)^2$$

n = sample size

z = z-score

σ = standard deviation

E = margin of error or confidence interval

To find the z-score to calculate the sample size for a confidence interval with confidence level C, use the **norm.s.inv(area to the left of z)** function. For **area to the left of z**, enter the entire area to the left of the z-score that we trying to find. For a confidence interval, the area to the left of z is $C + \frac{1-C}{2}$. The output from the **norm.s.inv function** is the value of z-score needed to find the sample size.

By using above method to find the sample size for this study, it is tabulated to have a minimum sample size of 97 SMEs and start-ups business representatives or stakeholders such as business owners or employees. However, it is recommended to have larger sample size which could help in better representative of the population and can contribute in providing more accurate results for this research study. Thus, it is decided that this study would require sample size within the range of 200 to 300 respondents as part of the requirement for the Master's level.

3.4 Data Collection Method

To properly address the research questions and evaluate the outcomes, data collection is a methodical procedure of obtaining information and analysing measurements of all the variables (Kabir and Muhammad, 2018). There are few important aspects need to be considered prior to the data collection process such as the aim of the research, the type of data to be collected and the methods and procedures to be used to gather, store and process the data. In this quantitative research study, the methodology used for data collection is through primary research where the data are collected directly from the main sources which are the SMEs and start-ups business owners or employees. This process of collecting original data from the main sources are done through a survey instrument that is done in cross-sectional study. Cross-sectional study is preferred for this research study as it is cheaper and less time consuming as well as the data can be gathered at a single point in time from the sample population which accommodate this research study's timeline as there is a time constraint in completing this research study within three months.

The type of survey instrument that is used for the data collection in this research study is electronic questionnaire with closed-ended questions. This closed-ended questions' questionnaire is suitable for quantitative research as they can provide numerical data which can be analyzed statistically to find the trends, patterns and most importantly the correlations between the variables. Questionnaires have become a popular tool for data collection due to their relative ease of preparation, cost-effectiveness and administration. Each of the questions in the questionnaire need to be considered carefully to ensure validity and reliability of the final results. Likert scale with 5-point options is used in the questionnaire to measure the unobservable individual characteristics and level of agreement and disagreement. Besides, Likert scale also helps to measure attitudes, opinions and behaviours of sampling population.

In this technological era, these surveys can be done online by sending the questionnaire to the sampling population via electronic mail (e-mail), web link or other social media applications or platforms such as Facebook, Twitter, WhatsApp, Telegram and few others. This is more convenient and less time consuming for the for both respondent and researcher to complete the process of data collection for this study.

3.5 Operationalisation and Measurement

The questionnaire with closed-ended questions consists of four sections which are Section A, B, C and D. Firstly, Section A consists of questions based on demographic factors. Then, Section B consists of questions related to independent variable, while Section C and D consist of questions related to mediating variables and dependent variable respectively. All questions were assessed using five-point Likert-type answer scales, with five (5) indicating strongly agree and one (1) indicating strongly disagree. Rensis developed the Likert scale, which has been utilised by many researchers for over two decades, mostly in survey research (Edmondson, 2005). The benefits of using the Likert scale with quantitative data include the simplicity with which results, graphs, and conclusions are drawn from the responses.

3.5.1 Independent Variable

The independent variable in this research study is adoption of digital marketing by SMEs and start-ups in Malaysia. The following are the operationalisation and measurement for the specified independent variable.

Table 3.1: Independent Variable Operationalisation Measurement

Constructs	Items	Sources
Adoption of Digital Marketing by SMEs and Start-ups in Malaysia	<ol style="list-style-type: none"> 1. I feel competitive pressure, that's why I adopted digital marketing in my business 2. Experience of digital marketing after adoption is even better and more positive than before 3. Digital marketing is efficient and easy to adopt for business operations 4. Adoption of digital marketing makes promotion easier and cheaper than before 5. Adoption of digital marketing helps to promote business in the society 6. Adoption of digital marketing by SMEs and start-ups is important for business' overall growth in the future 	Nayan Chandra (2018) Zaglago (2019)

3.5.2 Mediating Variables

The mediating variables in this research study are as follows:

- Brand recognition
- Customer engagement
- Profitability

The following are the operationalisation and measurement for the specified mediating variables.

Table 3.2: Mediating Variables Operationalisation Measurement

Constructs	Items	Sources
Brand Recognition	<ol style="list-style-type: none"> 1. Adoption of digital marketing creates a favourable image in the industry 2. Adoption of digital marketing creates a brand awareness among the consumers without boundaries within short period of time 3. Brand recognition can impact on consumers' behaviour and purchase intention 4. Digital marketing usage helps to increase customer's brand loyalty and trust 5. Adoption of digital marketing helps to measure the effectiveness and performance of my brand awareness campaigns towards the consumers 6. Brand recognition is important for SMEs and start-up businesses' overall growth in the future 	<p>Nayan Chandra (2018) Nurlia & Halik (2021)</p>

Customer Engagement	<ol style="list-style-type: none"> 1. Adoption of digital marketing makes interaction of consumer and business clear and understandable 2. Adoption of digital marketing increases the customer engagement towards the business 3. Adoption of digital marketing helps to build credibility and trust among the consumers 4. Adoption of digital marketing helps to attract new consumers and increase the customer base 5. Adoption of digital marketing increases customers' loyalty towards the business 6. Customer engagement is important for SMEs and start-up businesses' overall growth in the future 	Nayan Chandra (2018) Rahman & Yaacob (2016)
Profitability	<ol style="list-style-type: none"> 1. Adoption of digital marketing increases the sales and profitability of the business 2. Adoption of digital marketing helps in achieving high throughput and conversion rate 3. Digital marketing strategies help SMEs and start-ups to compete with established companies in the field of marketing for competitive advantage 4. Digital marketing strategies helps SMEs and start-ups to increase their market share and boost company's profits 	Nayan Chandra (2018) Iddris & Ibrahim (2015)

	<p>5. Adoption of digital marketing is truly cost-efficient compared to traditional marketing method</p> <p>6. Profitability is important for SMEs and start-up businesses' overall growth in the future</p>	
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3.5.3 Dependent Variable

The dependent variable in this research study is growth of SMEs and start-ups in Malaysia.

Below is the operationalisation and measurement for the specified dependent variable.

Table 3.3: Dependent Variable Operationalisation Measurement

Constructs	Items	Sources
Growth of SMEs and Start-ups in Malaysia	<p>1. Adoption of digital marketing increases my business productivity and efficiency</p> <p>2. Adoption of digital marketing improves the business performance</p> <p>3. Digital marketing is a strategic online platform for job searching, recruitment, and career growth for SMEs and start-ups</p> <p>4. I would wish to continue implementing digital marketing as part of business development strategy</p> <p>5. I would recommend other SMEs and start-ups' owners and employees to implement digital marketing into their businesses</p> <p>6. I believe digital marketing adoption into businesses could help to grow the company in the future</p>	<p>Nayan Chandra (2018)</p> <p>Kumar & Ayedee (2021)</p>

3.6 Data Analysis Techniques

As mentioned earlier, the questionnaires are distributed to the respondents via electronic mail (e-mail), web link or other social media applications or platforms. The questionnaires are verified and tested first whether it can be easily understood and answered by the respondents before sending to them. Once the data is obtained from the respondents, it will then be tabulated and processed for further analysis and conclusion. The techniques used in collecting the data is thoroughly observed as it is very important to maintain the reliability and validity throughout this research study to prevent any biases and errors. These quantitative data are used for statistical analysis to investigate the relationships among the variables in this study. Both descriptive and inferential statistical analysis are used to examine the data that have been gathered.

3.6.1 Descriptive Analysis Techniques

Descriptive analysis can be referred as to statistically aggregating, describing, and presenting the constructs of interest or associations between these constructs. Descriptive statistics is used in this Likert-derived data to summarize the collected data in simple numerical form. Since there are more than two variables are being examined in this study and it is required to apply more than one statistical technique, thus multivariate analysis techniques are applied to explore the existence of relationships between the variables. The data variables in multivariate analysis can be classified as dependent and independent. In this study, dependence technique is applied since the variables are dependent on each other. The main objective of the descriptive statistics analysis being applied for this quantitative research study is to identify the results for measures of shape or distribution, measure of central tendency and measure of variability. The data can be interpreted by using IBM's Statistical Package for the Social Sciences (SPSS) Statistics software that can provide data analysis for multivariate descriptive statistics, graphical representations, data transformation and direct marketing features. Should there be further data

analysis needed in future for this research study, other softwares such as Microsoft Excel, Statistical Analysis Software (SAS) and Analysis of Momentum Structures (AMOS) could help in data interpretation and produce the results required to support the objectives and hypotheses concluded for this study.

3.6.2 Inferential Analysis Techniques

One statistical technique called inferential statistics uses a variety of analytical tools to infer information about the population from a sample of data. When compared to descriptive statistics, which highlight the characteristics of the data set, it is easier to infer generalisations about the population from the study of acquired samples. Regression analysis and hypothesis testing are the two subcategories of inferential statistics. In this research investigation, it is suggested that both statistics to be used. A type of inferential statistics known as hypothesis testing is used to evaluate presumptions and deduce information about the population from the sample data that is available. A null hypothesis and an alternative hypothesis must first be established, and then a statistical test of significance must be carried out. A conclusion is drawn based on the value of the critical value, test statistic, and the confidence intervals. A hypothesis test can be right-tailed, left-tailed and two-tailed. Regression analysis, on the other hand, is used to estimate how one variable will change in relation to another. Multiple regression is the commonly used inferential statistics that enable objective evaluation of the strength and nature of the relationship between the involved variables; consequently, the regression coefficients reflect the relative relevance of each independent variable in predicting the dependent variable (Sekaran & Bougie, 2016). These measures give additional information on the structure of the correlations between constructs and therefore assist a subsequent stage in hypothesis testing.

3.7 Summary of Chapter 3

This chapter discussed on the methodology applied in this research study. This study employs quantitative research to ensure reliability, accuracy and testability. Besides, it shows a high degree of generalizability for the results obtained from the sampling population. The main purpose of this study is to investigate the correlation between the identified variables through the verification and results of the collected and analyzed data.

This chapter mainly discusses the topics of research design, study population and sampling procedures, data collection method, operationalisation and measurement as well as data analysis techniques. The method used for the data collection is through online survey by using closed-ended questionnaires. The questionnaire was created using a conceptual model that helped in identifying the necessary information and the focus areas that needed to be studied. This online survey questionnaires are intended to be distributed to at least 200 to 300 business owners or employees of SMEs and start-ups throughout Malaysia and their responses will be gathered. The questionnaires consist of few sections which the questions are related to each of the variables. Pretesting of the online survey are performed to ensure the quality of measures and the reliability and validity of the instrument. Lastly, the data analysis techniques used for this study are descriptive and inferential statistics. Descriptive analysis focuses on finding results for measures of shape or distribution, measure of central tendency and measure of variability while inferential statistics is proposed to apply for both hypotheses testing and regression analysis. The main software that is used for the data interpretation and analysis is IBM's Statistical Package for the Social Sciences (SPSS) Statistics. Apart from that, other software such as Microsoft Excel, Statistical Analysis Software (SAS) and Analysis of Momentum Structures (AMOS) also can be utilized for further research related to this field or topic in the future.

CHAPTER 4: RESULTS AND DISCUSSION

4.1 Introduction

This chapter mainly intended to discuss on the analysis of the important data collected from the online survey through the distribution of questionnaires to respondents represent the SMEs and start-ups in Malaysia. The data collected from the respondents were tabulated and then analysed by applying the descriptive and inferential analysis techniques as explained in previous chapter. The analysis was performed by using IBM's Statistical Package for the Social Science (SPSS) software.

4.2 Survey Response Analysis

4.2.1 Response Rate

The population of this study is comprised of all stakeholders of SMEs and start-up businesses in Malaysia. With estimation of 1.15 million SMEs and start-ups registered in Malaysia as of 2022, it is suggested as explained earlier in previous chapter to have a minimum sample size of 97 SMEs and start-ups business representatives or stakeholders. However, to make this study more reliable and useful for better understanding of the impact of digital marketing towards the SMEs and start-ups in Malaysia, larger sample size is recommended which could help in providing more accurate results for this research study. Thus, it is decided to have sample size within the range of 200 to 300 respondents.

A total of 300 online surveys of questionnaires were distributed to the respondents via electronic mail (e-mail) and social media applications mainly WhatsApp. To carry out the study, researchers are highly dependent on the willingness of individuals to respond to surveys. When it comes to research, if participation in a survey is voluntary, it is unlikely to receive a maximum response (DeMaio, 1980). Surveys based on questionnaires should aim for the

highest possible response rate. Higher response rates lead to larger data samples, increased statistical significance, and more reliable conclusions for key stakeholders (Rogelberg & Stanton, 2007). A total of 250 survey questionnaires were collected, representing a response rate of 83.3% out of maximum targeted respondents of 300. The surveys were collected from respondents who provided complete information. The response rate falls within the targeted sample size range, which is considered acceptable and satisfactory.

4.2.2 Respondents and Demographic Profiles Statistics

Before delving into the data obtained from the samples, it is imperative to gain a better understanding of the demographic and socioeconomic characteristics of the participants involved in this study. This standard practice allows for the establishment of contextual background information that sets the stage for subsequent analysis. The characteristics of the respondents were grouped into six main categories which are gender, age group, education qualification, job level position, monthly business income and location, all of which are expected to exert a substantial influence on the interpretation of the outcomes.

Table 4.1: Respondents and Demographic Profiles Statistics

Sec. A: Demographic - Statistics						
	Gender	Age	Highest Education Level	Job Level Position	Monthly Business Income/ Revenue	Region/ Location
N Valid	250	250	250	250	250	250
Missing	0	0	0	0	0	0

Table 4.1 shows that the summary of statistics generated for the survey. Total 250 respondents took part in the survey and completed the questionnaires by providing full information as required for this demographic section. Next, the study will delve deeper into each demographic data point to gain a comprehensive understanding of the respondents.

4.3 Descriptive Statistics Analysis - Demographic

4.3.1 Gender

Table 4.2: Respondents' Gender Statistics

		Gender			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Female	105	42.0	42.0	42.0
	Male	145	58.0	58.0	100.0
	Total	250	100.0	100.0	

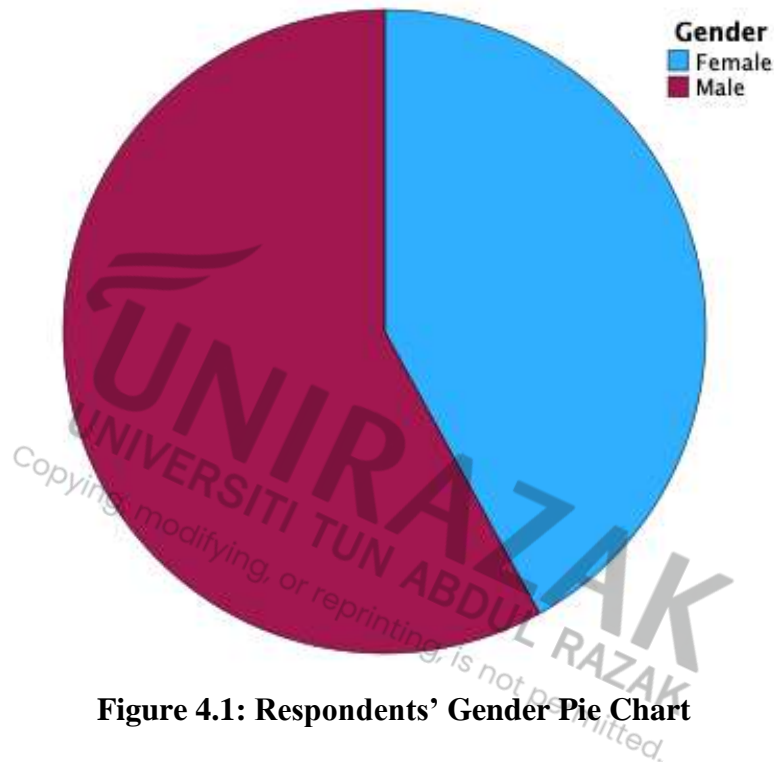


Figure 4.1: Respondents' Gender Pie Chart

Above table and pie chart show the respondent by gender. Out of total 250 respondents, 145 (58%) respondents were male and 105 (42%) were female. Referring to the valid percentage, it shows the same results as earlier which are 58% for male and 42% for female. Based on the findings, it shows that more than half of total respondents are males compared to females. The reason could be, as of 2022, male population in Malaysia is higher compared to female's which makes there are high chances of male domination in the sample size. Apart from that, the domination of male entrepreneurs and male workers in SMEs and start-up businesses in Malaysia believed to be higher compared to females' which influences the inequality in respondents' participation in the online survey.

4.3.2 Age Group

Table 4.3: Respondents' Age Group Statistics

		Age Group			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	> 56	12	4.8	4.8	4.8
	18 - 25	26	10.4	10.4	15.2
	26 - 35	93	37.2	37.2	52.4
	36 - 45	83	33.2	33.2	85.6
	46 - 55	36	14.4	14.4	100.0
	Total	250	100.0	100.0	

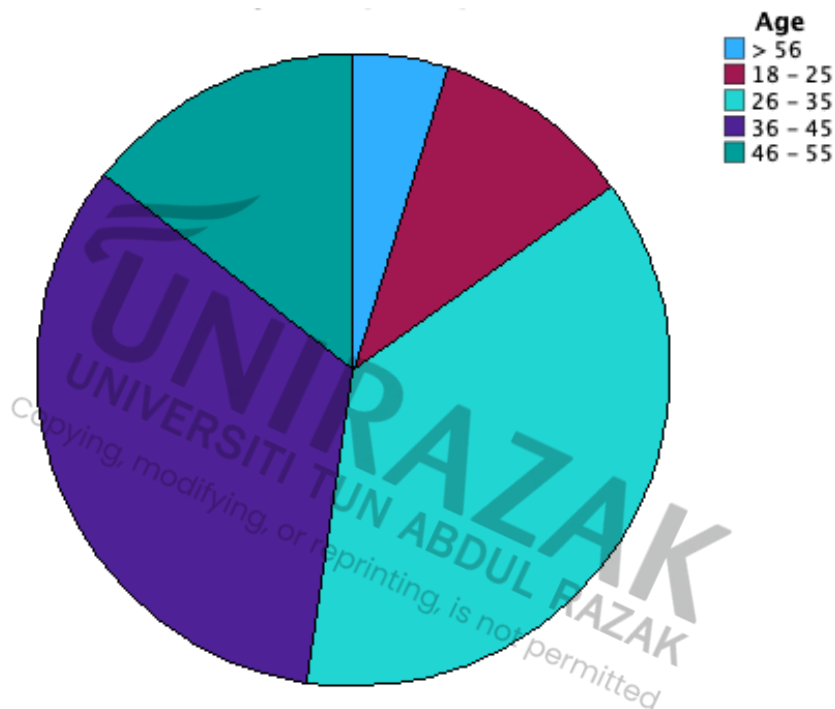


Figure 4.2: Respondents' Age Group Pie Chart

Table 4.3 shows demographic details on the respondent's age category which divided into five categories: 18 to 25 years old, 26 to 35 years old, 36 to 45 years old, 46 to 55 years old and above 56 years old. From the table, it shows the age category of 26 to 35 years has the highest number of respondents which is 93 (37.2%) followed by group age of 36 to 45 years old with 83 (33.2%) respondents at the second highest place. Third will be the age category of 46 to 55 years old consists of 36 (14.4%) respondents while the other age categories such as 18 to 25 years old and above 56 years old have the lowest number of respondents which are only 26

(10.4%) respondents and 12 (4.8%) respectively. The findings are the group age of 26 to 55 is the prime working age with high number of employments. Thus, the high chances of this group ages to participate in the online survey are anticipated. Compared to the age category of 18 to 25 years old which believed to be still studying or just entering the labour market following education. For the age category of above 56 years old, mostly have passed the peak of their career and approaching retirement. These justify the response volume from the participated age group of respondents at above.

4.3.3 Highest Education Level

Table 4.4: Respondents' Highest Education Level Statistics

		Highest Education Level			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Bachelor's Degree	85	34.0	34.0	34.0
	Diploma	73	29.2	29.2	63.2
	Master	74	29.6	29.6	92.8
	PhD	18	7.2	7.2	100.0
	Total	250	100.0	100.0	

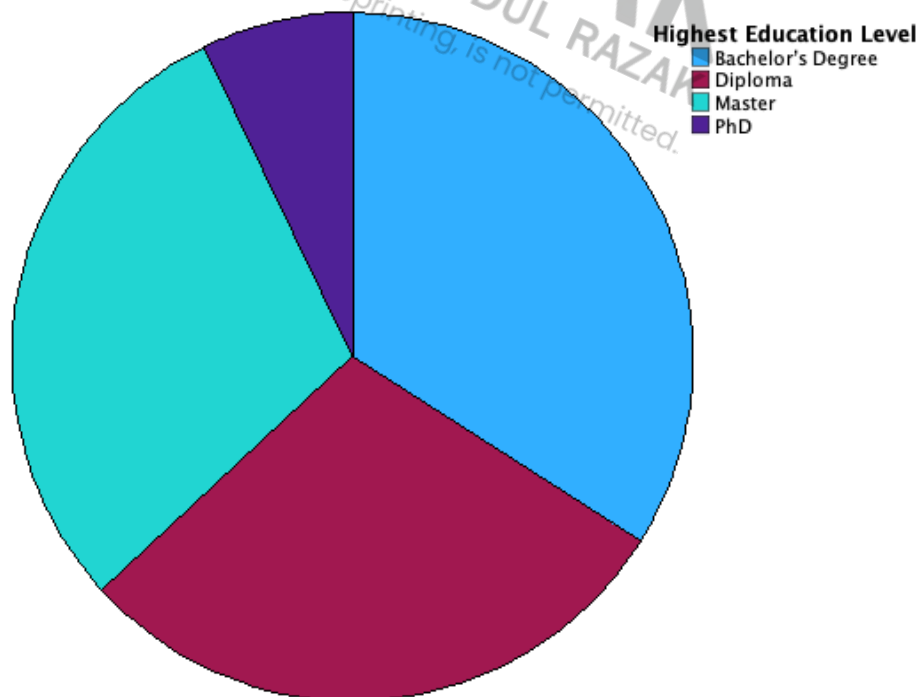


Figure 4.3: Respondents' Highest Education Level Pie Chart

Table 4.4 shows the respondents' education background. Among the respondents, the bachelor's degree holders were the highest to participate in this online survey with 85 (34%) respondents followed by Master's holders and Diploma holders with 74 (29.6%) and 73 (29.2%) respondents respectively. The least number of participants in this online survey were the PhD holders with only 18 (7.2%) respondents. The large number of respondents with a university degree is explained by the sample's urban background. (Tan, Ho, & Pang, 2015).

4.3.4 Job Level Position

Table 4.5: Respondents' Job Level Position Statistics

Job Level Position					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	CEO / Director	67	26.8	26.8	26.8
	Executive	111	44.4	44.4	71.2
	Manager	34	13.6	13.6	84.8
	Non- Executive	38	15.2	15.2	100.0
	Total	250	100.0	100.0	

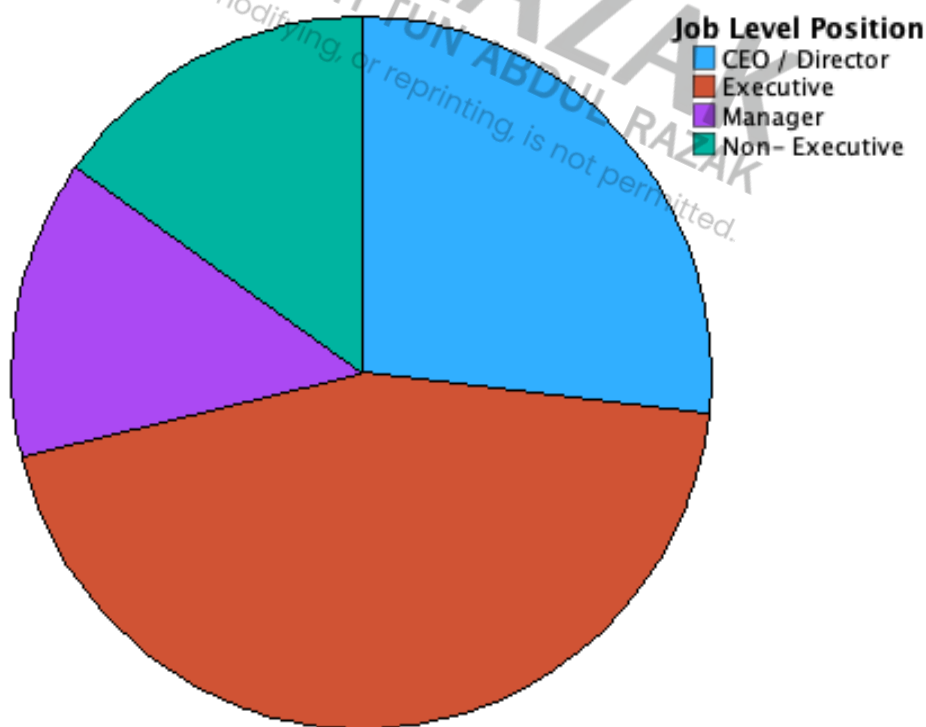


Figure 4.4: Respondents' Job Level Position Pie Chart

Table 4.5 shows the respondents' job level position statistics for the online survey conducted for this research study. The highest number of respondents were the executive level in the SMEs or start-ups with 111 (44.4%) participants. Second highest participation was the CEO/Director level with 67 (26.8%). Manager and non-executive level had the lowest number of participation of respondents for this online survey with 34 (13.6%) and 38 (15.2%) respondents respectively.

4.3.5 Monthly Business Income/Revenue

Table 4.6: Respondents' Monthly Business Income/Revenue Statistics

Monthly Business Income/Revenue					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than RM10,000	12	4.8	4.8	4.8
	More than RM100,000	68	27.2	27.2	32.0
	RM10,000 – RM30,000	13	5.2	5.2	37.2
	RM30,000 – RM60,000	69	27.6	27.6	64.8
	RM60,000 – RM100,000	88	35.2	35.2	100.0
	Total	250	100.0	100.0	

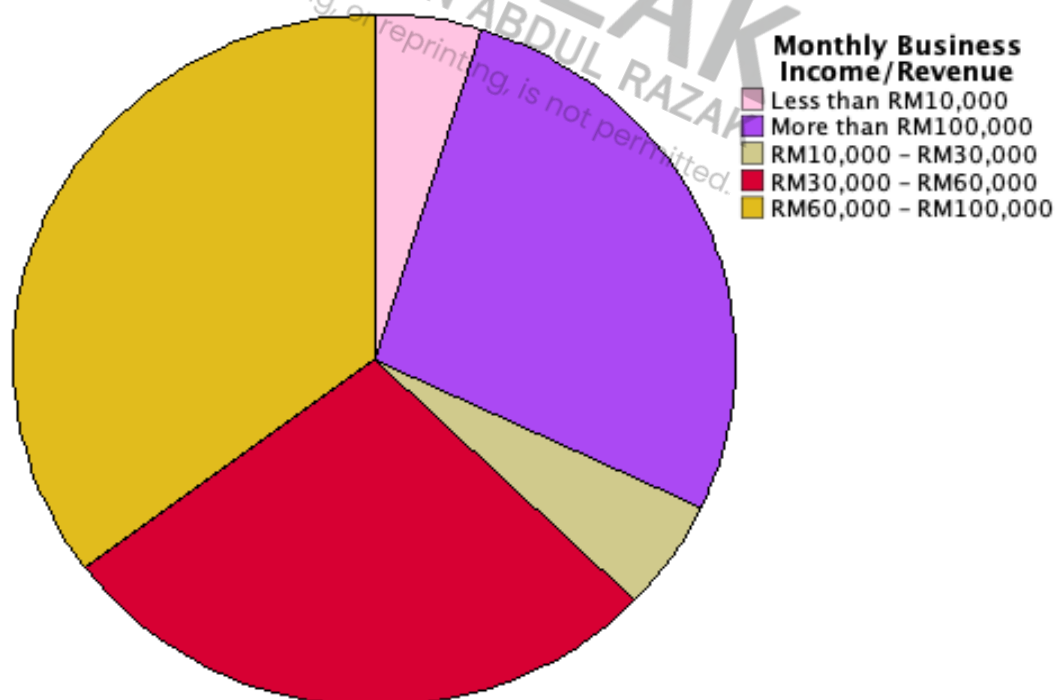


Figure 4.5: Respondents' Monthly Business Income/Revenue Pie Chart

Table 4.6 shows the monthly business income or revenue statistics of the SMEs or start-ups represented by the respondents. Around 88 respondents or 35.2% from the total respondents have declared that their company's monthly income or revenue level are between RM60,000 to RM 100,000. Then, the second highest would be total combined of 55% or 137 respondents who reported monthly business income between RM30,000 to RM60,000 and more than RM100,000. Around 13 (5.2%) respondents and 12 (4.8%) respondents had declared the least monthly income or revenue level which are between RM10,000 to RM30,000 and less than RM10,000 respectively. The monthly income or revenue level of the SMEs and start-up businesses are mainly influenced by the market demand and the effectiveness of their marketing strategies as well as consumer purchasing power and selling price of the products or services by the company.

4.3.6 Region/Location

Table 4.7: Respondents' Region/Location Statistics

		Region/Location			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Central (Selangor, Kuala Lumpur, Putrajaya)	137	54.8	54.8	54.8
	East Coast (Kelantan, Terengganu, Pahang)	25	10.0	10.0	64.8
	Northern (Perlis, Kedah, Penang, Perak)	41	16.4	16.4	81.2
	Sabah, Sarawak, Labuan	11	4.4	4.4	85.6
	Southern (Negeri Sembilan, Malacca, Johor)	36	14.4	14.4	100.0
	Total	250	100.0	100.0	

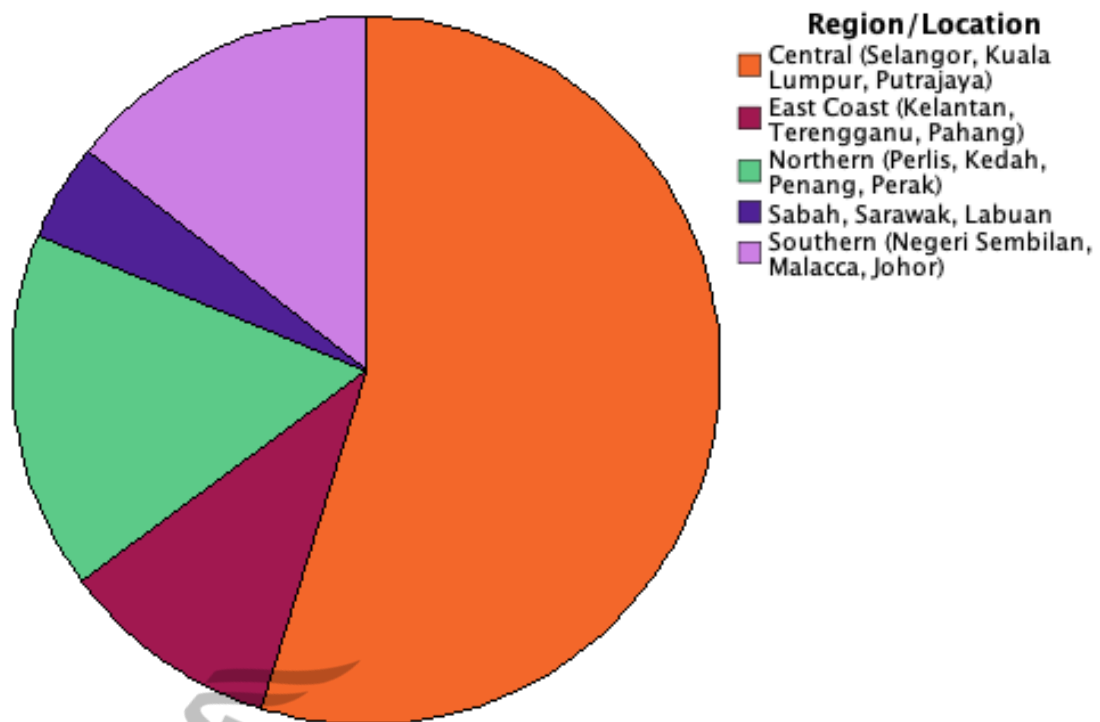


Figure 4.6: Respondents' Region/Location Pie Chart

The analysis of respondents' region or location explained that most of the total sample of this online survey were contributed by respondents from Central region (Selangor, Kuala Lumpur, Putrajaya) with around 54.8% or 137 respondents followed by respondents from Northern region (Perlis, Kedah, Penang, Perak) with 41 (16.4%) respondents. Other regions such as Southern (Negeri Sembilan, Malacca, Johor) and East Coast (Kelantan, Terengganu, Pahang) recorded number of respondents of 36 (14.4%) and 25 (10%) respectively. The least number of participations was from the Sabah, Sarawak, Labuan with only 11 (4.4%) respondents out of total 250 respondents. The location of businesses influences the establishment of businesses as it plays a crucial role in determining their accessibility to potential customers and target markets. This justifies the response rate received as most of the respondents were from Central region where in this region there are high chances for the SMEs or start-ups to establish their business due to factors such as accessibility, logistical efficiency, market opportunities, customer reach and regulatory advantages.

4.4 Goodness of Data

Before proceeding with data analysis to verify the hypothesis and assess the relationship between variables, thorough reliability and validity checks were performed. These checks were essential in ensuring the data's accuracy and replicability, as well as guaranteeing the integrity and quality of the measurement instrument, as stated by Kimberlin and Winterstein (2008). The IBM's SPSS software was utilized to generate the results for both reliability and validity checks.

4.4.1 Reliability

The reliability analysis will be discussed to assess the consistency and stability of measurements over time. It is a statistical measure that assesses the extent to which a set of items or questions in a survey or test consistently measures the same underlying construct or trait. Reliability pertains to the ability to evaluate the consistency of measurements administered to individuals over different time intervals and the similarity of item groups within a single test (Kimberlin & Winterstein, 2008).

Cronbach's alpha, the reliability coefficient, is a statistical measure crucial for researchers to evaluate the internal consistency and reliability of measurement instruments. Ranging from 0 to 1, higher values indicate stronger internal consistency. Perfect reliability equals to 1 and no reliability equals to 0. This measure plays a vital role in quality control, scale development, comparability of studies, decision-making, research validity, and instrument refinement. By ensuring measurement reliability, Cronbach's alpha enhances the overall robustness and credibility of research finding. Higher reliability ensures higher accuracy of the findings, thereby increasing the probability of making right decisions throughout the research process. As a general guideline, a Cronbach's alpha value of 0.70 or higher is often considered acceptable for most research purposes.

It is very important to understand the reliability of all the variables involved in this research study which are the independent variable, mediating variables and dependent variable by investigating the results obtained from SPSS. The reliability test was performed based on the data collected for all the questions related to each of the variables that were distributed to the respondents via online survey. All questions were assessed using five-point Likert-type answer scales, with five (5) indicating strongly agree and one (1) indicating strongly disagree.

Table 4.8: Reliability Analysis for the Variables

<i>Adoption of Digital Marketing by SMEs and Start-ups in Malaysia</i>					
Type of Variable	Construct	N	Mean	Std. Deviation	Cronbach's Alpha
Independent Variable	Q1	250	4.51	0.635	0.778
	Q2	250	4.48	0.641	
	Q3	250	4.50	0.583	
	Q4	250	4.70	0.660	
	Q5	250	4.31	0.680	
	Q6	250	4.75	0.468	
<i>Brand Recognition</i>					
Type of Variable	Construct	N	Mean	Std. Deviation	Cronbach's Alpha
Mediating Variable #1	Q1	250	4.20	0.562	0.800
	Q2	250	4.65	0.563	
	Q3	250	4.53	0.575	
	Q4	250	4.69	0.566	
	Q5	250	4.16	0.549	
	Q6	250	4.78	0.565	
<i>Customer Engagement</i>					
Type of Variable	Construct	N	Mean	Std. Deviation	Cronbach's Alpha
Mediating Variable #2	Q1	250	4.40	0.529	0.851
	Q2	250	4.65	0.570	
	Q3	250	4.24	0.449	
	Q4	250	4.73	0.536	
	Q5	250	4.51	0.589	
	Q6	250	4.74	0.523	

<i>Profitability</i>					
Type of Variable	Construct	N	Mean	Std. Deviation	Cronbach's Alpha
Mediating Variable #3	Q1	250	4.50	0.576	0.827
	Q2	250	4.63	0.491	
	Q3	250	4.27	0.455	
	Q4	250	4.84	0.382	
	Q5	250	4.42	0.746	
	Q6	250	4.63	0.491	

<i>Growth of SMEs and Start-ups in Malaysia</i>					
Type of Variable	Construct	N	Mean	Std. Deviation	Cronbach's Alpha
Dependent Variable	Q1	250	4.51	0.509	0.897
	Q2	250	4.68	0.477	
	Q3	250	4.71	0.463	
	Q4	250	4.61	0.497	
	Q5	250	4.75	0.444	
	Q6	250	4.48	0.508	

From above Table 4.8, we can observe the results of mean, standard deviation and Cronbach's alpha coefficients generated for all the questions of the variables in this study. All the questions in the questionnaires have the mean value between 4 to 5 which means the respondents are strongly agree to the questions given to them regarding the digital marketing impacts towards the SMEs and Start-ups in Malaysia. Then, as for the standard deviation, the results obtained for all the questions of the variables are less than 1.0 which means the results for the overall data in questionnaires only deviate less than 1.0 value from the total mean. This indicates lesser variability in the results as the standard deviation values are lower. Thus, the results obtained are acceptable to support the main objective of this study being conducted.

Next, the reliability test that was performed for all the variables generated results of reliability coefficient, Cronbach's alpha values between 0.778 to 0.897. If Cronbach's alpha is between 0.70 and 0.80, it suggests an acceptable level of internal consistency, although there is room for improvement. While, if Cronbach's alpha is between 0.80 and 0.90, it indicates a good level

of internal consistency, suggesting that the items are measuring the same construct consistently. Based on above table, the data collected from the respondents are reliable for this research study as it indicates that independent variable has achieved the acceptable level while the mediating variables and dependent variable have achieved good reliability level.

4.5 Pearson Correlation Analysis

The Pearson correlation analysis is a statistical tool used to assess the relationship between two continuous variables which are numerically calculated. It determines the degree and direction of the linear association between the variables, ranging from -1 to +1. The Pearson correlation coefficient, " r ," ranges between -1 and +1. A positive correlation (+1) indicates a strong positive linear relationship, meaning that as one variable increases, the other variable also increases proportionally. A negative correlation (-1) indicates a strong negative linear relationship, meaning that as one variable increases, the other variable decreases proportionally. A correlation coefficient of 0 indicates no linear relationship between the variables. The closer the correlation coefficient is to -1 or +1, the stronger the association. A correlation coefficient close to 0 implies a weak or negligible relationship.

Table 4.9: Correlation Analysis - Market Research

Range of Correlation Coefficient, r	Strength of Association
0.91 - 1.00 / -1.00 ~ -0.91	Very Strong
0.71 - 0.90 / -0.90 ~ -0.71	High
0.41 - 0.70 / -0.70 ~ -0.41	Moderate
0.21 - 0.40 / -0.40 ~ -0.21	Small but define relationship
0.01 - 0.20 / -0.20 ~ -0.01	Slight, almost negligible

The above table shows the correlation analysis specifications that consist of correlation coefficient range and its respective strength of association from very strong to slight, almost negligible.

Table 4.10: Pearson Correlation Analysis

Correlations between Variables						
		Adoption of Digital Marketing	Brand Recognition	Customer Engagement	Profitability	Growth of SMEs and Start-ups in Malaysia
Adoption of Digital Marketing	Pearson Correlation	1	.799**	.753**	.869**	.772**
	Sig. (2-tailed)		<.001	<.001	<.001	<.001
	N	250	250	250	250	250
Brand Recognition	Pearson Correlation	.799**	1	.826**	.914**	.856**
	Sig. (2-tailed)	<.001		<.001	<.001	<.001
	N	250	250	250	250	250
Customer Engagement	Pearson Correlation	.753**	.826**	1	.827**	.801**
	Sig. (2-tailed)	<.001	<.001		<.001	<.001
	N	250	250	250	250	250
Profitability	Pearson Correlation	.869**	.914**	.827**	1	.912**
	Sig. (2-tailed)	<.001	<.001	<.001		<.001
	N	250	250	250	250	250
Growth of SMEs and Start-ups in Malaysia	Pearson Correlation	.772**	.856**	.801**	.912**	1
	Sig. (2-tailed)	<.001	<.001	<.001	<.001	
	N	250	250	250	250	250

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

Table 4.10 presents the Pearson correlation analysis performed to measure the strength and direction of relationships among the variables that are being researched in this study. This analysis was generated by SPSS based on the data and information collected from the respondents through the online survey. The linear relationship between the variables will be categorized according to the correlation coefficient range and the strength of association shown in Table 4.9. The correlation between brand recognition and profitability generated coefficient value of 0.914 which indicate a very strong and positive relationship between these two variables. Same goes to the correlation between profitability and growth of SMEs and start-ups in Malaysia which indicate a very strong and positive relationship as the correlation coefficient

generated was 0.912. The correlation among the other variables shows high association as their coefficient range generated was between 0.7 to 0.9. Thus, the relationships between the variables can be classified as strong and significant.

Table 4.11: The Summary of Pearson Correlation Coefficient Result

No.	Research Questions	Hypothesis	Result
1.	Is there positive or negative relationship between adoption of digital marketing and growth of SMEs and start-ups in Malaysia?	H ₁ : Adoption of digital marketing has a significant relationship with growth of SMEs and start-ups in Malaysia	There is a positive significant relationship.
2.	Is there positive or negative relationship between adoption of digital marketing and brand recognition, customer engagement and profitability?	H ₂ : Adoption of digital marketing has a significant relationship with brand recognition, customer engagement and profitability	There is a positive significant relationship.
3.	Is there positive or negative relationship between brand recognition and growth of SMEs and start-ups in Malaysia?	H ₃ : Brand recognition has a significant relationship with growth of SMEs and start-ups in Malaysia	There is a positive significant relationship.
4.	Is there positive or negative relationship between customer engagement and growth of SMEs and start-ups in Malaysia?	H ₄ : Customer engagement has a significant relationship with growth of SMEs and start-ups in Malaysia	There is a positive significant relationship.
5.	Is there positive or negative relationship between profitability and growth of SMEs and start-ups in Malaysia?	H ₅ : Profitability has a significant relationship with growth of SMEs and start-ups in Malaysia	There is a positive significant relationship.

4.6 Multiple Regression Analysis

Multiple regression or usually known as multiple linear regression is a statistical method that employs multiple explanatory variables to forecast the outcome of a response variable. The objective of multiple linear regression is to create a model that captures the linear association between the explanatory (independent) variables and the response (dependent) variables.

Essentially, multiple regression is the extension of ordinary least-squares (OLS) regression by incorporating more than one explanatory variable.

The statistical metric known as the coefficient of determination (R-squared or R^2) is utilized to quantify the extent to which the variability in the outcome can be accounted for by the variability in the independent variables. As additional predictors are incorporated into the multiple linear regression (MLR) model, R^2 consistently increases, irrespective of whether these predictors are associated with the outcome variable. Therefore, R^2 alone cannot determine which predictors should be included or excluded from the model. It solely ranges from 0 to 1, where 0 signifies that the independent variables are unable to predict the outcome, while 1 indicates that the outcome can be accurately predicted by the independent variables. Then, coefficient correlation, R , also can be measured to determine the degree of association among the variables. The scale used to measure the correlation coefficient, R , ranges from +1 to 0 to -1. A correlation of either +1 or -1 indicates a complete correlation between two variables. Positive correlation occurs when one variable increases as the other increases, while negative correlation occurs when one variable decreases as the other increases. A correlation of 0 represents the complete absence of correlation.

In this study, two models have been constructed in the SPSS where for the first model, the independent variable is adoption of digital marketing by SMEs and start-ups in Malaysia while the dependent variable is growth of SMEs and start-ups in Malaysia. As for the second model, the independent variables are brand recognition, customer engagement and profitability the dependent variable remains the same which is growth of SMEs and start-ups in Malaysia. By applying the linear regression analysis in SPSS, the below results have been generated.

Table 4.12: The Model Summary of Linear Regression Analysis

Model Summary^c					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Sig. F Change
1	.888 ^a	.788	.780	.31564	<.001
2	.810 ^b	.656	.650	.20140	<.001

a. Predictors: (Constant), Adoption of Dig. Marketing
 b. Predictors: (Constant), Customer Engagement, Profitability, Brand Recognition
 c. Dependent Variable: Growth of SMEs and StartUps

From above Table 4.12, the coefficient of determination, R^2 values generated for both models are 0.788 and 0.656 which is within the range of 0 to 1. This shows how well both models fit with the observed data as their values are closer to 1. An R-squared of 100% indicates that the movement of dependent variable is completely explained by the movements in the independent variable. For model 1, the variance percentage of dependent variables being explained by the independent variable in the regression model is about 78.8% while for the model 2, the variance percentage is 65.6%. Besides, the correlation coefficient, R values generated for both models are 0.88 and 0.81. These values show that there is strong correlation among the variables as their values are closer to 1. Thus, this linear regression analysis proves the high significance and strong relationship among the variables which makes the data observed more reliable and fully fit the regression model for this research study.

Table 4.13: The Model Summary of ANOVA Analysis

ANOVA^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4.149	1	4.149	41.644	<.001 ^b
	Residual	24.709	248	.100		
	Total	28.858	249			
2	Regression	18.919	4	4.730	116.603	<.001 ^c
	Residual	9.938	245	.041		
	Total	28.858	249			

a. Dependent Variable: Growth of SMEs and StartUps
 b. Predictors: (Constant), Adoption of Dig. Marketing
 c. Predictors: (Constant), Customer Engagement, Profitability, Brand Recognition

Based on Table 4.13, the *F*-ratio value shows whether the overall regression model is a good fit for the data. The *F*-ratio value for Model 1 is 41.644 while for Model 2 is 116.603 which both models reach significance with a *p*-value of <0.01 (less than 0.05 alpha level). This indicates there is a statistically significant difference between the means of the different levels of the variables tested in the regression analysis. Thus, all the independent variables were found to be statistically significant and important for dependent variable to support the hypotheses.

Table 4.14: The Model Coefficients Summary

		Coefficients^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	3.375	.194		17.376	<.001	2.992	3.757
	Adoption of Dig. Marketing	.674	.042	.779	6.453	<.001	.190	.357
2	(Constant)	1.314	.176		7.452	<.001	.967	1.662
	Brand Recognition	.702	.093	.811	7.570	<.001	.519	.885
	Customer Engagement	1.142	.068	1.193	16.863	<.001	1.008	1.275
	Profitability	.444	.069	.547	6.638	<.001	-.092	.180

a. Dependent Variable: Growth of SMEs and StartUps

Then, based on Table 4.14, both models reach significance with a *p*-value of <0.01 (less than 0.05 alpha level) which indicates there is a statistically significant difference between the means of the different levels of the variables. These findings suggest that these variables play crucial roles in explaining variations in growth of SMEs and start-ups in Malaysia. Furthermore, the standardized coefficients beta shows the relative importance of the independent variables in predicting the growth of SMEs and start-ups in Malaysia. The variable with the highest standardized coefficient beta is customer engagement which has a coefficient of 1.193. This indicates that customer engagement has the most significant and positive impact on the growth of SMEs and start-ups in Malaysia. In other words, a higher level of customer

engagement is associated with a substantial increase in growth of SMEs and start-ups in Malaysia.

4.7 Hypothesis Testing

Hypothesis testing is a statistical method used to make inferences and draw conclusions about a population based on sample data. It is the process used to evaluate the strength of evidence from the sample and provides a framework for making determinations related to the population. Hypotheses cannot be proved with absolute certainty, but they can be accepted or rejected statistically based on levels of significance and confidence intervals. As a result, there must be sufficient statistical evidence to "accept" or "reject" a hypothesis.

The hypotheses in this study focus on the relationship between adoption of digital marketing by SMEs and start-ups in Malaysia (independent variable) and brand recognition, customer engagement and profitability (mediating variables) as well as growth of SMEs and start-ups in Malaysia (dependent variable). All these variables were measured through response of the SMEs and start-ups representatives in Malaysia via the online survey. Each structural path in the model represents a possible connection between the variables that can be examined for its significance. The route coefficient indicates a unidirectional relationship between two concepts, akin to a regression coefficient (β) (Fornell & Pedhazur, 1982).

Hypothesis 1: Adoption of digital marketing has a positive effect towards the growth of SMEs and start-ups in Malaysia

Based on the analysis done from the data collected through the online survey, it is understood that most of the respondents strongly agree with that the adoption of digital marketing has a positive effect towards the growth of SMEs and start-ups in Malaysia. Adoption of digital marketing able to influence the brand recognition, customer engagement and profitability

which at the end could lead to increasing growth of SMEs and start-ups in Malaysia. Apart from that, other reasons that can contribute to growth of SMEs and start-ups through adoption of digital marketing strategies are such as cost-effective marketing, increased online visibility, targeted audience reach, access to valuable data and analytics and few others. Thus, it is believed that the representatives of SMEs and start-ups can strongly agree there are many advantages of adoption of digital marketing that can contribute to the growth and success of SMEs and start-ups in the competitive business landscape, allowing them to thrive in the digital economy. The Pearson correlation analysis generated coefficient value of 0.772 which indicate a very strong and positive relationship between the adoption of digital marketing and growth of SMEs and start-ups in Malaysia. The standardized coefficient beta shows coefficient of 0.779 and p -value of <0.01 (less than 0.05 alpha level) which indicates that adoption of digital marketing has significant and positive impact on the growth of SMEs and start-ups in Malaysia.

Hypothesis 2: Adoption of digital marketing has a positive effect towards brand recognition, customer engagement and profitability of SMEs and start-ups in Malaysia

Adoption of digital marketing by SMEs and start-ups can influence many factors that eventually results in growth of the businesses. Three factors being studied in this research study are brand recognition, customer engagement and profitability. Through the online survey response, it is learnt that most of the respondents strongly agree to the positive impact that adoption of digital marketing has towards the aspects of brand recognition, customer engagement and profitability of their businesses. With strategic digital marketing efforts, SMEs and start-ups can increase their brand's reach, establish a strong online presence, and differentiate themselves from competitors by leveraging various digital channels. Besides, digital marketing creates diverse opportunities for the SMEs and start-ups to build trust,

strengthens customer relationships, and fosters brand loyalty. Other than that, the adoption of digital marketing also helps to boost profitability of the businesses through cost-effective advertising, targeted audience reach, and data-driven decision-making. The Pearson correlation analysis show results of very strong and positive relationship between adoption of digital marketing and these three factors: brand recognition, customer engagement and profitability. The correlation among these variables is positively significant as their results show value of <0.01 .

Hypothesis 3: Brand recognition has a positive effect towards the growth of SMEs and start-ups in Malaysia

Brand recognition plays a crucial role in the growth and success of and start-up businesses. Establishing strong brand recognition can have several positive effects on the growth of these businesses such as building trust and credibility, competitive advantage, perceived quality and value, opportunities for business expansion and few others. By investing in building a recognizable brand, these businesses can accelerate their growth trajectory and establish a strong position in the market. From the response of the online survey, it is observed that most of the respondents agree that brand recognition's influence towards the growth of the SMEs and start-ups in Malaysia. The Pearson correlation analysis generated coefficient value of 0.856 which indicate a very strong and positive relationship between brand recognition and growth of SMEs and start-ups in Malaysia. The standardized coefficient beta shows coefficient of 0.811 and p -value of <0.01 (less than 0.05 alpha level) which shows that brand recognition has significant and positive impact on the growth of SMEs and start-ups in Malaysia.

Hypothesis 4: Customer engagement has a positive effect towards the growth of SMEs and start-ups in Malaysia

Customer engagement plays a vital role in the growth of SMEs and start-ups in Malaysia which involves the implementation of strategies and actions to foster strong relationships with customers. By adopting the digital marketing strategies successfully, customer engagement can yield numerous favorable outcomes for the expansion of these businesses. SMEs and start-ups can establish a solid foundation for growth and long-term success nurturing customer loyalty, cultivating favorable word-of-mouth, enhancing customer lifetime value, collecting valuable feedback, constructing a robust brand identity, and attaining a competitive edge. Based on the responses from the online survey, it is learnt that the respondents agree with the impact of customer engagement has towards the growth of SMEs and start-ups in Malaysia. Most of them strongly agree that adoption of digital marketing influences the impact of customer engagement which eventually will contribute the overall growth of the businesses. The Pearson correlation analysis generated coefficient value of 0.801 which indicate a very strong and positive relationship between customer engagement and growth of SMEs and start-ups in Malaysia. Other than that, the standardized coefficient beta shows coefficient of 1.193 and p -value of <0.01 (less than 0.05 alpha level) which shows customer engagement has the most significant and positive impact on the growth of SMEs and start-ups in Malaysia.

Hypothesis 5: Profitability has a positive effect towards the growth of SMEs and start-ups in Malaysia

Adoption of digital marketing has a great impact on the profitability of SMEs and start-up businesses. Profitability is a key driver for the growth of SMEs and start-ups in Malaysia as it empowers these businesses to reinvest, expand, attract investments, retain talent, foster innovation, acquire customers, and build resilience. By leveraging the power of digital

marketing, it can result in high profitability where it can help SMEs and start-ups to establish a strong foundation for sustainable growth and success in the Malaysian business landscape. It is understood through the online survey on how well adoption of digital marketing has influenced on the profitability of the SMEs and start-ups in businesses. The respondents agreed that profitability has positive effects on the growth of their businesses. Further analysis done on the collected data from the online survey to test the correlations and relationship between the factors. The Pearson correlation analysis generated coefficient value of 0.912 which indicate a very strong and positive relationship between profitability and growth of SMEs and start-ups in Malaysia. Besides, the standardized coefficient beta shows coefficient of 0.547 and p -value of <0.01 (less than 0.05 alpha level) which shows profitability has a significant and positive impact on the growth of SMEs and start-ups in Malaysia.

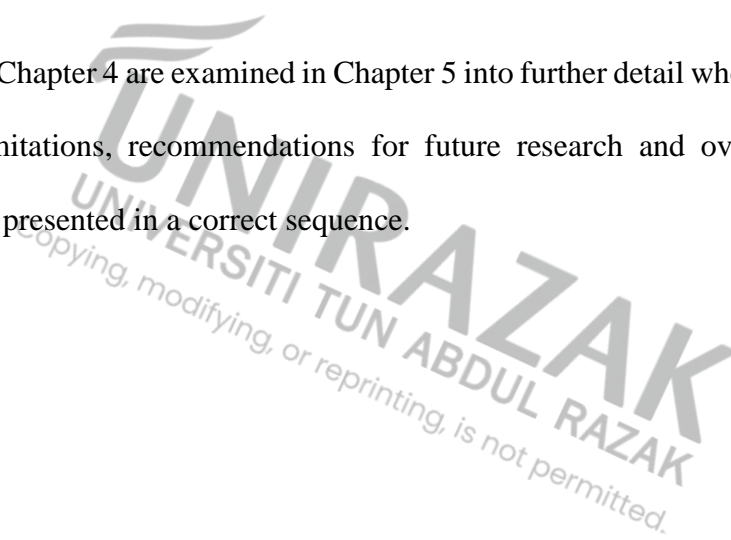
4.8 Summary of Chapter 4

This chapter describes the survey response analysis process, the establishment of measurement reliability, presentation of SPSS results and hypothesis testing. All the hypotheses proposed have been proven significant and tested by using few analyses. Both independent variable (adoption of digital marketing) and mediating variables (brand recognition, customer engagement and profitability) are found to be positive and significantly influences the dependent variable (growth of SMEs and start-ups in Malaysia).

The demographic profile of the respondents was presented in statistical tables through descriptive analysis. Then, reliability analysis also was performed based on the collected data to test the strength of internal consistency and reliability among the variables. The results from SPSS generated reliability coefficient, Cronbach's alpha values between 0.778 to 0.897 for all the variables which is considered within the range of good level for the internal consistency. Besides that, Pearson correlation analysis was performed to measure the strength and direction

of relationships among the variables that are being researched in this study. The correlation between brand recognition and profitability generated coefficient value of 0.914 which indicate a very strong and positive relationship between these two variables. The correlation among the other variables shows high association as their coefficient range generated was between 0.7 to 0.9. This shows the relationships between all the variables are classified as strong and significant. Next, linear regression analysis and ANOVA analysis were performed to check how well both models in the analysis are fit with the observed data. Through the results obtained from SPSS, all the independent variables were found to be statistically significant and important for dependent variable to support the hypotheses.

The findings of Chapter 4 are examined in Chapter 5 into further detail where their implications on theories, limitations, recommendations for future research and overall conclusion are highlighted and presented in a correct sequence.



CHAPTER 5: DISCUSSIONS AND CONCLUSION

5.1 Introduction

The focus of this research is to determine the factor influencing growth of SMEs and start-ups in Malaysia. It investigates the impact of adoption of digital marketing, brand recognition, customer engagement and profitability towards the growth of SMEs and start-ups in Malaysia. In this context, a preliminary research model is conceptualised and tested using a questionnaire survey. Data was collected from SMEs and start-up business representatives in Malaysia. Set of online questionnaires were distributed among the respondents to obtain result to support the hypothesis and to discuss further in this chapter.

The findings of the study are discussed in this chapter with reference to the relevant literature that has already been published. It also discusses the contributions and implications, limitations, recommendations for future research topics and conclusions of the findings. The study seeks to extend the adoption of digital marketing literature by examining the factors influencing growth of SMEs and start-ups in Malaysia. The finding suggests that the independent variable which is adoption of digital marketing price influences growth of SMEs and start-ups in Malaysia. Besides, this finding also shows that all the mediating variables which are brand recognition, customer engagement and profitability have strong impact towards the growth of SMEs and start-ups in Malaysia. The implications and contributions of the study of different entities will be described in this chapter. Possible recommendations in this context will also be highlighted in this chapter. The limitations of the study that have been understood after doing such proceedings will be disclosed. At the end of the study, the analysis of the findings from this chapter will be concluded in a simple manner.

5.2 Discussions of Major Findings

This section will discuss the results based on what the research found during the statistical and regression analysis while testing for the hypotheses. There were five hypotheses that were tested during the analysis by using IBM's SPSS software. The null hypotheses were rejected. The alternative hypotheses that were accepted stated at below table. These hypotheses have all met the study's objectives of investigating and analyzing growth of SMEs and start-ups in Malaysia through the adoption of digital marketing as their business strategy.

Table 5.1: Summary of Hypotheses Results

Hypotheses	Results
H1: Adoption of digital marketing has a positive effect towards the growth of SMEs and start-ups in Malaysia	Supported
H2: Adoption of digital marketing has a positive effect towards brand recognition, customer engagement and profitability of SMEs and start-ups in Malaysia	Supported
H3: Brand recognition has a positive effect towards the growth of SMEs and start-ups in Malaysia	Supported
H4: Customer engagement has a positive effect towards the growth of SMEs and start-ups in Malaysia	Supported
H5: Profitability has a positive effect towards the growth of SMEs and start-ups in Malaysia	Supported

Hypothesis 1: Adoption of digital marketing has a positive effect towards the growth of SMEs and start-ups in Malaysia

Based on the analysis of data collected through an online survey, it is evident that most of the respondents strongly agree that the utilization of digital marketing has a beneficial impact on the growth of SMEs and start-ups in Malaysia. The adoption of digital marketing is shown to influence brand recognition, customer engagement, and profitability, ultimately leading to increased growth for SMEs and start-ups in Malaysia. Additionally, there are various other reasons contributing to the growth of SMEs and start-ups through the implementation of digital

marketing strategies. These include cost-effective marketing, enhanced online visibility, targeted audience reach, access to valuable data and analytics, among others. Therefore, it is widely believed that representatives of SMEs and start-ups strongly recognize the numerous advantages of adopting digital marketing, which can significantly contribute to their growth and success in the competitive business landscape, allowing them to thrive in the digital economy.

Furthermore, the Pearson correlation analysis produced a coefficient value of 0.772, indicating a very strong and positive relationship between the adoption of digital marketing and the growth of SMEs and start-ups in Malaysia. The standardized coefficient beta demonstrates a coefficient of 0.779 and a p-value of <0.01 (less than the 0.05 alpha level), signifying that the adoption of digital marketing has a significant and positive impact on the growth of SMEs and start-ups in Malaysia.

Hypothesis 2: Adoption of digital marketing has a positive effect towards brand recognition, customer engagement and profitability of SMEs and start-ups in Malaysia

The utilization of digital marketing by SMEs and start-ups has the potential to impact several aspects that ultimately lead to business growth. This research study focuses on three factors: brand recognition, customer engagement, and profitability. The findings from the online survey indicate that most of the respondents strongly agree with the positive influence of digital marketing adoption on brand recognition, customer engagement, and profitability in their businesses. By implementing strategic digital marketing strategies, SMEs and start-ups can expand the reach of their brands, establish a robust online presence, and differentiate themselves from competitors by utilizing various digital channels. Furthermore, digital

marketing offers diverse opportunities for SMEs and start-ups to build trust, enhance customer relationships, and foster brand loyalty. Additionally, the adoption of digital marketing aids in boosting profitability through cost-effective advertising, targeted audience reach, and data-driven decision-making. The results of the Pearson correlation analysis demonstrate a very strong and positive relationship between the adoption of digital marketing and the aforementioned factors of brand recognition, customer engagement, and profitability. The correlation among these variables is highly significant, with a value of less than 0.01.

Hypothesis 3: Brand recognition has a positive effect towards the growth of SMEs and start-ups in Malaysia

The growth and success of SMEs and start-up businesses greatly depend on how well their brand is recognized. Creating a strong brand recognition has numerous advantages for these businesses, including the establishment of trust and credibility, gaining a competitive edge, enhancing the perception of quality and value, providing opportunities for expansion, and more. By investing in building a brand that is easily identifiable, these businesses can expedite their growth and secure a prominent position in the market. The findings from the online survey indicate that most of the respondents acknowledge the influential role of brand recognition in the growth of SMEs and start-up businesses in Malaysia. A Pearson correlation analysis yielded a coefficient value of 0.856, signifying a highly robust and positive relationship between brand recognition and the growth of these businesses in Malaysia. The standardized coefficient beta, with a value of 0.811 and a p-value of less than 0.01 (below the alpha level of 0.05), demonstrates that brand recognition has a significant and positive impact on the growth of SMEs and start-up businesses in Malaysia.

Hypothesis 4: Customer engagement has a positive effect towards the growth of SMEs and start-ups in Malaysia

Customer engagement plays a crucial role in the development of SMEs and start-ups in Malaysia. It involves implementing strategies and actions to cultivate strong relationships with customers. Successfully adopting digital marketing strategies can result in numerous favorable outcomes for business expansion. SMEs and start-ups can establish a solid foundation for growth and long-term success by fostering customer loyalty, encouraging positive word-of-mouth, enhancing customer lifetime value, gathering valuable feedback, building a strong brand identity, and gaining a competitive edge.

According to the findings of the online survey, respondents agree with the significant impact of customer engagement on the growth of SMEs and start-ups in Malaysia. Most of them strongly agree that the adoption of digital marketing influences the effects of customer engagement, ultimately contributing to the overall growth of businesses. The Pearson correlation analysis reveals a coefficient value of 0.801, indicating a very strong and positive relationship between customer engagement and the growth of SMEs and start-ups in Malaysia. Additionally, the standardized coefficient beta exhibits a value of 1.193 and a p-value of less than 0.01 (below the alpha level of 0.05), highlighting that customer engagement has the most significant and positive impact on the growth of SMEs and start-ups in Malaysia.

Hypothesis 5: Profitability has a positive effect towards the growth of SMEs and start-ups in Malaysia

The adoption of digital marketing has significantly influenced the profitability of SMEs and start-up businesses, leading to various benefits. Profitability serves as a crucial catalyst for the growth of SMEs and start-ups in Malaysia, empowering these businesses to reinvest, expand,

attract investments, retain talented individuals, foster innovation, acquire customers, and build resilience. By harnessing the power of digital marketing, SMEs and start-ups can achieve heightened profitability, establishing a solid foundation for sustainable growth and success in the Malaysian business landscape. The impact of digital marketing on profitability was assessed through the online survey, which revealed that respondents agreed on the positive effects of profitability on their businesses. Additionally, a thorough analysis of the collected survey data was conducted to examine the correlations and relationships between different factors. The Pearson correlation analysis yielded a coefficient value of 0.912, indicating a highly strong and positive relationship between profitability and the growth of SMEs and start-ups in Malaysia. Moreover, the standardized coefficient beta displayed a coefficient of 0.547 and a p-value of <0.01 (lower than the alpha level of 0.05), signifying that profitability has a significant and positive impact on the growth of SMEs and start-ups in Malaysia.

5.3 Research Contributions and Implications

The results of the study provide valuable insights for theory, research, and practical applications. It delves into the academic and theoretical contributions, followed by an exploration of the implications for management practice.

5.3.1 Contributions of the Study

The development and empirical testing of the adoption of digital marketing model is a key contribution of this study. Based on previous theories and researches regarding adoption of digital marketing and its outcomes together with the former model, it establishes a clear relationship between (a) adoption of digital marketing by SMEs and start-ups in Malaysia, (b) brand recognition, (c) customer engagement, (d) profitability and (e) growth of SMEs and start-ups in Malaysia. The purpose of this study was to promote the adoption of digital marketing as a business development strategy by SMEs and start-ups in Malaysia. A model of the factors

influencing the growth of SMEs and start-ups in Malaysia was built based on findings of relevant literatures and validated using survey data. All conceivable causal relationships in the suggested model were experimentally evaluated, and the findings supported the study's hypothesis: adoption of digital marketing, brand recognition, customer engagement and profitability all have positive effects on growth of SMEs and start-ups in Malaysia. The suggested model can serve as a foundation for future study to gain a better knowledge and understanding of the relationships between key variables and as a conceptual framework for studying the factors affecting the growth of SMEs and start-ups in Malaysia.

Finally, the findings of this thesis provide empirical evidence of the adoption of digital marketing, brand recognition, customer engagement and profitability influence on growth of SMEs and start-ups in Malaysia. To the best of the researcher's knowledge, there are very less empirical studies been conducted to date that identifies the factors impacting growth of SMEs and start-ups through adoption of digital marketing into the SMEs and start-ups notably in Malaysia. The current study may lead international researchers to have a better understanding of the significance of adoption of digital marketing, brand recognition, customer engagement and profitability to growth of businesses in digital marketing settings, particularly in the context of SMEs and start-ups in Malaysia. Hence, this study is beneficial because it helps readers deeply understand the relationship and interaction between these variables with growth of SMEs and start-ups in the existing and future digital marketing context.

5.3.2 Implications of the Study

The outcomes of this investigation have both practical and theoretical relevance. It is critical for companies to understand factors influencing growth of the businesses through the adoption of digital marketing technology as part of their business strategy. This study effectively found the independent variable, adoption of digital marketing and the three mediating variables which

are brand recognition, customer engagement and profitability have positive and strong significant link in influencing the growth of the SMEs and start-up businesses in Malaysia.

Many marketers confront the underlying problem of how to efficiently retain and maintain the growth of their businesses while pursuing within a competitive business market. The former market is very true for the SMEs and start-ups sectors, where the churn rate can be considered high before the adoption of digital marketing into their businesses. Since the SMEs and start-ups lack in digital marketing implementation, they are exposed to high risk of facing very high churn rate as they failed to connect with potential customers or unable to have wider reach to target specific demographics more effectively. This could negatively impact on the factors that can influence the growth of the SMEs and start-ups. Although SMEs and start-ups owners can use a normalized marketing approach that concentrates on the ordinary factor that may impact their business growth, this approach can appear to misinterpret the variables influencing growth of the SMEs and start-up businesses in the digital marketing context. The former can lead to economic and time inefficiencies. This finding suggests that SMEs and start-ups stakeholders to adopt digital marketing strategies to improve their businesses' growth.

This study can suggest that SMEs and start-ups in Malaysia should incorporate the adoption of digital marketing as a variable for reaching a higher effectiveness level in developing their businesses' growth. The customers were noticed to assign a significant level of importance to digital marketing. These results would identify the strategic implementation in the adoption of digital marketing strategies as the important aspects of the marketing activities for the SMEs and start-ups in Malaysia. Moreover, SMEs and start-ups owners should consider the importance of digital marketing which can help in giving a positive result for their brand recognition, customer engagement rate and profitability which eventually will contribute to positive growth of the SMEs and start-ups. By adopting the proper digital marketing strategies,

it can lead to brand recognition, customer engagement, and profitability which are important factors for business growth because they contribute to differentiation, customer loyalty, market expansion, customer satisfaction, feedback-driven improvement, relationship building, financial stability, investor attractiveness, and competitive advantage. Focusing on these factors helps businesses thrive in today's competitive landscape. In this study, from the data analysis, it is observed all these factors have a significant relationship among each other and positively influencing the growth of the SMEs and start-ups in Malaysia.

5.4 Limitations of the Study

There are several limitations associated with the current study and its analysis that need to be acknowledged. Firstly, the study relied on a simple random sampling method, which may introduce sampling bias and limit the generalizability of the findings to the wider population. To enhance the external validity of the study, future research could employ more diverse and representative sampling techniques. Secondly, the study depended on self-reported measures, which are susceptible to response biases due to the use of questionnaires and subjective interpretations. Participants' responses could be influenced by factors such as social desirability bias or recall bias, thereby impacting the accuracy and reliability of the data. To address these limitations, future studies could consider incorporating objective measures or exploring alternative methods of data collection.

Another limitation is that the study focused on a specific set of independent variable and mediating variables, namely adoption of digital marketing, brand recognition, customer engagement and profitability. Other relevant factors that may influence the growth of SMEs and start-ups in Malaysia were not included in the analysis. Future studies may consider incorporating a broader range of variables to provide a more comprehensive understanding of the determinants of growth of SMEs and start-ups in Malaysia. Lastly, the sample size of 250

in the study can be considered relatively small, which may limit the statistical power and generalizability of the findings. Future research with larger sample sizes would enhance the robustness of the results and increase confidence in the conclusions drawn.

When interpreting the findings of the study, it is crucial to take these limitations into account. Future research should strive to overcome these limitations by employing objective measures, expanding the sample size, including diverse demographic groups, and incorporating a broader range of variables. By doing so, a more comprehensive and reliable understanding of the phenomenon can be attained. Notwithstanding these limitations, the present study offers valuable insights into the factors that impact the growth of SMEs and start-ups in Malaysia. It establishes a foundation for future research in this field and presents practical implications for business owners and policymakers seeking to effectively promote the adoption of digital marketing as one of their business strategies.

5.5 Recommendations for Future Research

There are several potential areas for future research studies in the context of adoption of digital marketing as a business development strategy by SMEs and start-ups in Malaysia. Here are some recommendations:

- **Factors influencing digital marketing adoption:** Researchers may investigate the specific factors that influence the adoption of digital marketing strategies in SMEs and start-ups. This could include factors such as organizational characteristics, resources, knowledge and skills, industry-specific factors, and external influences.
- **Barriers to digital marketing adoption:** Researchers may explore the barriers and challenges faced by SMEs and start-ups in adopting digital marketing practices. This could

involve identifying common obstacles such as limited budgets, lack of expertise, resistance to change, technological infrastructure limitations, or regulatory issues.

- **Digital marketing strategies and tactics:** Researchers may examine the different digital marketing strategies and tactics employed by successful SMEs and start-ups. Analyze the effectiveness of various approaches, such as social media marketing, content marketing, search engine optimization (SEO), email marketing, influencer marketing, and online advertising, in driving customer engagement and business growth.
- **Resource allocation and investment in digital marketing:** Researchers may investigate how SMEs and start-ups allocate their resources, both financial and human, to support digital marketing initiatives. Examine the relationship between resource allocation, digital marketing investments, and overall business performance.
- **Digital marketing performance measurement and evaluation:** Researchers may explore the metrics and methods used by SMEs and start-ups to measure the effectiveness and return on investment (ROI) of their digital marketing efforts. Identify best practices for performance measurement, tracking key performance indicators (KPIs), and evaluating the impact of digital marketing campaigns.
- **Adoption of emerging technologies:** Researchers may examine the adoption and integration of emerging technologies, such as artificial intelligence (AI), machine learning, chatbots, virtual reality (VR), or augmented reality (AR), in the digital marketing strategies of SMEs and start-ups. Assess the benefits, challenges, and opportunities associated with these technologies.
- **Cross-cultural and international perspectives:** Researchers may investigate the adoption of digital marketing practices in SMEs and start-ups across different countries and cultural contexts. Compare and contrast the factors influencing digital marketing

adoption, strategies employed, and performance outcomes in various international markets.

- **Support mechanisms and policies:** Researchers may evaluate the role of government policies, industry associations, and support mechanisms in facilitating the adoption of digital marketing by SMEs and start-ups. Identify the initiatives and interventions that can enhance digital marketing capabilities and provide necessary resources to smaller businesses.
- **Long-term impacts and sustainability:** Researchers may examine the long-term impacts of digital marketing adoption on SMEs and start-ups, including effects on business growth, competitiveness, and sustainability. Assess how digital marketing capabilities contribute to long-term success and explore strategies for sustaining and evolving digital marketing practices over time.

These research areas provide a starting point for further investigation into the adoption of digital marketing in SMEs and start-ups. Conducting empirical studies, surveys, case analyses, and qualitative research can contribute valuable insights to the existing body of knowledge and help practitioners, policymakers, and researchers better understand the challenges and opportunities in this domain.

5.6 Conclusion

This chapter summarizes the entire report in statistical analysis based on the findings and detailed explanation. All the concepts and factors of growth of SMEs and start-ups in Malaysia by adopting digital marketing strategies were based on previous empirical investigations, and the hypotheses were formed on that basis. In conclusion, the research on the adoption of digital marketing by SMEs and start-ups in Malaysia has shed light on the increasing significance of digital strategies in the contemporary business landscape. Through the analysis of data collected from 250 respondents, several key findings and conclusions were drawn. The data collected was examined for reliability, correlation and multiple regression using the SPSS program. The findings indicate that SMEs and start-ups in Malaysia recognize the potential of digital marketing, as there are strong and significant relationship among the variables (brand recognition, customer engagement and profitability) that influence the growth of SMEs and start-ups in Malaysia.

There are also some contributions, implications, limitations and recommendations for future research been discussed in this chapter 5. All the findings had been addressed to the research questions, and the study's objectives had been achieved. With the help of the analysis of the findings, it has been explained that the data collected from the online survey are valid and reliable. Besides, this study provides valuable insights into the factors that influence the growth of SMEs and start-ups in Malaysia through adoption of digital marketing, and the findings can be used by practitioners and researchers in the industry to develop effective marketing strategies and improve their business marketability. Moreover, there are various benefits and opportunities that digital marketing presents, such as increased market reach, cost-effectiveness, and improved customer engagement. To fully leverage the potential of digital marketing, it is crucial for SMEs and start-ups to invest in training programs, seek

collaborations and partnerships, and embrace a digital-first mindset. Policymakers and industry stakeholders should provide adequate support, including financial assistance and infrastructure development, to foster the digital transformation of SMEs and start-ups in Malaysia. Overall, by embracing digital marketing, SMEs and start-ups in Malaysia can enhance their brand recognition, customer engagement and profitability which can lead to better growth of the SMEs and start-ups and contribute to the country's economic growth in the digital era.



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APPENDICES

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Appendix A: Closed-ended Questionnaire

Section A: Demographic

Please select one (1) answer that best describe yourself.

1. What is your gender:

Male	<input type="checkbox"/>
Female	<input type="checkbox"/>

2. What is your age:

18 - 25	<input type="checkbox"/>
26 - 35	<input type="checkbox"/>
36 - 45	<input type="checkbox"/>
46 - 55	<input type="checkbox"/>
> 56	<input type="checkbox"/>

3. What is your highest education level:

High school	<input type="checkbox"/>
Diploma	<input type="checkbox"/>
Bachelor's Degree	<input type="checkbox"/>
Master	<input type="checkbox"/>
PhD	<input type="checkbox"/>

4. Job Level Position:

CEO / Director	<input type="checkbox"/>
Manager	<input type="checkbox"/>
Executive	<input type="checkbox"/>
Non-Executive	<input type="checkbox"/>
Intern	<input type="checkbox"/>

5. Monthly Business Income/Revenue:

Less than RM10,000	<input type="checkbox"/>
RM10,000 – RM30,000	<input type="checkbox"/>
RM30,000 – RM60,000	<input type="checkbox"/>
RM60,000 – RM100,000	<input type="checkbox"/>
More than RM100,000	<input type="checkbox"/>

6. Region / Location:

Central (Selangor, Kuala Lumpur, Putrajaya)	<input type="checkbox"/>
Southern (Negeri Sembilan, Malacca, Johor)	<input type="checkbox"/>
Northern (Perlis, Kedah, Penang, Perak)	<input type="checkbox"/>
East Coast (Kelantan, Terengganu, Pahang)	<input type="checkbox"/>
Sabah, Sarawak, Labuan	<input type="checkbox"/>

Section B: Adoption of Digital Marketing by SMEs and Start-ups in Malaysia

Please indicate your opinions on a 5-point scale to the following statements regarding factors influencing adoption of digital marketing by SMEs and Start-ups in Malaysia.

(1–strongly disagree, 2–disagree, 3-neutral, 4-agree, 5-strongly agree)

Factors influencing adoption of digital marketing	Strongly disagree ←————→ Strongly agree				
	1	2	3	4	5
I feel competitive pressure, that's why I adopted digital marketing in my business					
Experience of digital marketing after adoption is even better and more positive than before					
Digital marketing is efficient and easy to adopt for business operations					
Adoption of digital marketing makes promotion easier and cheaper than before					
Adoption of digital marketing helps to promote business in the society					
Adoption of digital marketing by SMEs and start-ups is important for business' overall growth in the future					

Section C (a): Brand Recognition

Please indicate your opinions on a 5-point scale to the following statements regarding factors influencing growth of SMEs and Start-ups in Malaysia.

(1–strongly disagree, 2–disagree, 3-neutral, 4-agree, 5-strongly agree)

Factors influencing growth of SMEs and Start-ups in Malaysia	Strongly disagree ←————→ Strongly agree				
	1	2	3	4	5
<i>a. Brand Recognition</i>					
Adoption of digital marketing creates a favourable image in the industry					
Adoption of digital marketing creates a brand awareness among the consumers without boundaries within short period of time					
Brand recognition can impact on consumers' behaviour and purchase intention					
Digital marketing usage helps to increase customer's brand loyalty and trust					
Adoption of digital marketing helps to measure the effectiveness and performance of my brand awareness campaigns towards the consumers					
Brand recognition is important for SMEs and start-up businesses' overall growth in the future					

Section C (b): Customer Engagement

Please indicate your opinions on a 5-point scale to the following statements regarding factors influencing growth of SMEs and Start-ups in Malaysia.

(1–strongly disagree, 2–disagree, 3-neutral, 4-agree, 5-strongly agree)

Factors influencing growth of SMEs and Start-ups in Malaysia	Strongly disagree ←————→ Strongly agree				
	1	2	3	4	5
b. Customer Engagement					
Adoption of digital marketing makes interaction of consumer and business clear and understandable					
Adoption of digital marketing increases the customer engagement towards the business					
Adoption of digital marketing helps to build credibility and trust among the consumers					
Adoption of digital marketing helps to attract new consumers and increase the customer base					
Adoption of digital marketing increases customers' loyalty towards the business					
Customer engagement is important for SMEs and start-up businesses' overall growth in the future					

Section C (c): Profitability

Please indicate your opinions on a 5-point scale to the following statements regarding factors influencing growth of SMEs and Start-ups in Malaysia.

(1–strongly disagree, 2–disagree, 3-neutral, 4-agree, 5-strongly agree)

Factors influencing growth of SMEs and Start-ups in Malaysia	Strongly disagree ←————→ Strongly agree				
	1	2	3	4	5
<i>c. Profitability</i>					
Adoption of digital marketing increases the sales and profitability of the business					
Adoption of digital marketing helps in achieving high throughput and conversion rate					
Digital marketing strategies help SMEs and start-ups to compete with established companies in the field of marketing for competitive advantage					
Digital marketing strategies helps SMEs and start-ups to increase their market share and boost company's profits					
Adoption of digital marketing is truly cost-efficient compared to traditional marketing method					
Profitability is important for SMEs and start-up businesses' overall growth in the future					

Section D: Growth of SMEs and Start-ups in Malaysia

Please indicate your opinions on a 5-point scale to the following statements regarding influence of growth of SMEs and Start-ups in Malaysia.

(1–strongly disagree, 2–disagree, 3-neutral, 4-agree, 5-strongly agree)

Influence of growth of SMEs and Start-ups in Malaysia	Strongly disagree ←————→ Strongly agree				
	1	2	3	4	5
Adoption of digital marketing increases my business productivity and efficiency					
Adoption of digital marketing improves the business performance					
Digital marketing is a strategic online platform for job searching, recruitment, and career growth for SMEs and start-ups					
I would wish to continue implementing digital marketing as part of business development strategy					
I would recommend other SMEs and start-ups' owners and employees to implement digital marketing into their businesses					
I believe digital marketing adoption into businesses could help to grow the company in the future					

APPROVAL PAGE

TITLE OF PROJECT: THE ROLE OF DIGITAL MARKETING AS BUSINESS DEVELOPMENT STRATEGY FOR SMES AND START UPS IN MALAYSIA

NAME OF AUTHOR: MOHAMAD HAFEEZ BIN ABDUL RAHIM

The undersigned is pleased to certify that the above candidate has fulfilled the condition of the project paper prepared in the partial fulfilment for the award of the degree of Master of Business Administration.

SUPERVISOR

Signature : _____
Name : _____
Date : _____



ENDORSED BY:

Dean
Graduate School of Business
Date: