

AWARENESS OF SMALL AND MEDIUM ENTERPRISES ON COMPETITION ACT 2010 AND MALAYSIAN COMPETITION COMMISSION

Hasnah Haron¹, Ishak Ismail², Yuvaraj Ganesan³ and Idris Gautama So⁴

^{1,2}Universiti Malaysia Pahang, Pahang, Malaysia

³Universiti Sains Malaysia, Penang, Malaysia

⁴Bina Nusantara University, Jakarta, Indonesia

Abstract

The objectives of this research are to examine the awareness level of Small and Medium Enterprise (SMEs) and their knowledge of the CA2010 and of the role of MyCC. In addition, further analysis the level of awareness of SMEs by state, market structures and sectors and also compared with baseline study which conducted in year 2013. A total of 154 respondents involved in this study and the results show that increased in SMEs awareness and knowledge about the MyCC and CA2010. The results showed most of states were aware of the existence of MyCC and CA2010. Meanwhile, in term of market structures, the export-oriented businesses have higher level of awareness of compared than the domestic-driven businesses. The study will benefit the relevant authority to strategies the activities plan to enhance to their service quality and knowledge about the competition act.

Keywords: SMEs, Competition Act 2010, effectiveness MyCC, Malaysia

INTRODUCTION

The Competition Act 2010 was gazetted on June 2010 and came into force on 1 January 2012. The Act is administered by the Malaysian Competition Commission (MyCC) which was established under the Competition Commission Act 2010. Since its establishment, MyCC had conducted advocacy nationwide in an effort to introduce the Competition Act 2010 to Malaysian mainly to business community. Starting from 2011 up to 2016, MyCC had conducted 188 advocacy programs nationwide

as shown in Figure 1.

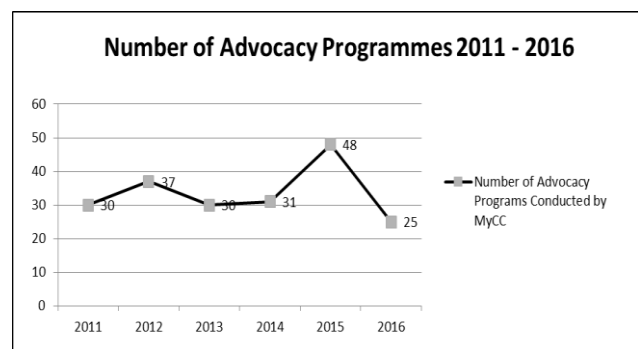


Figure 1. Number of Advocacy Programmes Conducted by MyCC 2011 – 2016.

Source: Chart constructed based on data from MyCC website: www.mycc.gov.my

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Email Addresses:

hasnahharon@ump.edu.my (Hasnah Haron)*

ishakismail@ump.edu.my (Ishak Ismail)

yuvaraj@usm.my (Yuvaraj Ganesan)

igautama@binus.edu (Idris Gautama So)

*Corresponding author

In 2013, MyCC had conducted a baseline study to gauge the level of awareness of the Competition Act 2010 among businesses. Despite having conducted 97 advocacy programs nationwide between 2011 and 2013 as depicted by Figure 1, the Baseline Study (2013) indicated low level of awareness and

knowledge of the Competition Act 2010 among the 14 states in Malaysia especially Perlis, Melaka and Sabah having a zero level of awareness and knowledge of the Act as shown in Figure 2 and Figure 3. This 2013 Baseline Study's (2013) findings set out as a crucial indicator of MyCC's effectiveness and quality of the advocacy and outreach programs carried out. Thus, MyCC should build relevant advocacy programs that could enhance the knowledge requires for Malaysia to have a healthy competitive market which is one of the important agenda in achieving the one Asean community.

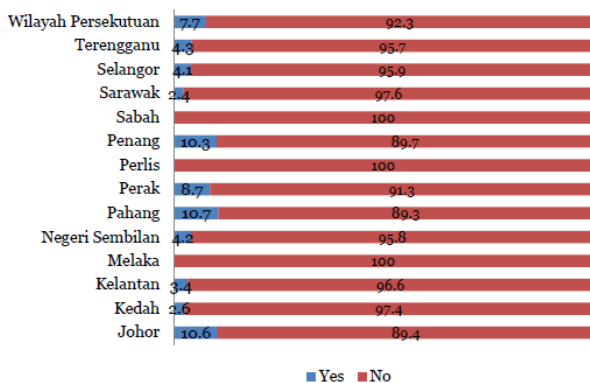


Figure 2. Awareness of CA 2010 by State

Source: Baseline Study on Awareness of CA 2010 in Malaysia for MyCC, 2013.

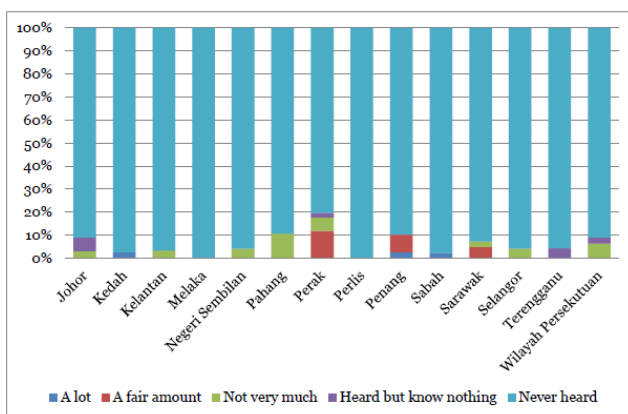


Figure 3. Knowledge about CA 2010 by State

Source: Baseline Study on Awareness of CA 2010 in Malaysia for MyCC, 2013

In this study, SMEs are the primary stakeholders to enable a comparative to be done with the 2013 Baseline Study. SMEs are acknowledged as the backbone of Malaysian's economy as SMEs represents 97% of business

establishments contributing towards 36% of nation's GDP, 65% of the nation's employment and 18% of nation's export (The World Bank, 5 July 2016).

Furthermore, after Baseline Study in 2013, MyCC has undertaken the necessary steps to raise the awareness (knowledge) of the Act. Therefore, it is timely to undertake another study to measure the level of awareness (knowledge) of the public towards the Act if it has increased or not. In addition, the current study should also include the perception of stakeholders on the quality of advocacy and outreach programs and the role of Malaysian Competition Commission (MyCC) and its enforcement effectiveness (quality) of MyCC.

LITERATURE REVIEW

Various studies in many field of research have shown that education and training are important elements in raising awareness and knowledge (Seay, Carswell, Wilmarth & Zimmerman, 2014; Yap & Ineson, 2010; Hawkins, Madsen & Ulhøi, 2001). Competition authorities, The UK Office of Fair Trading (OFT) for example, in its 2010 study defines that 'knowledge' is inclusive of the general knowledge about OFT's 'role' including its guidance, tools and specific interventions/investigations and the detailed knowledge about competition law (i.e anticompetitive behaviour types). Hoj (2007) found that OECD countries' general competition policy framework has been improving with further improvement needed in promoting competition within the industries. In the year of 2013, study was conducted to ascertain the level of awareness of CA 2010 among business entities in Malaysia after one and half years of CA 2010 being implemented. The report indicated a very low level of awareness of MyCC's existence and CA 2010 among the respondents. Only 8.9% of total respondents were aware of MyCC's existence through internet, business link, newspaper and television/radio as the most important mode of assessing information. Across states in Malaysia, the report indicated respondents from Melaka and Perlis having zero level of

awareness. Only 6.6% of total respondents were aware about CA 2010 through similar channels of business information with addition of trade publications. All states across Malaysia except Perak (11.8%) indicated low knowledge level of CA 2010 (below 10%). Overall, the knowledge level of CA 2010 across states came up lower when compared with the level awareness of MyCC. Further, the report found no significant difference between domestic-driven (7.6%) and export-oriented business (6.2%) in terms of awareness level of MyCC. Also, large sized businesses having a greater knowledge about MyCC and decreases as business gets smaller. This report indicated that business entities had a good understanding of what were legal vs illegal practices with almost half of respondents (38.4% to 50.5%) identified all nine illegal practices and 12.7% to 19.6% identified illegal under certain circumstances. About 17.7% to 26.7% respondents indicated those practices as illegal and 13.5% to 20.3% did not know about the practices.

On other hand, the study conducted in the year 2014 by Competition Commission of Singapore (CCS) found that significant increase in the number of experiences shared with CCS reflecting on the increased level of awareness of competition law and CCS's activities. Further, the study noted that respondents were of the opinion that market was dominated by large players making it difficult for small businesses and SMEs to compete in the marketplace. Also, respondents agreed that businesses were colluding and insufficient competition existed in the marketplace. This study propagated that small businesses and consumers to be given more education clarifying on the roles and responsibilities of CCS and the types of anti-competitive behaviours prohibited in the marketplace. Businesses recognized CCS's enforcement activities as generally effective, rigorous in its analysis and makes objective and sound decisions; however, the rating has fallen for consumers.

Meanwhile, Information Technology (IT) presents a dynamic platform for Competition

Commission worldwide to perform advocacy and outreach work. The common platform that is being used is by having commissions' official websites. To follow suit the development of IT, some competition commissions utilizes social media to to perform advocacy and outreach work such as the Competition Commission South Africa, Competition Commission Singapore and Competition Commission Philippines had created official **Facebook** to reach out to public. Besides, The Competition Commission South Africa uses **Instagram** and UK Competition Commission and European Commission uses **Twitter** and Competition Commission Singapore and The Competition Commission South Africa also utilizes **YouTube** in their course of work. Thus, it is important for MyCC to emphasis in information technology or social media to promote the competition act and the existence of MyCC.

MATERIALS AND METHODS

A quantitative approach was applied to accomplish the research objectives of this study. Further, this study was utilized cross-sectional design and the unit analysis is organization level. The study was based on primarily data which was collected use questionnaire e-survey. A total of 750 SMEs companies that were chosen as sample size and convenience sampling was utilised for this study. The questions were adapted from Baseline Study 2013 conducted in Malaysia and CCS Stakeholder Perception 2012 in Singapore.

The level of awareness of MyCC and CA 2010 was measured by binary (yes or no) method which requested the respondents to state whether they have heard about MyCC/CA 2010 before this. In addition, the respondents also need to state in overall how much they know about the MyCC/CA 2010 in the scale of 5 which highest is a lot to a never heard of it.

RESULTS AND DISCUSSIONS

Business Characteristics and Respondent Background

A total of 154 respondents of SMEs were involved in this research which consist of 94 services (61%), 44 manufacturing (29%), 7

construction (4%), 6 agriculture (4%) and 3 mining (2%) companies as shown in Figure 4.

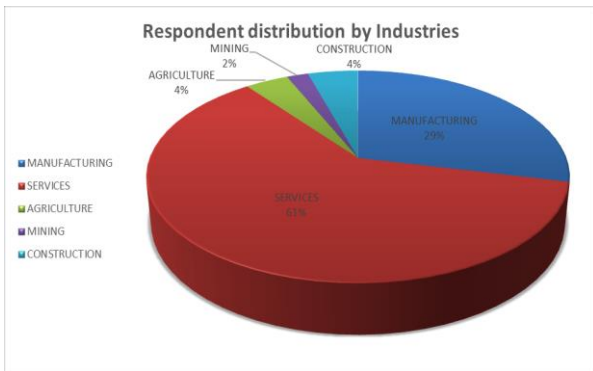


Figure 4. Respondent distribution by Industries

By referring to Figure 5, it is certain that most of the respondents were from Penang (31.8%) followed by Melaka (13.6%).

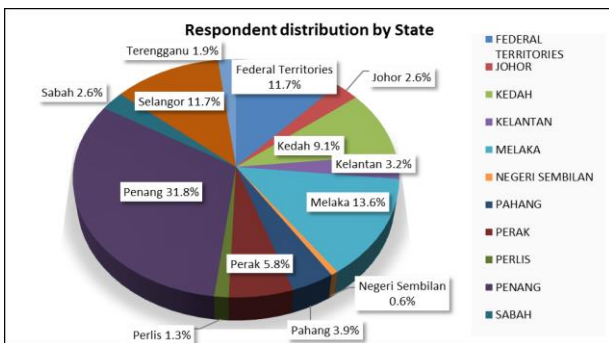


Figure 5. Respondent distribution by state

Awareness of MyCC and CA 2010

The respondents were asked whether they are aware of MyCC’s existence. The survey indicated that only 67.5% of total respondents noticed the existence of MyCC. If the respondents have heard about MyCC, they were further requested to indicate 16 possible sources of obtaining information about MyCC as showed in figure 6. The Internet, MyCC website, newspaper and television/radio were perceived to be the most important mode of accessing of information by businesses.

The high level of awareness on the existence of MyCC also implies a high level of awareness on the CA 2010. Results indicated that 56.5% of the total respondents were aware about CA 2010. Among the 16 sources of information - Internet, MYCC, newspaper, television/radio and MYCC publication were the most important channel of information dissemination rated by the group.

Overall, the level of knowledge on the existence of MyCC and CA 2010 is very high. The scoring for knowledge was combined into five categories: “a lot”, “a fair amount”, “not very much”, have heard of it but know nothing about it” and “never heard of it”. Results indicated that below 50% of the total respondents never heard about MyCC and CA 2010.

Table 1. The level of awareness and knowledge about MyCC and CA 2010

	Level of awareness		Level of knowledge			
	Yes	No	A lot	A fair amount	Not very much	Have heard but know nothing
MyCC	67.5%	32.5%	0.0%	9.6%	50.0%	40.4%
CA 2010	56.5%	43.5%	10.3%	14.9%	40.2%	34.5%

Compared to Baseline Study 2013 reported a very low level of awareness of MyCC’s existence and CA 2010 among the respondents. Only 8.9% of total respondents were aware of MyCC’s existence through internet, business link, newspaper and television/radio as the most important mode

of assessing information. Only 6.6% of total respondents were aware about CA 2010 through similar channels of business information with addition of trade publications. It is revealed that the advocacy and outreach program by MyCC have impact to the business community mainly SMEs.

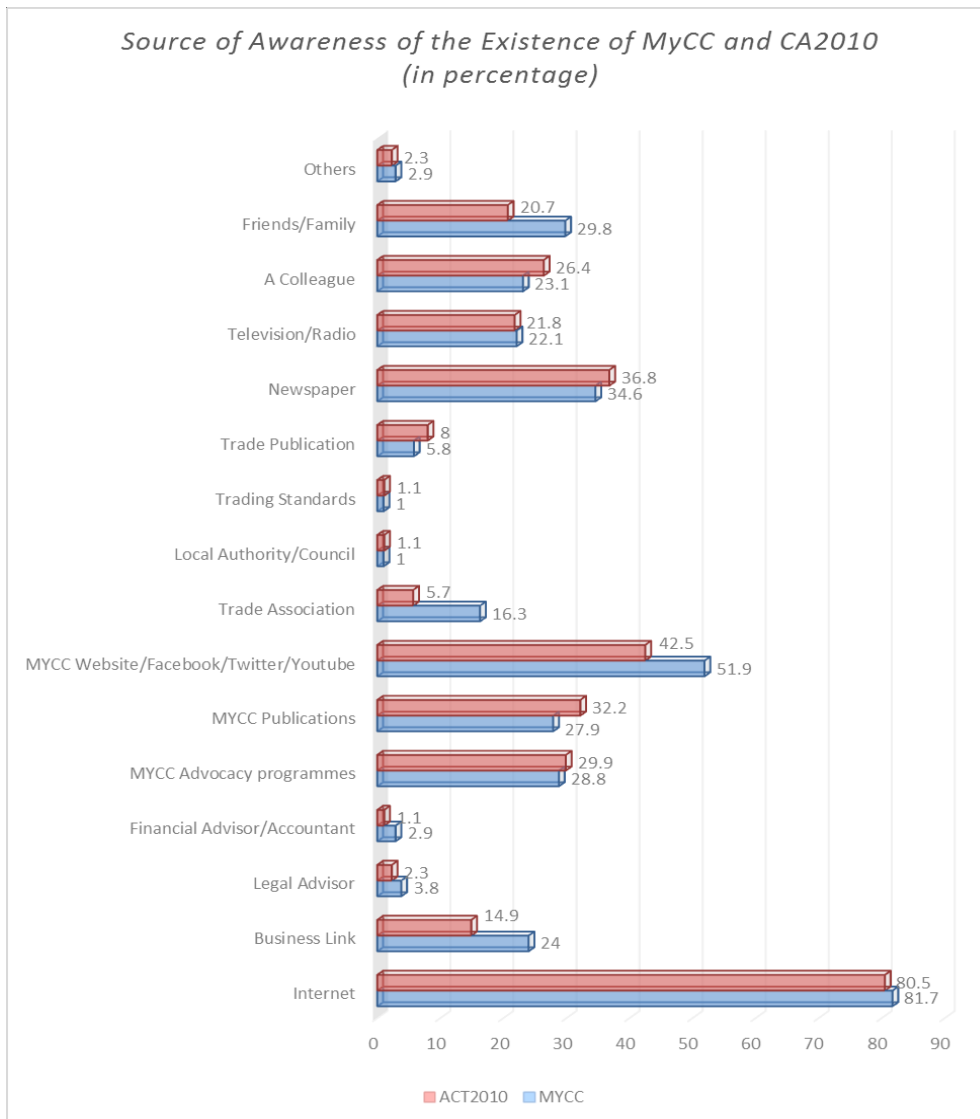


Figure 6. Source of Awareness of the existence of MyCC and CA2010

Level of Awareness by States, Market Structures and Sectors

Meanwhile, further analysis on the level of awareness of MyCC and CA 2010 follow the across states, market structures and sectors have conducted. The results for the awareness level of MyCC are indicated almost all responding businesses in every state were aware of the existence of MyCC. Extreme observations are coming from Negeri Sembilan and Perlis where 100% of responding

businesses had awareness of MyCC. In reference to Figure 7, the percentage of responding businesses that knew about the existence of MyCC is also high from the following states: Selangor (88.9%), Johor (75%), Penang (73.5%) and Federal Territories (61.1%). However, the highest responding businesses that had is not aware about MyCC is from Terengganu (66.7%). Only 11.1% of responding businesses in Selangor never heard about MyCC and 25% in Johor.

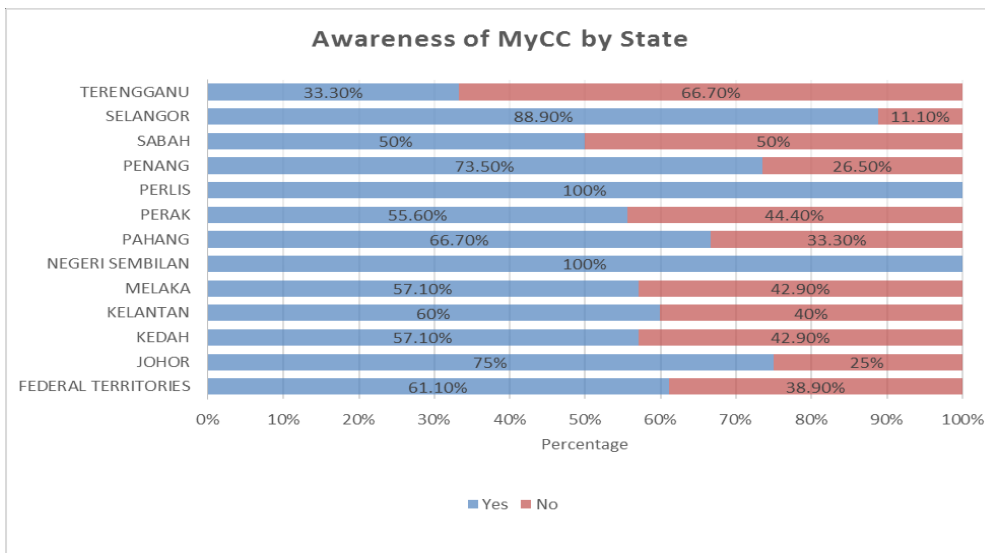


Figure 7. Awareness of MyCC by State

Knowledge about MyCC by state can be seen in Figure 8. All the respondents from Terengganu have heard of MyCC but know

nothing about MyCC. Federal territories, Kedah, Melaka, Perak and Penang have respondents who know a fair amount of MyCC.

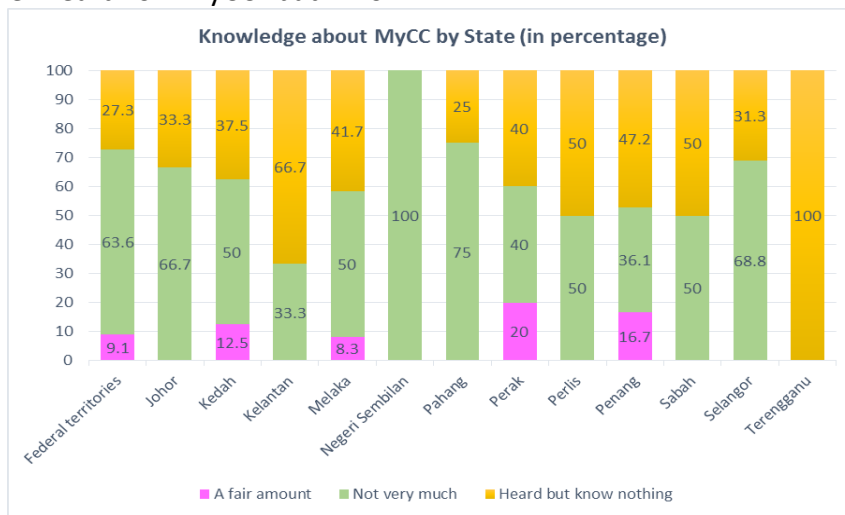


Figure 8. Knowledge about MyCC by State

Meanwhile, awareness level and of MyCC are closely associated with business sizes. Construction industry, medium sized and micro enterprises, has 100 percent level of awareness. Level of awareness is 100 percent for medium small and micro sized enterprises

Agriculture sector. On the other hand, more the 60% of respondents in all categories sized for manufacturing and services sector have awareness level about MyCC. This can be seen in Figure 9.

Awareness of Small and Medium Enterprises

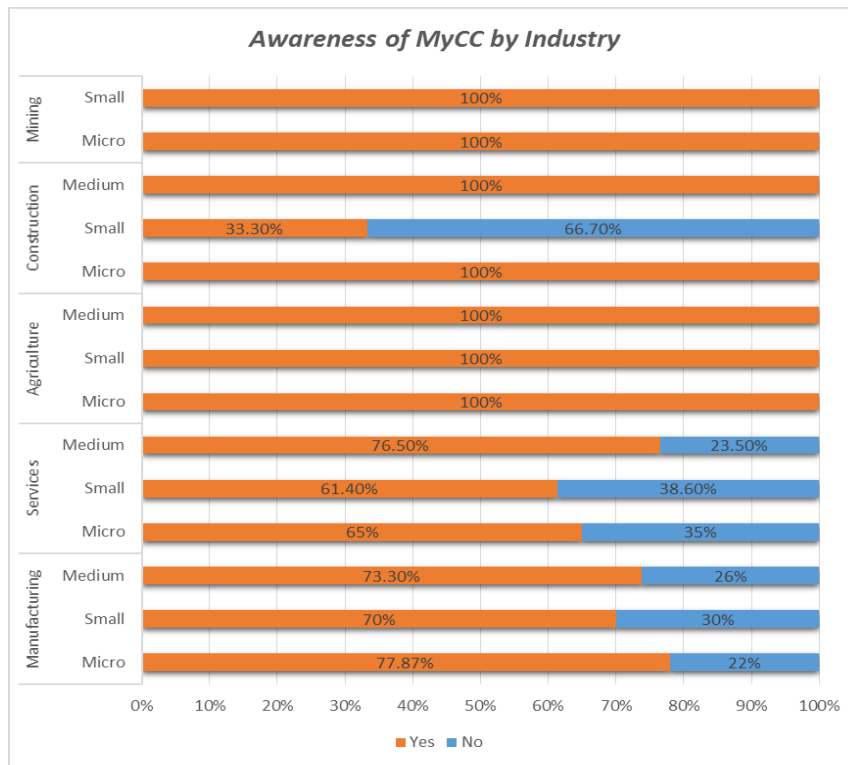


Figure 9. Awareness of MyCC by Industry

The knowledge of MyCC according to Industry as depicts in figure 10. Manufacturing, Services and Agriculture has some of the respondents with a fair amount of knowledge

about MyCC. However, some respondents in the small Mining industry have heard about it but know nothing about it.

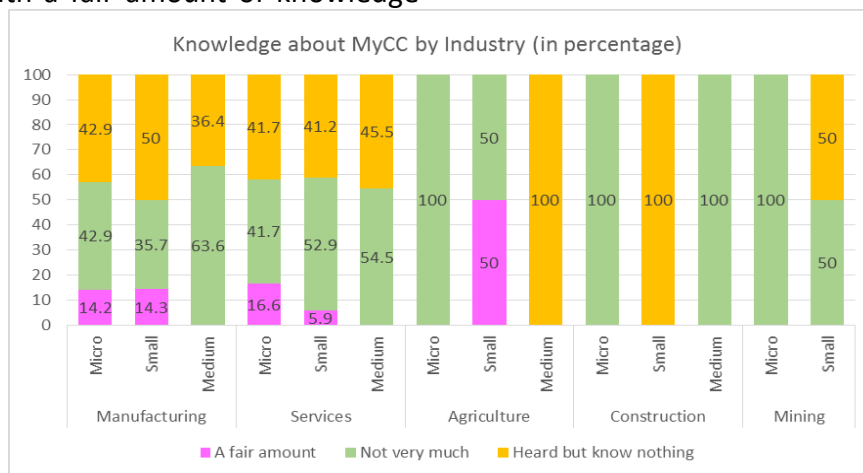


Figure 10. Knowledge about MyCC by Industry

The level of awareness of MyCC for domestic-driven and export-oriented businesses did not differ significantly. Results showed that 66.7% of domestic-driven businesses were aware of MyCC's existence while 87.5% representing the export-oriented businesses. The level of knowledge about MyCC was higher for export-oriented

businesses compared to domestic-driven businesses. Specifically, 28.6% of export-oriented businesses had a fair amount of knowledge with respect to MyCC as compared to only 10.3% for domestic-driven businesses. On the other hand, the results for the awareness level of CA 2010 exposed that that awareness level of CA 2010 across all states is

considerably similar with the level of awareness of MyCC. Figure 11 below depicted the highest percentage score for awareness of CA 2010, 100% from Perlis and followed by three states: Johor (75%), Sabah (75%) and Penang (65.3%).

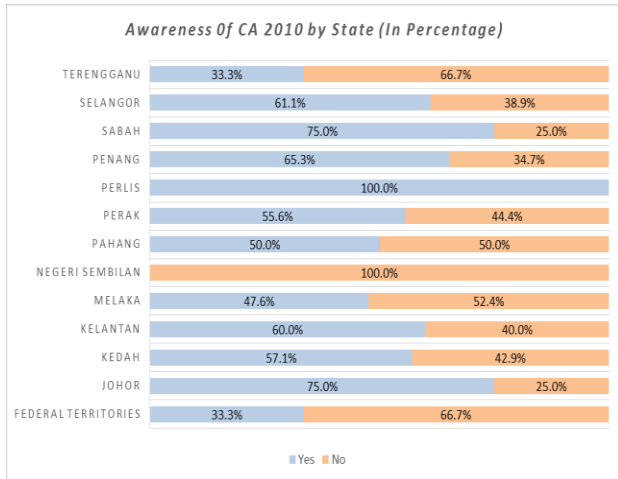


Figure 11. Awareness of CA 2010 by State

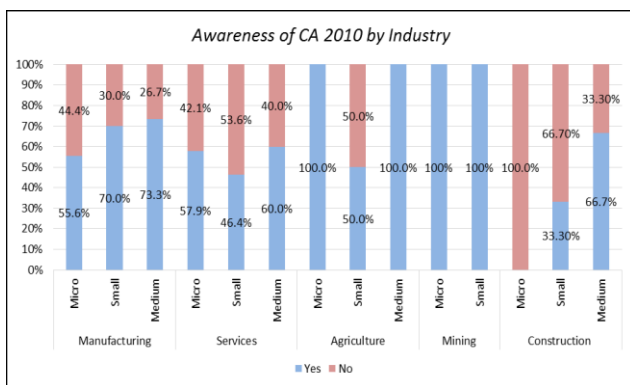


Figure 12. Awareness of CA 2010 by Industry

Figure 13 showed that majority of all states showed that they have knowledge about CA 2010 but not very much of it. Meanwhile, Kelantan (33.3%), Kedah (25%), Federal Territories (16.7%), Penang (12.5) and Melaka (10%) have a lot of knowledge about CA 2010. Surprisingly, all the respondents from Terengganu have heard of CA 2010 but know nothing about the act.

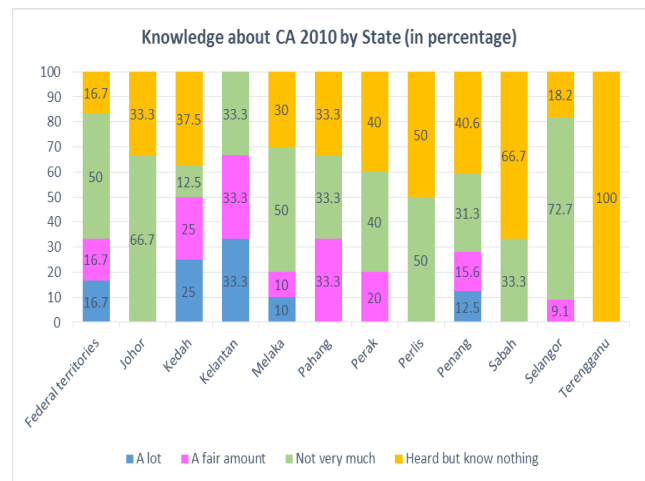


Figure 13. Knowledge about CA 2010 by State

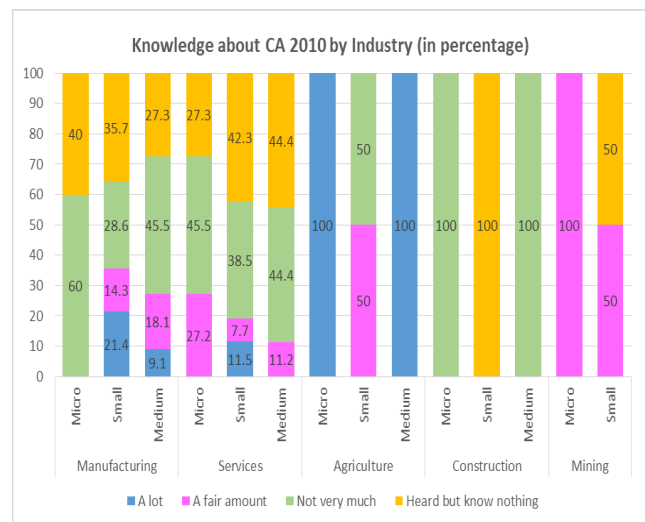


Figure 14. Knowledge about CA 2010 by Industry

Surprisingly, the result display in figure 14 showed that, majority of the business sizes in the industry as being the least knowledgeable about CA 2010. However, for agriculture micro and medium size companies indicated 100% knowledge about CA 2010. Only 50% small companies in the mining sector have heard of CA 2010 but know nothing about it. In addition, the awareness level of CA 2010 for domestic-driven businesses is considerably good as more than half of respondents 53.8% of domestic-driven businesses were aware of the CA 2010. For the export-oriented businesses, the level of awareness of CA 2010 was higher than the domestic-driven businesses. However, the level of knowledge about CA 2010 for domestic-

driven businesses was higher compared to export-oriented businesses with having a lot of knowledge with respect to CA 2010.

As compared to Baseline Study 2013, across states in Malaysia, the report indicated respondents from Melaka and Perlis having zero level of awareness. The report showed that only 6.6% of total respondents were aware about CA 2010 through similar channels of business information with additional information that they obtained from trade publications. All states across Malaysia except Perak (11.8%) indicated a low knowledge level of CA 2010 (below 10%). Overall, the knowledge level of CA 2010 across states came up lower when compared with the level awareness of MyCC. Further, the report found no significant difference between domestic-driven (7.6%) and export-oriented business (6.2%) in terms of awareness level of MyCC. Also, large sized businesses having a greater knowledge about MyCC and decreases as business gets smaller as the 2013 study also reported 85.3% and 86.7% of responding for medium and large size businesses in the service sector were aware of MYCC's existence with 96.9% and 93.2% of micro and small size businesses were not aware of MyCC. However, the level of awareness does not differ significantly between domestic-driven and export-oriented businesses in both study.

CONCLUSIONS

This study provided evidence that awareness and knowledge on MyCC and CA 2010 have increased maybe due to the MyCC effort via their advocacy programme, publication, sharing the information through the website and social media. In summary, the Information Technology (IT) presents a dynamic platform for MyCC to expand their delivery method and reach the targeted community. In addition, this study help by revealed the current status to the relevant authorities to strategy plan of action or policy designed to achieve their aim.

Limitation of the Study and Recommendation

The limitation is the size of samples can classified as small due to the time constraint to complete the study. The current study provides valuable insights of the dynamism of various stakeholders in relation to competition legislature and issues in the context of Malaysia. Future research may embark on continuous data collection in order to explore further in understanding and studying the relationships and its influence.

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