

## **Factors Influencing The Involvement Of Malaysian Youth In Entrepreneurship**

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### **ABSTRACT**

This study attempts to investigate the factors influencing the involvement of Malaysian youth in entrepreneurship. A total of 200 youth entrepreneurs ages between 15 to 35 years old from various states in Malaysia are randomly selected as respondents. The influencing factors such as environment, family, financial literacy and personal characteristics have been analyzed as the predictor to the youth involvement in entrepreneurship. Descriptive analysis is used to describe the profile of the respondents, while the relationship between the predictors is tested empirically using Pearson correlation analysis, and regression analysis is employed in order to determine the most influencing factor that contribute to the youth involvement in entrepreneurship. The findings reveal that all the predictors have a positive relationship with Malaysian youth's involvement in entrepreneurship except for the financial literacy. The regression analysis also indicates that the personal characteristic of the youth is the main influencing factor that contributes to the involvement in entrepreneurship. This study is expected to motivate the youth to be entrepreneur so as to boost economic growth and lessen unemployment rate in Malaysia.

**Keywords:** Youth, entrepreneur, influencing factors

### **1.0 INTRODUCTION**

Malaysian youth's involvement in entrepreneurship is rapidly increasing because entrepreneurial activity allows them to create values and provides them with the opportunity to turn their dreams into reality. Youth entrepreneur can be defined as people whose ages range from fifteen to thirty five years old and who recognise an opportunity to create value or wealth in an existing or new enterprise, irrespective of the sector. This study will focus on the three stages of youth entrepreneurship;

the formative stage which consists of teenagers aged fifteen to nineteen years old, also known as pre- entrepreneurs, the budding entrepreneurs who consist of young adults aged twenty to twenty five years old and the emergent entrepreneurs who consist of those aged twenty six to thirty five. It has been reported that the number of unemployed registered a slight decline in May 2014 by 700 persons to 406,500 persons with unemployment rate remained unchanged at 2.9 per cent as of the previous month (Labour Force Statistics of Malaysia, May 2014). This proves that the government is on the right track to lessen the unemployment rate by allocating RM 50 million under the Graduate Entrepreneurship Fund as announced in Budget 2014. This effort by the government is to encourage graduates to venture into entrepreneurship upon graduation. In addition, in order for Malaysia to be a developed country, it needs to achieve full employment therefore they need to encourage a large number of youth to venture into business. Currently, there are a huge number of Malaysian youth entrepreneurs in various business sectors such as small medium enterprise (SMEs) . However, with the advancement in technology especially the internet, many young entrepreneurs prefer to do online business because of the flexibility it provides. Therefore, this study is motivated by the need to determine the factors of Malaysian youth's involvement in entrepreneurship.

## **2.0 PAST LITERATURE**

Environment factor is one of the influencing factors of youth involvement in entrepreneurship. Environment can be defined as an identifiable element in physical, cultural, demographic, economic, political, regulatory or technological environment that affects the survival and growth of an organization. The opportunity and support from the government may assist the youth to be successful entrepreneurs. According to Kuratko & Hodgetts (2004), the banking sector helped the growth of successful entrepreneur by providing capital for the novice. The government and agencies such as Majlis Amanah Rakyat (MARA), Tabung Ekonomi Usaha Niaga (TEKUN NASIONAL), Permodalan Usahawan Nasional Berhad (PUNB) for Bumiputera and Young Entrepreneur Fund (YEF) for Malaysians also provides loans to the public to enhance the small and medium sector of business. Other institutions such as Agro bank, SME bank, and MARA not only provides start-up loans but also education and training assistance to youth who are interested in venturing into business. However, giving loans alone may not guarantee the success of the entrepreneur especially if he does not have the knowledge in entrepreneurship. Therefore, many universities have implemented entrepreneurship education as one of the compulsory subject for students. The study done by Van der Sluis and Van Praag, (2004) revealed that the effect of general education, measured in years of schooling, on entrepreneur performance is positive. It showed the acceptance of youth towards the entrepreneurship field. The Malaysian government has also established the National Entrepreneurship Institute (INSKEN) on 12 January 2005 in order to inculcate Malaysian youth

especially Bumiputera to start a new business. Nearly 20,000 students have undergone various courses offered under this programme nationwide (INSKEN, 2010). Due to the competitive environment in the job market, graduates are also encouraged to run their own business. Today, it is good to have graduate with entrepreneur skills. These skills are associated with attributes that enable graduates to have the strength and consistency in building their own careers and be able to be innovative employers that can build wealth and create jobs (Kadderi Mat Desa, 2010).

Family can be defined as the unique bundle of resources a particular firm has because of the systems interaction between the family, its individual members and the business (Habberson and Williams, 1999). Brindley (2005) suggested that entrepreneurs start their business by using the main source of support and assistance from family and friends and they get advices from family, spouse and relatives to form their strength. Besides, family business is also one of the factors that lead the youth to involve themselves in entrepreneurship. Deman et al (2005) stated that those who found a positive view of their family's business experience perceived starting a business as both enviable and practicable. The family want their children to inherit and maintain their business as such they trained the youth in business knowledge. The family also shapes the emotional stability of youth entrepreneurs. The supportive family members are likely to motivate youth to become entrepreneurs. Siu and Martin (1992) found that it is an advantage for the youth who have supportive family especially in term of financial aids. In contrast, Thirunaukarasu (2011), concluded that parents involvement in entrepreneurship do not necessarily determine the involvement of the child in business.

Financial literacy means knowledge on how people use their money to spend, save or invest efficiently. Noctor (1992) defined that financial literacy is the ability to make informed judgements and decisions regarding the use and management of money. Prior to this matter, it can be stated that financial literacy affects individuals, households, financial institutions, and the broader economy because it is an integral part of our daily lives. By involving in business, young people can not only manage their money wisely but also obtain good opportunity to enhance their financial standing. It also revealed the attitude of youth towards financial matters. Studies done by Braunstein and Welch, (2002); Perry (2008) mentioned that it is widely accepted that most people lack the financial literacy necessary to make important financial decisions for their own best interest. The financial literacy factor is considered as one of the factors that influence youth to enter into business because having better understanding in financial literacy will result in higher confidence level to become an entrepreneur.

Entrepreneurs are developed through multiple factors and profile traits. However, not all of the traits and factors are vital in order to become an entrepreneur. As mentioned by Shapero (1975), Shapero and Sokol (1982), attitudes towards entrepreneurship depend on exogenous factors such as demographic traits, skills, culture and social and financial support. To succeed in entrepreneurship, the youth should equip themselves with sufficient knowledge. Youth are also

easily attracted to new ideas that may trigger the interest for them to be involved in business. On the contrary, Tan (1991) argued that the involvement of youth in entrepreneurship is based on their psychological characteristics. He asserted that the psychological characteristics of an individual make him/her successful in business and the characteristics are motivation towards achievement, the family socialization process, innovativeness, creativeness and initiative. Youth have their own psychological characteristics toward their future. He added that youth are easily attracted to challenges as such being involved in entrepreneurship may provide them with the necessary skills to earn money independently. Therefore, he believed that the psychological characteristic is the key for youth to venture into business. Attitude towards risk taking is entrepreneur's ability and willingness to engage in risk activity (Shane, 2003). Business and risk are closely related and characteristics such as risk taker and optimism are normally evident in the youth. A study done by Tibbits (1979) and Bird (2002) revealed that at the beginning of the business, entrepreneurs need vital characteristics such as innovativeness and the willingness to act. They must be strategic in their business plans and have a clear idea in mind of exactly what they want to achieve and how they plan to achieve it. By doing so, they can turn their dreams into reality by involving themselves in entrepreneurship. On the other hand, Schoof (2006) stated that being innovative and risk taking is not the only influencing factor for youth to get involved in entrepreneurship. Rotters (1966) opined that becoming an entrepreneur may change an individual's life which in turn could have an insightful result on their personality characteristics.

### **3.0 DATA AND METHODOLOGY**

#### **3.1 Study Design**

The study design used in this paper is more inclined towards the survey type of research.

#### **3.2 Sampling Procedures**

Sampling is the process of selecting a sufficient number of elements from the population so that the sample characteristics can be generalized to the population (Sekaran, U., Delahaye, B.L., and Cavana, R.Y., 2001). The sample method used for this study is based on convenience sampling technique. The respondent of the study consists of 200 youth respondents in Malaysia who are convenient to provide the information. The samples are taken from those ages fifteen to thirty five and currently involved in entrepreneurship. The data collection was gathered from distribution of questionnaires via online survey. In this study, a set of close ended and Likert scale questionnaire was used as an instrument for the objectives of the study. There are six sections in the questionnaire that are related to the factors that contribute to Malaysian youth's involvement in

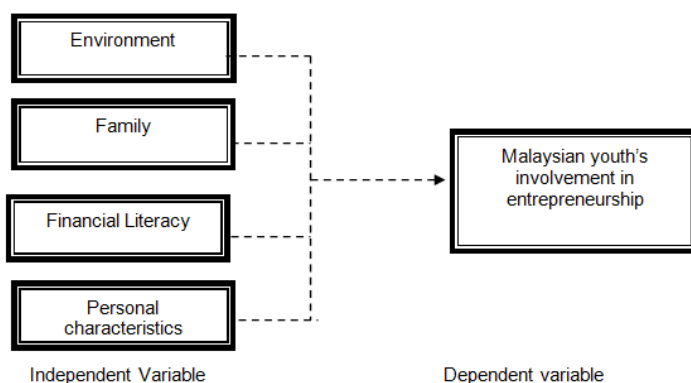
entrepreneurship. The questionnaire is divided into six (6) sections. Section A contains demographic information such as gender, marital status, age, type of business, level of education and monthly income. Section B gathers information on Malaysian youth's involvement in entrepreneurship while section C, D, E and F gather information on the predictors of Malaysian youth's involvement in entrepreneurship. All the sections except for section A used Likert scale to measure all the statements in the questionnaire (strongly agree, agree, neutral, disagree and strongly disagree.)

### 3.3 Pilot study

To test for the accuracy of the designed questionnaires, pre-testing of the questionnaires was conducted. All commentary and recommendation were measured and incorporated into the final draft of the research tools. According to Hair et al. (2010), pilot study or testing is intended to reveal errors in the design and any improper control of extraneous or environmental conditions. For the pilot study, the designed questionnaires were given to 20 youth respondents involved in entrepreneurship through online survey.

### 3.4 Theoretical framework

Based on the literature review, Malaysian youth's involvement in entrepreneurship is chosen as the dependent variable of the study while the independent variables consist of the environment, family, financial literacy and personal characteristics. Figure 1 below depicts the theoretical framework of the discipline.



**Figure1. The schematic diagram of research framework**

The research framework constructed in Figure 1 is based on past literatures. The correlation test will be employed to examine the relationship between each independent variable with the dependent variable. These four predictors will be tested individually in order to measure the level of significance and strength of correlation. Based on the research framework, the alternate hypotheses have been developed as below:

H1: There is a significant relationship between environment and Malaysian youth's involvement in entrepreneurship.

H2: There is a significant relationship between family and Malaysian youth's involvement in entrepreneurship.

H3: There is a significant relationship between financial literacy and Malaysian youth's involvement in entrepreneurship.

H4: There is a significant relationship between personal characteristics and Malaysian youth's involvement in entrepreneurship.

## 4.0 FINDINGS

### 4.1 Reliability analysis

The study conducts reliability test to ensure that the data collected are consistent in order to generate better result. Following the guide by Hair et. al., (2010), Table 1 presents a reliability test result for dependent and independent variables. The result reveals that the alpha value for all variables is above 0.6. Therefore it can be concluded that the data are highly reliable.

**Table 1 Reliability test of Dependent Variable and Independent variables**

Variables	Cronbach's Alpha	Number of items
Malaysian youth's involvement in Entrepreneurship	0.724	7
Environment	0.759	7
Family	0.777	7
Financial Literacy	0.637	5
Personal characteristics	0.674	7

## 4.2 Frequency Analysis

**Table 2 Respondent's Profile**

Category		Frequency	Percentage (%)
Gender	Female	124	62.0
	Male	76	38.0
Level of Education	Master/PhD	5	2.5
	Degree	32	16.0
	Diploma	61	30.5
	Certificate	57	28.5
	SPM	33	16.5
	Others	12	6.0
Age	15 to 20 years	53	26.5
	21 to 25 years	57	28.5
	26 to 30 years	59	29.5
	31 to 35 years	31	15.5
Marital Status	Single	46	23.0
	Married	148	74.0
	Others	6	3.0
Type of business	Sole proprietorship	95	47.5
	Partnership	81	40.5
	Private company	24	12.0
Monthly Income	RM 1000 and below	57	28.5
	RM1001 RM3000	85	42.5
	RM3001 to RM5000	44	22.0
	RM5001 and above	14	7.0

The summary of the respondents' demographic profile is shown in Table 2. Out of 200 respondents, 76 are male and 124 with the percentage of 38% and 62% respectively. For the level of education, 30.5% possess Diploma, followed by certificate holder at 28.5%, 2.5% Master/PhD degree holders, 6% degree holders, 6% Sijil Pelajaran Malaysia (SPM) holders and 6% other qualifications. In terms of age, it is divided into four categories and the result indicated that the percentage for all categories of age is almost equal. The highest number of the respondents is those in the third category (26-30 years old) and the least is 31 respondents (15.5%) in the fourth (31-35 years old) with 15.5% respondents. The first category (15-20 years old) consists of 53 respondents which indicate a percentage of 26.5% while the second category (21-25 years old) shows a percentage of 28.5%. Most of the respondents are married. This analysis also shows that for form of business, 95 of respondents (47.5%) are sole proprietors, 81 respondents (40.5%) are in a partnership business while 24 respondents (12%) operates a private limited company. The monthly income distribution indicates that 42.5% of the total respondents earn a monthly income between RM1001 to RM3000 followed by 57 respondents (28.5%) whose monthly income ranges between RM3001 to RM5000. A total of 57 respondents belong to the monthly income group below RM1001 while 14 respondents are in the RM5000 and above monthly income group.



### 4.3 Correlation Coefficient Analysis

**Table 3 Summary of Pearson Correlation**

Variables		Mean Environmental	Mean Family	Mean Financial Literacy	Mean Personal characteristics
Malaysian youth's involvement in Entrepreneurship	Pearson correlation	0.494*	0.450*	-0.064	0.600*
	Sig (2 tailed)	0.000	0.000	0.366	0.000
	N	200	200	200	200

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

Pearson correlation is used to determine the magnitude, direction and significant level of relationship between dependent and predictors. In order to measure whether the variables are significant or otherwise, the rule of thumb proposed by Hair, et al (2003) was used to characterize the strength of association between variables. Referring to Table 3, all the independent variables except financial literacy was found to be statistically significant influence on Malaysian youth's venture into business with 0.000 p-values for all variables at 0.01 significant level. The results revealed that the relationship of environment, family and personal characteristics have a moderate strength of relationship with the r- value of 0.494, 0.450 and 0.600 respectively. Therefore, hypothesis 1, 2 and 4 are accepted as influencing factors that contribute to Malaysian youth's involvement in business.

### 4.4 Multiple Regression Analysis

**Table 4 Summary of Regression Analysis**

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	1.268	.340		3.734	.000
mean environmental	.150	.065	.186	2.320	.021
mean family	.092	.060	.118	1.520	.130
mean financial literacy	-.026	.056	-.026	-.467	.641
mean personal characteristics	.475	.067	.454	7.137	.000

a. Dependent Variable: mean youth entrepreneurship



Multiple regression analysis is used as a subsequent analysis after the Pearson Correlation coefficient measure. Table 4 presents the summary of multiple regression analysis among all the independent variables that influence Malaysian youth to venture into business. Regression analysis shows a significant relationship of 0.000 p- value only for personal characteristics and environment. The Beta value for the significant independent variables is beta score 0.454 with t- value 7.137 and 0.186 beta score with t- value 2.320 respectively. However family and financial literacy do not significantly influence the Malaysian youth to be an entrepreneur. Therefore, it can be inferred that the most influencing factor that lead to Malaysian youth's involvement in business is personal characteristics.

## **CONCLUSION AND RECOMMENDATION**

Youth entrepreneurship has become a major discussion among policy makers, educators and students throughout most developing countries due to the youth's role in sustaining the country's economy. As discussed earlier, the Malaysian government, in order to create interest in entrepreneurship among youth, provides initial capital to start a venture. The government also sees this initiative as an effort to curb unemployment rate among graduates. This study seeks to investigate the factors that influence the involvement of Malaysian youth in entrepreneurship namely environment, family, financial literacy and personal characteristics. It can be concluded that the factors that significantly influence Malaysian youth's involvement in entrepreneurship is environment and personal characteristics. For the element of family and financial literacy, the study indicated that there is no significant relationship between family and financial literacy with Malaysian youth's involvement in entrepreneurship. The study also reveals that the most significant factor that influence Malaysian youth to be involved in entrepreneurship is personal characteristics. The result is confirmed in a study done by Sundar & Madhavar (2013), which stated that to become an entrepreneur, an individual should possess the entrepreneurial personal characteristics such as human relations ability, communication ability, self-confidence, energy level, thinking ability, goal setting, initiative, and risk taking. Most research done on the characteristics of today's youth or Gen Y as they are popularly known revealed that they are a generation with traits such as confidence, tech savvy, team as well as achievement oriented. Achievement oriented is one of the central qualities required to become a successful entrepreneur as such this may be the reason for youth to be interested in entrepreneurship. According to behavioural theorists, these attributes can be inculcated via education and training especially if initiated at a young age. As such, it is recommended that these behaviours be nurtured as early as the primary schooling environment. Initial awareness and education on entrepreneurship may assist in the development of characteristics vital to successful entrepreneurs. A study by Otuya et. al., (2013), concluded that entrepreneurship awareness should be created in the primary years and by secondary schooling, the students acquire the necessary characteristics of an entrepreneur. Since the

result of this study only represents a small portion of total youth in Malaysia, thus it is also recommended that further research be conducted by attempting to cover the other states in Malaysia to investigate other factors that may influence youth involvement in entrepreneurship.

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